

Kenai Peninsula Borough

Purchasing and Contracting Department

MEMORANDUM

TO: Brent Johnson, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Peter A. Micciche, Mayor *PM*
Brandi Harbaugh, Finance Director *BH*

FROM: John Hedges, Purchasing and Contracting Director *JH*

DATE: September 28, 2023

RE: Ordinance 2023-*24*, Approving the Capital Lease Purchase of the Stryker Mako SmartRobotics System for South Peninsula Hospital (Mayor)

The Kenai Peninsula Borough, for the benefit of the South Kenai Peninsula Hospital Service Area, and South Peninsula Hospital, Inc. ("SPH, Inc.") have entered into a Sublease and Operating Agreement for the operation of South Peninsula Hospital and other medical facilities, and to provide other healthcare programs and services, on a nonprofit basis, to ensure continued availability to the service area residents.

SPH, Inc. has reported that a growing number of its total surgical knee replacement patients are leaving the service area to have their surgeries performed with a robotic system for improved outcome and satisfaction. SPH, Inc. reports over the past five years it has performed 48% of the total knee replacement surgeries for the residents of the service area.

SPH, Inc. has been offered an option to enter into a 7-year capital lease for the Stryker Mako SmartRobotics System ("Robotics System") through an implant purchase commitment with Stryker. At the end of the capital lease commitment period, the title to the Robotics System will transfer to South Peninsula Hospital Inc., on behalf of and for the sole benefit of the South Kenai Peninsula Hospital Service Area for \$1. The use of the Robotics System would eliminate the need for the navigation system, resulting in cost savings for the South Peninsula Hospital.

SPH, Inc. is requesting assembly approval to enter into a 7-year embedded capital lease for the Robotics System in anticipation of retaining its patient base for total knee replacement surgeries.

Paragraph 12(b) of the operating agreement provides that major movable equipment including associated capital improvement costing more than \$500,000 must be approved by ordinance.

Your consideration is appreciated.