

The University of Michigan
Regents Communication

Action Request

Subject: Sale of University of Michigan Health – West’s Sale of Its Interest in Healthbridge Skilled Nursing and Rehabilitation Center, LLC

Action

Requested: Approval to Sell University of Michigan Health – West’s Interest in Healthbridge Skilled Nursing and Rehabilitation Center, LLC

Background:

The University of Michigan, through its academic medical center and clinical enterprise, Michigan Medicine and the University of Michigan Health (collectively “UM”), serves patients from across the state and beyond through a system of care that includes important relationships with other leading health systems, hospitals, and physicians. University of Michigan Health – West (“UMHW”) in Wyoming, MI is a wholly owned subsidiary of UM.

HealthBridge Post-Acute Rehabilitation (“Healthbridge”) is a 65-bed skilled nursing and rehabilitation facility (SNF) on the campus of UMHW. In 2016, striving for more streamlined continuity of care for patients transitioning from the hospital to short term nursing or rehabilitation care, UMHW (then Metro Health) became a 49% owner in the operating company of Healthbridge, called Healthbridge Skilled Nursing and Rehabilitation Center, LLC (“Healthbridge LLC”). UMHW does not have any ownership interest in the building in which the SNF operates nor the land on which the building sits. Miko Holdings, Inc. is the 51% partner in Healthbridge LLC, and also owns the building and land. Healthbridge does not use UM or UMHW branding.

At the time of investment, the business plan for Healthbridge required 92% occupancy to essentially break even, raising concerns even at that time about the viability of the venture. Despite constant diligence regarding optimum management and operations, Healthbridge has been consistently running around 75% occupancy. Due to this, there have been several cash calls since 2019 to support operations, with the last being in December 2021 for \$343,000. UMHW’s total investment in Healthbridge including initial investment and cash calls is \$4,700,000, with more investment likely needed both in the short and long term.

Mission Point Health Care Services (“Mission Point”) currently manages Healthbridge. Mission Point also owns and operates close to 30 similar SNFs throughout Michigan and one in Nevada. Recently, Mission Point and UMHW entered into a non-binding letter of intent to purchase Healthbridge inclusive of the building, land and Healthbridge LLC for \$11,000,000 (the “Transaction”). At this time, the financial details, including any possible payment to or from UM remain subject to negotiation. The Transaction would allow UMHW to exit the venture without

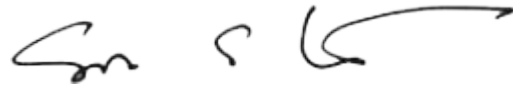
significant further financial investment, while allowing new ownership to continue to provide a quality option to UMHW patients who need SNF care.

Accordingly, we request that the Board of Regents authorize the Executive Vice President for Medical Affairs and Dean of the Medical School and the Executive Vice President and Chief Financial Officer, and such other officers as they may designate (the “**Designated Officers**”) to: (a) execute and deliver definitive agreements for the Transaction, all as approved by the Designated Officers; (b) take any other actions necessary or desirable to consummate the transactions described in this action request and in the Transaction agreements; and (c) to obtain or make, as applicable, all governmental and third-party approvals, consents, notices and authorizations that may be necessary.

Respectfully submitted,



Marschall S. Runge
Executive Vice President for Medical Affairs
and Dean of the Medical School



Geoffrey S. Chatas
Executive Vice President
and Chief Financial Officer

February 2023