

Contact: Andrea Anania

STRATEGIC PARTNERSHIP COMMITMENT – UNIVERSITY OF IOWA

Action Requested: Approve a ten to twenty-five year strategic partnership for diagnostic advanced digital imaging equipment and shared risk projects between the University of Iowa (SUI) and Siemens Medical Solutions (SMS).

Committed capital spend will range between \$80 - \$100 million for equipment plus an additional \$10 million investment in operational improvements by the University of Iowa Hospitals and Clinics (UIHC). Total spend under the resulting agreement will be higher when parts and services are needed.

SMS is guaranteeing a two times return on project commitments made with the University.

Executive Summary: SUI proposes to enter into a long-term strategic partnership with SMS. SUI would commit to purchase various imaging equipment from SMS for UIHC, which would enable UIHC to offer a more flexible and strategic way to provide innovative care to patients.

The partnership will create a deeper partnership with Siemens by moving beyond a simple vendor / vendee relationship to a true partnership. It would be the third of its kind in the United States and propel UIHC to become a leader in the adoption and use of high-end technology.

The partnership will have shared risk around the attainment of the proposed improvements and financial results. SMS guarantees a two times return on the investment made by UIHC up to \$10 million if results are not achieved. Both entities will co-invest where needed to achieve results.

Background: Chapter 2.2(6)(C) of the Regents Policy Manual requires that equipment costing more than \$2,000,000 must be submitted to the Executive Director for approval. At the discretion of the Executive Director, the equipment purchase may be submitted to the Board for approval.

Analysis:

Description of the Partnership / Equipment

UIHC purchases roughly \$10 million per year in high-end imaging and diagnostic equipment, which allows for detailed, high-resolution images of the human body. The proposed partnership would commit to this level of purchasing in areas including, but not limited to, ultrasounds, computed tomography (CT), and magnetic resonance imaging (MRI) equipment.

Committed capital spend would range between \$80 - \$100 million for equipment plus an additional \$10 million for projects. A joint governing committee will identify, prioritize, and approve the purchases.

The partnership will give UIHC access to preferred pricing beyond current levels as well as technological upgrades and developments as they occur. Pricing will also extend to maintenance and replacement parts.

UIHC developed a plan detailing anticipated equipment to be purchased consistent with its long-term strategic plan. The plan offers increased flexibility in the timing of acquisitions so UIHC can optimize the deployment of equipment. While this plan will serve as the foundation of the agreement, it may be altered as items, technology, and strategies evolve. Items may also be added, subtracted, delayed, or accelerated throughout the agreement.

Initial projects have already been identified as potential starting points: Radiology Optimization, Stroke Cockpit, AI Rad Companion, Real Time Location Services, Virtual Cockpit, Service Parts Cost, Control Rad, and a Simulation Center. This list of projects is not an exhaustive list of possibilities nor a commitment.

Additional information on these projects is included in the attached presentation prepared by Siemens:

1. *Key (page 1)*
 2. *Radiology Optimization (pages 2-5)*
 3. *Stroke Cockpit (page 6)*
 4. *AI Rad Companion (pages 7-9)*
 5. *Real Time Location Services (pages 10-13)*
 6. *Virtual Cockpit (pages 14-15)*
 7. *Service Parts Cost (Not detailed in the slide deck but includes potential savings for parts and labor.)*
 8. *Control Rad (pages 16-17)*
 9. *Simulation Center (pages 18-19)*
-

Justification of the Need for the Equipment

The University reports that:

- ▶ Siemens equipment is integrated throughout UIHC and has proven to provide quality equipment and cutting edge technology;
 - ▶ The partnership will enable UIHC a more flexible and strategic way to provide innovative care to patients and help ensure the latest technology is available; and
 - ▶ These projects have the ability to streamline patient care, provide innovative solutions to continue UIHC's tradition of leading the field of medical care, as well as enable solutions to be implemented quickly.
-

Any Known Alternatives to the Equipment Proposed

Through a formal competitive bid process, SUI issued a Request for Qualifications (RFQ) and received responses from the following four vendors: BDK LLP, GE Healthcare, Philips Healthcare, and Siemens Medical Solutions.

The evaluation team selected SMS based on the breadth and quality of both products and innovative services and determined that SMS is the best partner to achieve the overall objectives of UIHC.

Estimated Cost and Source of Funding

Committed capital spend will range between \$80 - \$100 million for equipment plus an additional \$10 million investment in operational improvements by UIHC.

Total spend under the resulting agreement will be higher when parts, additional equipment and services are needed. The source of funding is Hospital Earnings and Reserves funding.
