

Value
Partnerships

Edition #04

White Paper

Innovative solutions for healthcare financing

Enabling the transformation of healthcare

siemens-healthineers.com/value-partnerships

Executive Summary

The use of medical technology in care pathways is expected to continue its upward trend. Accordingly, medical technology investment is expected to require an increasing proportion of healthcare providers' budgets. The pace of technological advancement can put healthcare providers in a bind: they want access to powerful diagnostic and therapeutic technologies, but they also want to avoid the financial risk of technology obsolescence after initial acquisition.

Against this background, many healthcare providers are looking to unlock "frozen" capital by shifting medical infrastructure investments from one-time capital outflows to financial arrangements that are more aligned with their projected revenue streams. A number of innovative business and financing models have thus been developed to allow healthcare providers to do so, while also retaining flexibility to upgrade technology, reduce financial risks, improve performance, gain access to medical innovations, and simultaneously unlock value that would otherwise be frozen in large capital outflows.

As a result, medical technology manufacturers need to deliver far more than just hardware and software to help healthcare providers compete in increasingly complex and competitive healthcare markets around the world. Financing services, within the context of an enduring, comprehensive agreement, are a key way to add value to partnerships with healthcare providers.

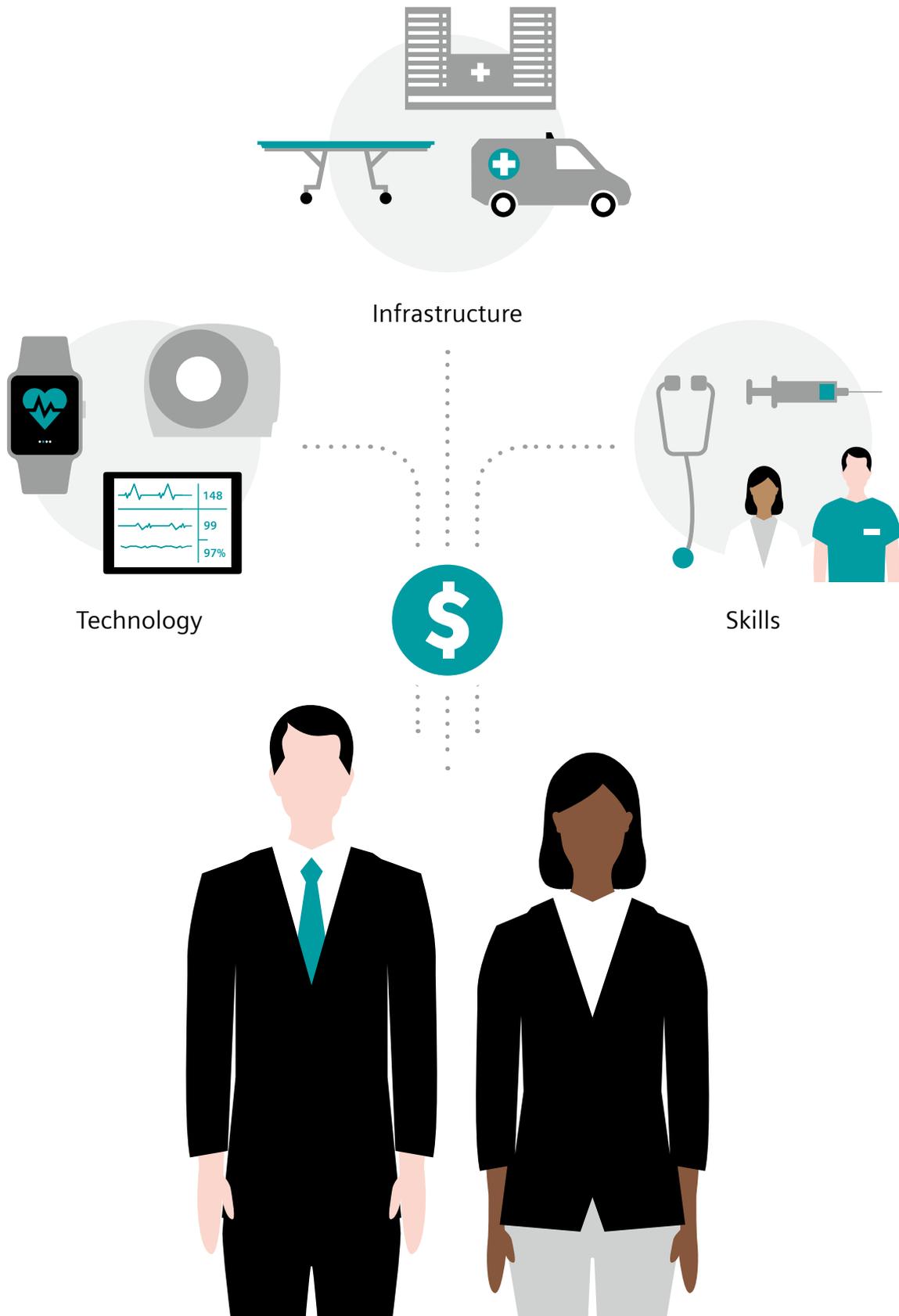
Moreover, healthcare projects in developing countries face additional challenges and opportunities, including substantial healthcare infrastructure gaps and limited access to financing sources due to the perceived credit risk. Effective healthcare partnerships enable healthcare providers in these countries to create "bankable" projects whose underlying business models result in increased efficiency and effectiveness of the healthcare infrastructure.

