

# The University of Michigan Regents Communication

## Request for Action

**Subject: FY27 Michigan Health Corporation (MHC) Business Plan**

**Action Requested: Approval of FY27 MHC Business Plan**

### **Background:**

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 2025.

The MHC Board of Directors, the MHC Sole Member Representative, and the University of Michigan Health Board, have unanimously approved the FY2027 Business Plan.

### **Approval Requested:**

Approve the MHC FY2027 Business Plan.

Respectfully submitted,

A handwritten signature in red ink, appearing to read "David Miller", with a stylized flourish at the end.

**David C. Miller, M.D., M.P.H.**

Executive Vice President for Medical Affairs  
CEO, Michigan Medicine

June 2026

Attachment

**Michigan Health Corporation  
FY2027 Business Plan**

**I. MHC OVERVIEW**

**Introduction**

The Fiscal Year 2027 (FY2027) Business Plan for Michigan Health Corporation (MHC) provides an overview of the direction for MHC and its subsidiary organizations, as MHC begins its thirty-first year of operation. It also includes a summary of the history of MHC and highlights of FY2026 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 June 30, 2026, the Board of Directors is:

**Chair and Chief Executive Officer**

Paul P. Lee, M.D., Chief Physician Executive, University of Michigan Medical Group, Vice Dean for Clinical Affairs, and Professor of Ophthalmology and Visual Sciences, Medical School

**Vice Chair and Chief Operating Officer**

George A. Mashour, M.D., Vice Dean for Faculty, Professor of Anesthesiology, Program Director, Anesthesiology, and Professor of Pharmacology, Medical School

**Treasurer**

Robert Hewlett, III, Interim Executive Vice President and Chief Financial Officer

**Secretary**

Thomas A. Finholt, Ph.D., Senior Vice Provost for Academic and Budgetary Affairs, Executive Vice President for Academic Affairs, and Professor of Information, School of Information

**Director**

Dana Habers, Chief Innovation Officer, University of Michigan Health

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), the University of Michigan Medical School (UMMS), MHC, and the University of Michigan (U-M). This Committee is chaired by Patrick Thornton, Administrative Director for MHC, and includes the following individuals as of March 31, 2026:

T. Anthony Denton, Senior Vice President and Chief Environmental Social and Governance Officer, U-M Health

Edward Jennings, Tax Director, U-M

Ella Kazerooni, M.D., Professor of Radiology, UMMS

Kirk Mauck, Lead Business Process Consultant, MHC

Susanne Pryce, Senior Director, Compliance Audits & Investigations, MM

Katherine Schilling, Managing Regional Associate General Counsel, U-M

Drew Smith, Assistant Vice President and Treasurer, U-M

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 FY2026**

As MHC completes its thirtieth 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. Twenty-one ventures, or proposed ventures, have been terminated and five ventures are operational.

Victors Care has reached membership capacity at the Ann Arbor location and currently has a sizeable waitlist for member enrollment. Positive results from Victors Care Ann Arbor have helped to fund current operations in their newest location in Bloomfield Township (opened early FY2026). Membership growth at the Bloomfield Township site has been faster than anticipated and preliminary work to determine if an additional site is warranted is in progress.

Michigan Dialysis Services (MDS) continued to serve patient care needs at their three sites, Ann Arbor, Livonia, and Canton. MDS had a good year with positive margins and continues to seek patient growth through expanding shifts and referrals. The venture expects to see continued increasing labor expenditures.

Physician Organization of Michigan ACO patient-care efforts resulted in significant savings for Medicare, earning shared savings. POM ACO had a savings rate of 4.7%, significantly exceeding the 2% benchmark and earning the venture \$17.1 million. The venture retained 30% to fund future operations and improvements and distributed the remainder to participating organizations of the ACO across the state, including \$2.9 million to Michigan Medicine. In addition, POM ACO met CMS' "Qualified Participant" requirements, earning a 1.88% bonus on Part B reimbursements. In June 2025, this uplift totaled \$2.1 million for Michigan Medicine. POM ACO continues to engage with enterprise-wide population health initiatives in partnership with the MM strategy team, UMH-West, UMH-Sparrow, and other participating health care partners.

MHC partners with local health care providers in radiation oncology ventures throughout the state. Partners in two of our ventures, PMHC and NEMCC, have exercised their option to purchase MHC's share of the venture. All parties are in the process of selecting a third party to value the businesses. The valuation of MHC's shares and closing of the sales are expected to be completed before June 30, 2026. Patient care is anticipated to continue at those sites after MHC's exit.

### **MHC Subsidiary Organizations' FY2027 Plan**

MHC intends to continue to operate subsidiaries as noted on the June 2026 organizational chart on the next page, throughout FY2027. The MHC Board will review any potential future investment according to the authority under its bylaws.

On December 10, 2025, MHC approved situating a first-of-its-kind standalone hearing and ear health center, operated by the Department of Otolaryngology-Head & Neck Surgery, within its structure. Detailed business planning, including launch timing, is in process.

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 to enhance Michigan Medicine's education, research, and clinical missions.

**Michigan Health Corporation Legal Structure and  
Joint Venture Ownership as of June 30, 2026**



**NOTE:** MHC also owns Class B membership interest in Great Lakes Lithotripsy, stock in Exact Sciences Corporation (sale anticipated by June 2026), and common stock shares in Vizient, Inc.

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

## **II. MHC FINANCIAL PERFORMANCE FOR FY2026 AND BUDGET FOR FY2027**

The MHC Fiscal Year 2026 Projection and Fiscal Year 2027 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 FY2026 with a favorable margin of \$8 million compared to a budget of \$3.4 million. The favorable variance is due to POM ACO earning shared savings, creating a \$6 million positive variance. Our radiation oncology ventures had a negative \$1.2 million variance, primarily due to lower treatment volumes and unfavorable payor reimbursements.

In FY2027, MHC is budgeting a favorable margin of \$3.4 million. The decrease in margin for FY2027 compared to the FY2026 projection primarily relates to the uncertainty of POM ACO earning shared savings.

### **Investments Summary**

Over the years, many ventures have not only repaid the full amount of MHC's investment but also provided excess cash distributions. In MHC's thirty years of operations, investments of \$76 million have produced a return of \$131 million. This was all done within a Regent-approved \$45-million net-investment authorization.

As most investment funds come from Michigan Medicine units interested in pursuing venture activities, most of the cash distributions received from those ventures are returned to those Michigan Medicine units. MHC only keeps sufficient cash to cover operations and potential investments. The MHC cash balance is projected to be \$2.4 million as of June 30, 2026.