

Executive Summary

Date: 11/12/2018

Re: Ultrasound Lease

In the 2019 Capital budget South Peninsula Hospital, Inc. Board ("SPH, Inc.") learned that its diagnostic ultrasound machines are 10 years old and in need of replacement as soon as possible to ensure there is no disruption in service for patients. At that time, the SPH administration planned to lease the units and did not request an appropriation of monies from Service Area Funds for 2019. After receipt of the lease/financing quotation from the vendor last week, the Finance department determined that the lease for the units must be treated as capital due to the duration of the lease payments (60 months) which are equal to the useful life of the ultrasound units themselves. The borough finance department agrees with this determination.

Due to the treatment of the units as capital, SPH must follow the traditional steps for submitting new capital to the SPH Board of Directors, the Hospital Service Area Board, and the Assembly for approval and fund appropriation.

JUSTIFICATION:

Unlike larger facilities, SPH provides multiple ultrasound exam types in a single department using two identical ultrasound units which can be used for portable exams in other areas. The equipment must produce high quality diagnostic images for cardiac, vascular, obstetrics, gynecology, and general ultrasound, making this equipment vitally important to many different patient services.

The SPH Imaging department solicited equipment demonstrations and bids from the top four ultrasound vendors offering premium level ultrasound units. Staff evaluated the images, ease of use, and quality of product among these options, as well as the service component available on the machines. All four vendors had similar units, but three of the vendors failed to demonstrate quality cardiac imaging packages. The recommendation result was to select the Phillips Epiq7, a unit that has been out for three years and is a proven platform. The Epiq7 is also used by Central Peninsula Hospital, Inc., improving our access to field engineers for the provision of service/maintenance.

This resolution would approve the use of the South Peninsula Hospital Service Area Fund for the purchase of two ultrasound units for \$375,000, through a 60-month capital lease with

Phillips. It would also approve ongoing service/maintenance for the units over 60 months in the amount of \$60,936 each.

At its regular meeting of November 28, 2018, we request that the SPH, Inc. board recommend approval of this capital expenditure.