

**THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION**

REQUEST FOR ACTION

SUBJECT: Michigan Health Corporation (MHC) Business Plan

ACTION REQUESTED: Approve the MHC FY2026 Business Plan

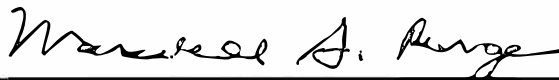
BUSINESS PLAN:

The Bylaws of MHC provide that MHC will annually submit a business plan to the Board of Regents for approval. MHC submitted its last business plan to the Board of Regents in June 2024.

The MHC Board of Directors, the MHC Sole Member Representative, and the University of Michigan Health Board, have unanimously approved the FY2026 Business Plan.

APPROVAL REQUESTED:

Approve the MHC FY2026 Business Plan.



Marschall S. Runge, M.D., Ph.D.
Executive Vice President for Medical Affairs
Chair, Chief Executive Officer & Sole Member Representative, MHC

June 2025

**Michigan Health Corporation
FY2026 Business Plan**

I. MHC OVERVIEW

Introduction

The Fiscal Year 2026 (FY2026) Business Plan for Michigan Health Corporation (MHC) provides an overview of the direction for MHC and its subsidiary organizations, as MHC begins its thirtieth year of operation. It also includes a summary of the history of MHC and highlights of FY2025 activities.

Structure and Governance

MHC is a non-profit, non-stock membership corporation solely owned and operated by the University. MHC is part of Michigan Medicine.

The MHC Board meets on a regular basis and as necessary to conduct business. As of February 28, 2025, the Board of Directors is:

Chair and Chief Executive Officer

Marschall S. Runge, M.D., Ph.D., Executive Vice President for Medical Affairs, University of Michigan, Dean of the University of Michigan Medical School and Chief Executive Officer, Michigan Medicine

Vice Chair and Chief Operating Officer

David C. Miller, M.D., President U-M Health, and Executive Vice Dean for Clinical Affairs of the University of Michigan Medical School

Treasurer

Geoffrey S. Chatas, Executive Vice President and Chief Financial Officer of the University of Michigan

Secretary

Thomas A. Finholt, Ph.D., Vice Provost for Academic and Budgetary Affairs, University of Michigan

Director

Paul P. Lee, M.D., Senior Associate Dean of Clinical Affairs of the University of Michigan Medical School

The MHC Management Committee reviews and endorses all proposed activities that are presented to the MHC Board for approval. The Committee includes key individuals from Michigan Medicine (MM), U-M Health, the University of Michigan Medical School (UMMS), MHC, and the University of Michigan (UM). This Committee is chaired by Patrick Thornton, Administrative Director for MHC, and includes the following individuals as of February 28, 2025:

T. Anthony Denton, Senior Vice President and Chief Environmental Social and Governance Officer, UMHS
Edward Jennings, Tax Director, UM
Ella Kazerooni, M.D., Professor of Radiology, UMMS
Kirk Mauck, Financial Analyst Lead, MHC
Susanne Pryce, Senior Director, Compliance Audits & Investigations, MM
Katherine Schilling, Managing Regional Associate General Counsel, UM
Drew Smith, Assistant Vice President and Treasurer, UM
Eric Strucko, Ph.D., Chief Financial Officer, MM
Patrick Thornton (Chair), Administrative Director, MHC

This Committee evaluates the business cases for new venture activities in MHC and directs due diligence activities. It monitors the financial performance of each MHC subsidiary organization and periodically reviews key milestones for larger ventures.

MHC staff members monitor the activities of the ventures on an ongoing basis and actively participate in finance and operations committee meetings for many of the subsidiary companies. Staff reviews financial statements from the ventures, monitors their activities and presents performance trend reports to the MHC Management Committee and the Board. The MHC Administrative Director also attends board meetings for several ventures, collaborates with U-M Health representatives on the venture boards, and interfaces with venture representatives to assist with problem solving to assure that venture and MHC goals are met.

