

PHILIPS

Financing Perspectives



An enterprise-
wide approach to
Lifecycle Investments



Business model innovation to optimize healthcare investments

An enterprise-wide approach to medical equipment investments is integral to business model innovation and optimization and can support CEOs and CFOs to meet their strategic priorities, healthcare budgeting while offering top-quality medicine, improving the lives of patients and employees, and achieving recognition and reputation for their hospitals.

The changing face of healthcare equipment procurement

Many pressures are combining to change the face of healthcare equipment procurement. Healthcare providers playing post-pandemic catchup are battling on various fronts, including staff shortages, rising demand for high-tech diagnostic imaging services, and the need to upgrade or renew their medical equipment base to keep pace with technological advances. Not to mention the relentless acceleration of digitalization. In search of efficiency optimization, many hospitals are responding by adapting their delivery model to a mix of

in-hospital care and out-of-hospital services for diagnostic imaging. These necessary but highly capital-intensive developments put a great strain on already tight budgets and may even introduce new cost elements to guarantee interconnection and smooth service provision. Connectivity will also be key to meet the dramatic rise for telehealth services post-pandemic. The global telehealth market size is projected to expand at a compound annual growth rate (CAGR) of 36.5% from 2022 to 2028.¹

Equipment procurement is a C-suite priority

This growing need for operational efficiency is shifting the pattern of procurement. Traditionally purchasing decisions on medical equipment were 'owned' by different heads of clinical departments. Now there is a transformation to a more corporate system of budget guidance and consultancy: the medical equipment purchasing process is now firmly on the C-suite agenda.

While cost control is top-of-mind for both the CFO and CEO, the former must maintain financial stability while the latter is tasked to ensure growth by investing in strategic initiatives for the organization as a whole. This calls for comprehensive and efficient enterprise-wide solutions to equipment lifecycle management.

Philips supports and enables healthcare providers to make strategic choices for renewing and financing capital-intensive medical equipment fleets at enterprise level.



Philips partnerships are helping many different hospitals to finance and manage multiple medical equipment assets, resulting in operational efficiencies, improved cashflow and revenues, and optimized Total Cost of Ownership (TCO) and Return on Investment (ROI).

Giving financial decision makers confidence and peace of mind that their medical equipment fleets and healthcare infrastructure match their specific financial needs and clinical operations, today and for the years ahead.

Peace of mind in the investment process

Philips Capital financing enables strategic solutions at enterprise level for healthcare providers of varying sizes. Large institutions may opt immediately for a total equipment fleet solution in a multi-year partnership. Smaller healthcare providers or new entrants may choose a modular approach that can be built on as their operations and services evolve.

Each financing partnership is structured to provide optimal transparency on the total costs of ownership, both direct and indirect costs, cash flow planning, the risks and benefits of upgrading or renewing installed base equipment.

Philips' comprehensive, vendor-neutral partnership approach is designed to guide and support hospitals in achieving optimized healthcare and business outcomes. Our flexible financing agreements are grounded in actionable data insights and sound financial advice from the specialists at Philips Capital to help care providers make confident investment decisions.

We can provide financing for both Philips and third-party healthcare solutions. So even with investment limitations, hospitals can optimize aging medical equipment. Philips Capital offers a true partnership for today's challenges and tomorrow's realities.

We felt Philips really understood the unique challenges we face at Wye Valley NHS Trust. I felt confident they can bring their wealth of experience and international expertise, but make it relevant for our department and our community.

Robert Griffiths, Radiology Services Manager Wye Valley NHS Trust

Lifecycle Investments ensure stability and enable strategic growth

Providing access to additional finance through Philips Capital and its trusted financier and bank partners



Optimizing Total Cost of Ownership (TCO): from asset acquisition through operation, maintenance, and disposal



Generating improved cash flow, revenues and ROI with immediate access to equipment with flexible financing and payment options



Ensuring financial predictability and transparency by sharing risk in agreed performance KPIs



Bringing fleet volume gains to replace recurring single-item price negotiations



Eliminating the stress of annual CAPEX approval processes



Boosting speed and efficiency in the procurement process



Enabling strong financial planning and governance



Creating the best medical equipment solution to achieve healthcare provider's strategic goals





"Philips' flexibility and willingness to work together with the Trust to fulfil our needs and benefit patients has been paramount... they have brought in creative solutions to help us meet the immense demand for diagnostic services in a challenging COVID environment. Collaboratively we have developed new ways of working and plan to continue to look at financial and operational solutions."

