

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

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

Action Requested: Approval to Sell Interest

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, Michigan is a wholly-owned subsidiary of UM. UMHW currently owns a 49% interest in Healthbridge Skilled Nursing and Rehabilitation Center, LLC (“Healthbridge”).

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 an owner in Healthbridge. 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. (“Miko Holdings”), an unaffiliated entity, is the 51% partner in Healthbridge LLC and also owns the building and land. Healthbridge does not use UM or UMHW branding.

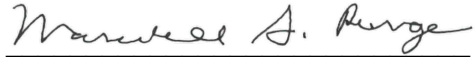
Despite continued diligence regarding optimum management and operations, Healthbridge has failed to achieve its operating and financial projections. As a result, there have been several cash calls since 2019 to support operations. Most recently, UMHW received capital calls for \$2.2 million in fiscal year 2024 and \$1.7 million for the first 6 months of fiscal year 2025.

UMHW and Miko Holdings have been evaluating strategic opportunities for Healthbridge and have received an offer from Harbor Post Acute Care, LLC to purchase Healthbridge’s assets and operations (the “Transaction”). The Transaction represents fair market value, and UMHW will satisfy any final cash requirements at closing (estimated to be approximately \$2.0 – 2.5 million). Following closing of the Transaction, UMHW would be relieved of further financial investment and will work with new ownership to support the provision of quality SNF care for patients in need.

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, Medical School



Geoffrey S. Chatas
Executive Vice President
and Chief Financial Officer

March 2025