MHC Subsidiary Organizations' History and Highlights of FY2025

As MHC completes its twenty-ninth year of operation, the MHC Board has approved a total of twenty-six subsidiary organizations since its activation in 1996 to support the missions and strategic plan of U-M Health and UMMS. Nineteen subsidiaries, or proposed subsidiaries, have been terminated and seven subsidiaries are operational.

Victors Care Ann Arbor has increased its membership to 1,031 members as of December 31, 2024. Its growth rate is currently constrained and there is now a waitlist for member enrollment. Victors Care has produced positive net margins that have resulted in distributions totaling \$3M. U-M Health has utilized these funds for internal programs and establishing new health care services for our communities, most recently in Ypsilanti. Construction and staffing of the Bloomfield Township office is underway with a planned opening in the first half of FY2026. Expectations are that approximately ten percent of Ann Arbor's members will switch to the Bloomfield Township which will shorten Ann Arbor's waitlist.

Michigan Dialysis Services (MDS) continued to serve patient care needs at their three sites, Ann Arbor, Livonia, and Canton. However, margins are decreasing primarily due to a decrease in patient volumes and an increase in labor costs related to market dynamics. MDS is seeking to increase patient volumes through more referrals and expanding shifts.

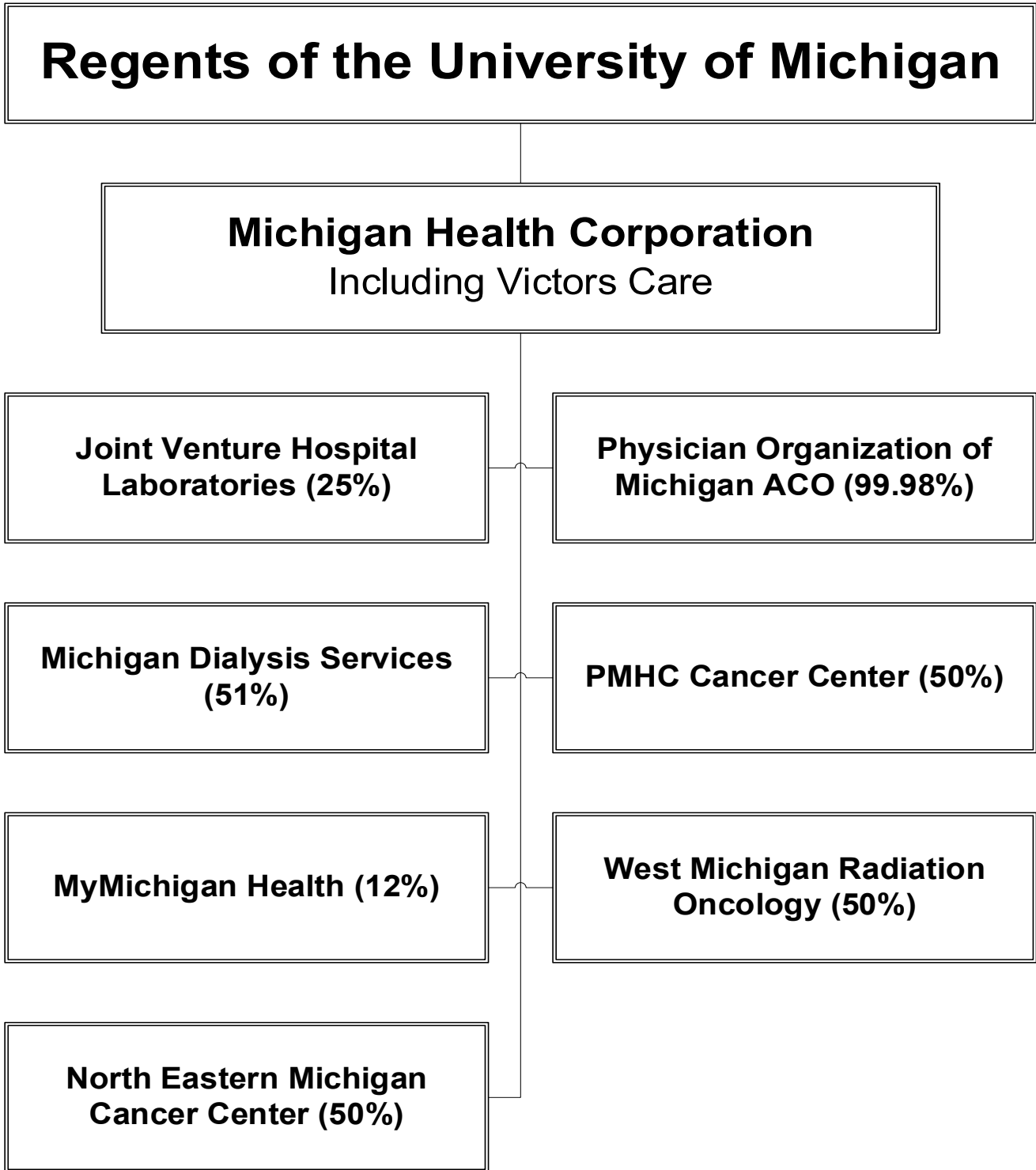
Physician Organization of Michigan ACO has been a two-sided risk model since July 1, 2019. POM ACO earned a 1.91% savings rate for the performance year 2023. This was the highest savings rate the venture has ever achieved and is encouraging improvement, especially with the ACO's new benchmark of 1.5% for 2025. POM ACO met CMS' "Qualified Participant" threshold, which earned a 5% bonus on Part B reimbursements. In June 2024, this increment totaled \$3M for Michigan Medicine. POM ACO is also continuing to engage with enterprise-wide population health initiatives in partnership with the strategy team, UMH-West, and UMH-Sparrow. They have also engaged in the facilitation and support for CMS' Improving Organ Transplant Access (IOTA) model which has been mandated for the Michigan donation service area.