Dan Harding
General Manager Diagnostics,
Wye Valley NHS Trust

Partnership Best Practice: Wye Valley NHS Trust, UK

Partnering to increase diagnostic imaging capacity, improve productivity, support staff, and deliver high-quality patient experience, within a flexible equipment investment plan

Wye Valley key financial challenges

- The Trust has seen a steady increase in demand for imaging modalities, up to 10%, including up to 60% rise in demand for CT
- Staff shortages enhanced by the national shortage of Radiographers
- Significant investment required to update aging diagnostic imaging fleet across the radiology department
- Sporadic investment peaks throughout the year with suboptimal cash flow management

How we helped

The Trust established a long-term financing partnership with Philips and Philips Capital to drive excellence across the radiology services and improve clinical outcomes, while optimizing financial planning and performance

- **Fast Track Programme:**
 - Philips and the Trust identified several improvement and education projects and delivered an initial 'fast-track' programme to replace essential diagnostic imaging equipment through an attractive financial model
 - The radiology service was redesigned and completed in stages over 5 months to ensure continuity of services for patients

Services improvement, resources and training:

- Workflow optimization at the Trust has increased productivity up by 5% - 10% per year
- Service improvement program was implemented; 75 clinical staff were trained in LEAN principles to optimize patient flows

Medical equipment investment plan and payment structure:

- Philips Capital structured a financial solution to optimize value for money through matching the payment plan to the asset lives, ensuring optimal lifecycle management at the end of the agreement
- Eliminated the burden of managing multiple financing structures and combined all requirements into a transparent, predictable unitary payment model throughout the term of the partnership

Benefits of the partnership for Wye Valley

- Optimized diagnostic imaging equipment investment plan with 60% equipment replaced inside first two years
- Significant improvement in operational efficiencies with enhanced patient flows in the radiology department, patient throughput increased by minimum 4 patients per day and >98% system availability achieved
- Strengthened financial performance by increasing cash flow predictability with a flat payment structure



Financing structures for Lifecycle Investments

Healthcare Investments can be financed as operating expense or hybrid structures with a mix of finance capital and operating expenses, provided by Philips Capital. Various financing structures offer flexible payment solutions to access Philips technology and deferred payment options to meet operational needs.

Philips Capital supports healthcare providers to shift towards service-based financing models to match their capital needs and cash flow constraints.

All aimed at helping hospitals to deliver better health outcomes, improve the patient and staff experience, and lower the cost of care.

What Philips finances



Philips Healthtech

Medical technologies, devices, IT software and infrastructure, third-party equipment and more



Professional Services

Integrated services over the lifetime of the partnership



Consulting Services

Consultancy to optimize strategic performance indicators

How Philips finances

Extended Payment Terms

Right-to-own healthtech solutions and spread repayments over a longer period

Leases

Right-to-use healthtech solutions, including maintenance and services, while conserving cash

Unitary Payment Model

Bundle all costs over the life of the agreement

Pay-per-use Model

Shared-risk financing provided with Healthcare-as-a-service models

Project Financing

Tailored to project requirements, including financing for third-party equipment and software

How payments can be tailored



Equal periodic payments

Spread the cost of your healthtech investments with equal, predictable payments over time



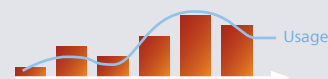
Deferred payments²

Start and execute projects up to 6 months sooner and match payments with benefits as they flow in



Stepped payments

Make payments to match your phased deployment schedule, paying only the amount planned each year



Usage-based payments

A portion of payments linked to agreed usage parameters to allow continuous improvements of your healthcare transformation



Make confident medical equipment investment decisions supported by sound financial advice

Healthcare organizations are reevaluating their care delivery infrastructure and digital readiness to provide care in the future. Technology investments fell behind due to the pandemic and must now be accelerated.

Therefore, C-suite leaders are seeking long-term strategic financing partnerships with healthtech companies to optimize medical equipment investments. These partnerships combine innovative financing models and flexible payment plans to optimize cash flow management and clinical operation outcomes, all centered around healthtech solutions, services, and related workflows.

Philips Capital partners with healthcare providers to introduce an enterprise-wide approach to medical equipment investments to create the 'Hospital of the Future' today.

Click on: **Philips Capital financing services** to discover more



1 <https://www.grandviewresearch.com/industry-analysis/telehealth-market-report>

2 Deferral Payment Program: Moratorium of up to 6 months possible, subject to credit approval on a case by case basis; offer valid for a limited time and subject to changes without notice.

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