PHILIPS

Financing Perspectives

Ownership or Usage?

How to make the best decision when financing medical technologies

As healthcare providers accelerate investments in innovative technologies, medical equipment and infrastructures to deliver the highest quality care, they must carefully consider their financing options. In an environment of constrained budgets for capital investment, choosing how to finance new technology can be as important as choosing the technology itself.

What to look for in a healthtech financing partner

Whether a healthcare provider is looking to finance to own or use its next MR, ultrasound fleet, or telehealth solution, finding the right financing partner is crucial to attain a longer-term strategic partnership to improve investment value and return. As a one-stop-shop financing service provider for Philips, Philips Capital has broad expertise in both the medical and financial challenges that care providers face. The healthtech and financing experts at Philips Capital have vast experience with various business models, financing structures, and payment terms to meet the challenges and financial goals of each healthcare facility.

Is it better to finance to own or use medical technologies?

Today, financing mechanisms have evolved towards consumption, capacity, usage-based and risk-sharing models. However, the finance decision to own or use medical equipment usually depends on the financing structure, capital position, and business strategy of the healthcare provider. **There are pros and cons to be weighed for both options.**

How to weigh up ownership versus usage financing options

Financing medical technologies on a usage-basis, through vendor leasing or Healthcare-as-a-service models

Maximize cash flows
Structure financing contracts to optimize operational cash flow and budget requirements

Maintain capital reserves
Minimize capital outlay on investment and down-payment needed to acquire complex technologies and lab/room preparation

Manage and reduce equipment maintenance costs
Bundle maintenance fees and repairs in the usage contract making costs and downtime predictable and plannable

Integrate multi-vendor systems
Include third-party products and solutions in the overall financing structures to simplify payment plans and optimize efficiencies

Stay competitive with easy upgrades and lifecycle management
Replace medical equipment after five to eight years with next-generation systems on a new contract or upgrade the original equipment within existing agreements

Right-to-own equipment at the end of the usage contract
Take ownership of equipment at end of financing contract through flexible end-of-term options

Make healthcare more sustainable
Leave all recycling and disposal activities to the financing partner at the end of the contract

Usage costs may exceed direct cash purchase cost
Continued lease or usage-based payments may exceed the cost of a direct cash purchase since usage costs are split over the long-term - although this can be addressed by leveraging end-of-term options

Financing to own medical technologies with a loan or extended payment terms from vendor, bank, or other credit institution

Reduce costs for technologies with a long lifecycle
Keep using equipment that has exceptionally long-life expectancy once the loan is fully repaid

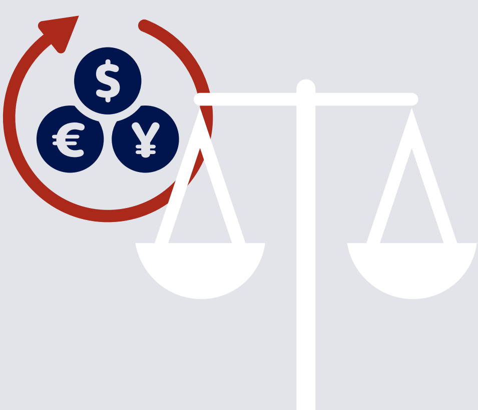
Full latitude to adapt or adjust equipment
Modify equipment without seeking external approval from financing institutions or banks

Ownership = equity
Add another high value asset to business equity once the loan is fully paid off

Pay higher upfront costs
Lenders may require a down-payment for high-tech equipment, depleting capital reserves

Risk of high repair costs
Potential for increased maintenance costs and revenue disruption on equipment without warranty guarantee

Risk of equipment obsolescence
Equipment may be outdated by the time the loan is fully repaid or have a very low resale value

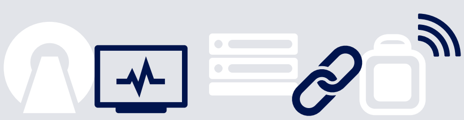


Which financing structures maximize equipment lifetime value?

In an increasingly high-tech world, healthcare providers need to procure the most advanced medical technologies to stay competitive and provide quality patient care. There are many innovative financing structures that solve a broad range of healthcare procurement issues: from hospitals requiring frequent equipment upgrades to practitioners setting up or expanding their facilities, and for all care providers facing capital constraints.

Managed Services Partnerships enable equipment suppliers and healthcare providers to share responsibility for planning and managing the complexity of medical technologies based on current and future needs. Similar to leasing models, they combine equipment, devices, maintenance and services into a flexible offering with transparent financing terms and conditions.

What Philips finances



Managed Services Partnerships
Philips healthtech solutions, 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

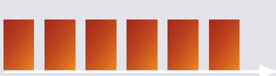
Leases
Right-to-use healthtech solutions, including maintenance and services, while conserving cash

Unitary Payment Model
Bundle all costs of the Managed Services Partnership over the life of the agreement

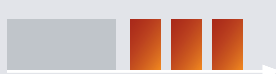
Pay-per-use Model
Shared-risk financing provided with Healthcare-as-a-service models

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

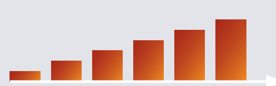
How payments can be tailored



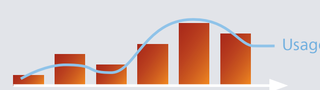
Equal periodic payments
Spread the cost of your healthtech investments with equal, predictable payments over time



Deferred payments[1]
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

Benefits of usage-based financing models for healthcare providers

Flexibility
Financing contracts can be structured to provide more lifecycle options, such as equipment upgrades, capacity management, preventative maintenance, and additional services to best serve the needs of care providers and ultimately, patients.

Simplicity
As the equipment supplier owns the equipment, payments are simply linked to usage or service-level performance indicators, and the equipment supplier also ensures high operational uptimes for the care facility.

Sustainability
The lifetime value of financed technology is maximized by sustainable management and maintenance programs integrated into financing solutions, including cost-effective upgrades or replacements and end of contract trade-ins, extending the lifecycle of the equipment.

Make the right financing decision for owning or using medical technologies

New financing structures such as Managed Services Partnerships and Healthcare-as-a-service models offer flexibility, cost efficiencies and improve sustainability in today's dynamic healthcare environment.

Usage-based financing structures demand a different kind of partnership between healthcare and financing providers. Philips Capital is a strategic partner with broad expertise in both medical technologies and high-value financing strategies to open new pathways towards healthcare transformation.

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

1 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.