



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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MEMORANDUM

DATE: September 23, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
Portfolio Management & Packaging
Amy Deprez, Project Manager
Portfolio Management & Packaging
SUBJECT: Briefing Memo – Health Care Services, Inc.
DBA Accretive Health, LLC
Standard Credit

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COMPANY NAME:

Health Care Services, Inc. dba Accretive Health, LLC
401 N. Michigan Avenue
Chicago, IL 60611

HISTORY OF COMPANY:

Accretive Health was founded in 2003 and is based in Chicago, Illinois. The company provides outsourced revenue cycle management services to hospitals and hospital systems. Its revenue cycle management service includes pre-registration, scheduling, and admissions, as well as billing, collections, and contractual compliance. The company also offers hospital managed services, provider managed services, business process outsourcing, revenue cycle management, revenue cycle process, business office outsourcing, and cash flow improvements services.

Overall in Michigan, the company employs 189 people.

PROJECT DESCRIPTION:

Accretive Health is reviewing options to develop "Centers of Excellence" and potentially consolidate facilities from Illinois, Missouri, and Florida. Two of Michigan's existing facilities are currently under consideration for expansion related to the consolidation – Detroit and Kalamazoo. If the Michigan sites are selected the project will result in 650 new jobs, of which approximately 150 will be at the Detroit location and 500 at the Kalamazoo location. The positions will pay an average weekly wage of \$611. The project will result in a capital investment of \$2.5 million, primarily in lease costs. The company will also offer health care benefits and pay a portion of the benefit costs.

BENEFITS TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 1,142 jobs in the state by the year 2015. We also estimate that the project would create total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of \$15.9 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

Alternatively, the company is considering India and Tennessee for the consolidation. Accretive Health has identified a significant cost of labor disparity between these locations and Michigan. Cost of labor is the company's most significant cost and a major determining factor for their decision. In addition, the Michigan sites require paid parking for the employees which equates to over \$300,000 annually. This is not an issue with the other sites under consideration.

STATE AND OTHER LOCAL ASSISTANCE:

The City of Kalamazoo supports the Accretive Health expansion project and has committed to a three-year 100% personal property tax abatement (PA 328); however, with an appropriate development agreement the City is willing to consider increasing that term to five years, an additional two years beyond the City's current policy. The anticipated value of this support is \$14,000.

In addition, the City of Kalamazoo will work with the company to identify appropriate parking in the downtown area to accommodate additional employee needs.

The City of Detroit is also supportive of this expansion and anticipates approval of a 100% personal property tax abatement for a period of three years.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 650 net new employees.