MHC Subsidiary Organizations' FY2026 Plan

MHC intends to continue to operate all subsidiaries noted on the June 2025 organization chart on the next page, throughout FY2026. The MHC Board will review any potential future investment according to the authority under its bylaws.

In response to other health care changes, patient care needs, and as part of the U-M Health strategic plan, MHC will support strategies that advance health care related activities to maintain and enhance Michigan Medicine's education, research and clinical missions.

**Michigan Health Corporation Legal Structure and
Joint Venture Ownership as of June 30, 2025**



NOTE: MHC also owns Class B membership interest in Great Lakes Lithotripsy, stock in Exact Sciences Corporation, and common stock shares in Vizient, Inc.

The percentages reflect MHC’s ownership interest in the venture.

II. MHC FINANCIAL PERFORMANCE FOR FY2025 AND BUDGET FOR FY2026

The MHC Fiscal Year 2025 Projection and Fiscal Year 2026 Budget reflect each subsidiary's financial plan, MHC's financial statements, projected results of operations, and anticipated changes for the coming fiscal year. MHC expects to end FY2025 with a favorable margin of \$4.8M compared to a budget of \$3.7M. Favorable variance is due to activity at our radiation oncology joint ventures exceeding budget.

In FY2026, MHC is budgeting a favorable margin of \$3.4M. The decrease in margin for FY2026 as compared to the FY2025 projection primarily relates to startup of the Victors Care Bloomfield Township clinic and radiation oncology ventures conservatively budgeting treatment volumes in-line with long-term historical performance.

Investments Summary

Over the years, many ventures have not only repaid MHC the full amount MHC invested in the venture, but have also provided cash distributions exceeding MHC's investment. In MHC's twenty-nine years of operations, MHC's initiatives have produced a return of \$117M from \$77M in investments. This was all done within the \$45M Regent-approved authorization.

Just as the source of investment funds comes from the Michigan Medicine unit interested in pursuing the venture activity, most of the cash distributions received from the ventures are transferred to other Michigan Medicine units. MHC only keeps sufficient cash to cover operations and potential investments. The MHC cash balance is projected to be \$1.1M as of June 30, 2025.