Detroit Medical Center to outsource housekeeping in cost-cutting drive

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On Monday, about 70 employees of the Detroit Medical Center (DMC) held a picket in front of the federal court building in downtown Detroit to protest the contracting out of jobs at the facility.

DMC, the largest health care provider in southeast Michigan, with eight hospitals and more than 2,000 licensed beds, is planning to contract out more than 500 housekeeping jobs to France-based Sodexo, a giant food service and management company and a notorious low-wage employer.

The plan to contract out the jobs comes as part of a restructuring by DMC's parent, Tenet Healthcare. Tenet is the second-largest for-profit US hospital chain in terms of revenue and the third-largest in terms of number of hospitals owned.

For its part, Sodexo says it will rehire all the current housekeeping staff who successfully complete the company's "onboarding process." The company is set to take over housekeeping services on December 1.

The American Federation of State County and Municipal Employees Council 25 and the Service Employees International Union filed a suit against the DMC, alleging that management entered into the contract with Sodexo in order to avoid bargaining with the unions.

In recent years, Sodexo has been involved in several high-profile scandals. Sodexo was implicated in a case involving the serving of horse meat to British schoolchildren in 2013. The company was forced to withdraw all of its frozen beef products from its catering operations in Britain when some tested positive for horse DNA.

In 2011, Sodexo was implicated in the largest outbreak of food poisoning in Germany when some 11,200 school children in almost 500 schools and daycares were sickened by eating tainted food. The outbreak was tied to strawberries imported from a supplier in China.

In recent years, outsourcing of medical staff, housekeeping and food services has risen rapidly at US hospitals as they seek to slash costs in the face of declining reimbursement rates.

The DMC has a long history of aggressive downsizing and cost-cutting, going back to the tenure of now-Detroit Mayor Mike Duggan as CEO. Duggan oversaw the sale of the nonprofit DMC in 2010 to for-profit Vanguard Health Systems. At the time, Duggan hailed the sale of the DMC, stating that the nonprofit model was "killing" health care in Detroit. The DMC had long served as a facility of last resort for those without medical insurance.

The largest shareholder in Vanguard was private equity firm Blackstone Group, which played a significant role in the restructuring and downsizing of the auto parts industry. Private equity firms are notorious for purchasing struggling companies on the cheap, slashing jobs and costs and later reselling them for a profit. As part of the agreement, the city created a "renaissance zone" that freed Vanguard from virtually all taxes.

According to Medicare cost reports for the DMC, uncompensated care was reduced by $6.5 million, or 8.2 percent, between 2010 and 2012. Majorie Mitchell, a board member of the Coalition to Protect Detroit Health Care, said she believes that DMC has steadily reduced uncompensated care over the years. She said Vanguard had consistently hidden figures regarding charity care from public scrutiny. "There is no good way for the people of Detroit to find out how [the sale] has affected charity care. They do not show us charity care," Mitchell told *Crain's Detroit Business* .

In April 2013, DMC laid off 300 employees in preparation for millions of dollars of Medicare sequestration cuts. The job cuts represented a two percent reduction in full-time equivalent positions. In September 2014, DMC laid off 127 employees at its surgery unit in Madison Heights. While the layoffs were said to be temporary, due to flood damage, it said it did not expect to recall the affected employees for a considerable period of time.

Tenet took control of the DMC in October 2013 with its purchase of Vanguard.

Blackstone profited handsomely in the sale of Vanguard to Tenet, reaping $1.1 billion in the deal, a return of about 2.2 times its original $495 million equity investment.

For its part, Tenet has been at the center of numerous federal investigations. In 2006, Tenet entered into a $900-million settlement with the US Department of Justice in a case involving overbilling Medicare and paying kickbacks to physicians for referring patients to its facilities.

In another case, doctors at one of Tenet's California hospitals were accused of performing unnecessary heart operations.