Detroit Medical Center to be sold to for-profit hospital chain

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The Detroit Medical Center, the largest hospital system in Michigan and the state's largest provider of health care to the uninsured, will be sold to for-profit Vanguard Health Systems for $417 million in a deal announced March 19.

The sale follows months of negotiations between DMC executives, Detroit Mayor Bing, Wayne County Executive Robert Ficano and Vanguard. As part of the agreement the city of Detroit and county and state authorities are pledging to create a "renaissance zone" that will free Vanguard from virtually all taxes.

The sale of DMC is part of a national drive to subordinate every aspect of health care to the demands of private profit. It will inevitably mean that the health care safety net, already severely strained by a huge increase in the number of uninsured, will be further eroded.

The move is also part of Bing's campaign to privatize city services and downsize and depopulate broad sections of the city. Detroit Medical Center has long served as a place of last resort for those without medical insurance. Nonprofit hospitals are required to provide a certain minimum of uncompensated care and other benefits to the local communities they serve to maintain tax-exempt status.

Nashville, Tennessee-based Vanguard has purchased 15 hospitals over the past 10 years in four states, turning them into for-profit operations.

Detroit Mayor Dave Bing said he was "elated" by the agreement. "To be able to get the private sector and this organization to come together to make this kind of commitment and investment in the city of Detroit is a watershed day," Bing said. "No doubt about it."

DMC CEO Mike Duggan hailed the agreement, saying it would permit the system to compete more effectively. "The nonprofit hospital model is killing health care in the city of Detroit," he declared.

Vanguard says it will invest $850 million in capital improvements over the next five years at DMC hospitals. DMC Board Chair Steve D'Arcy called the deal, "the largest single private investment in the city's history." He said the conversion to a for-profit model would allow the DMC to compete with suburban hospitals.

The DMC operates eight Detroit-area hospitals with 1,734 licensed beds and has annual revenues of $1.9 billion. It is affiliated with the Wayne State University School of Medicine and the Barbara Ann Karmanos Cancer Institute.

Access to health care in Detroit has declined drastically over the past several decades. In 1995 there were 12 nonprofit hospitals in the city. Now there are only six, four of which are run by the DMC. In 2007, St. John Detroit Riverview Hospital closed, the only hospital on Detroit's impoverished east side.

While Vanguard says it is committed to keep all the system's hospitals open and to maintain its policies on charity care for 10 years, there is little doubt that the conversion of the DMC to for-profit status will have a serious negative impact on the delivery of health care to the uninsured and underinsured In Detroit, the poorest big city in the United States.

The largest shareholder in Vanguard is Blackstone Group, a private equity firm that has played a significant role in the restructuring and downsizing the auto parts industry.

Private equity firms like Blackstone are notorious for focusing on short term gains for wealthy shareholders, slashing jobs and shutting down less profitable operations of the companies they take over. Blackstone reported profits of $329.4 million in the fourth quarter of 2009.

The plan to sell DMC to a for-profit hospital chain evoked expressions of concern from health care professionals because of its implications for the provision of health services to the poor.

Addressing the growing national trend toward the conversion of nonprofit hospitals to for-profit entities Dr. Quentin Young, national coordinator and CEO for Physicians for a National Health Program commented, "The people who run the hospital do their best to placate the people who own the hospital. More often than not it's based on denial of care to sick people."

He continued, "Once you go for-profit, you can pretty much do whatever you want. You can limit services, you can exclude people; not in emergencies, but you can define your patient load." For-profit, or investor-owned, hospitals, he said, "aggravate intensely the shortcomings of the American health system."

The tax abatement to Vanguard for the purchase of the DMC will further starve Detroit of revenue in the face of a $300 million plus deficit. The city administration is in the midst of a drive to slash city services, including a proposal to shut down services in some of the most impoverished areas of Detroit.

As part of his proposed cuts Mayor Bing is considering the closure of the Herman Kiefer health complex in Detroit that serves some 2,000 people daily, providing the only access to poor Detroiters for vaccinations, HIV testing, substance abuse treatment and other services.

Meanwhile, Detroit Public Schools Emergency Financial Manager Robert Bobb has announced plans to shut down another 45 public schools while encouraging the expansion of charter schools.