We at Siemens Healthineers understand this need and are uniquely positioned to support our partners by directly financing their projects or by helping them secure third-party financing. Financing is a key enabler of our Value Partnerships, long-term performance-oriented relationships between healthcare providers and Siemens Healthineers. Value Partnerships can help transform care delivery and enable healthcare providers to increase the clinical, operational and financial value they provide. By shifting financial outflows from capital expenditures to operating expenses, these partnerships can help healthcare providers unlock "frozen" capital that can be used to improve the quality and value of the care they deliver.

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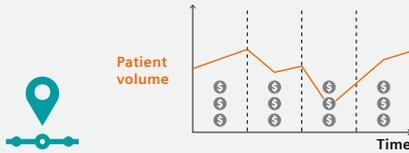
Financing is a key enabler of Value Partnerships



New business models enable new flexibility in healthcare

Financing, to healthcare providers, is a means to an end rather than the end itself. Healthcare providers are looking for partners who help them optimize their current operations, expand their capabilities, and advance the pace of innovation within their institutions. That kind of partnership can be a transformational undertaking, requiring years of effort and substantial financial investment to achieve. That's when innovative business and financial models come into the picture – they can be important enablers and accelerators of long-term transformation for healthcare providers.

Because every healthcare provider faces different pressures and opportunities, no two financing solutions are identical. Each solution needs to be custom built around the provider's specific near- and long-term context and in line with the desired risk-benefit allocation between the contracting partners. This risk-benefit profile is subsequently reflected in the payment model embedded within the financing solution. Below are examples of payment models that are typically included in larger, more complex transformational projects.



What is it?

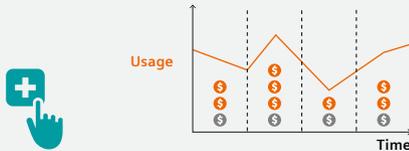
Capital investments and service fees rolled up into a regular flat fee

Who's it for?

Providers seeking long-term, predictable and fixed payments to have stable cashflows

Key advantages

- Financial stability/predictability
- Simplified vendor relationships
- Partnership with a leader in technology management



What is it?

Payment per scan/test/report

Who's it for?

Providers who prefer a balanced cashflow and are seeking a partner who partly takes over utilization risk

Key advantages

- Avoids up-front capital expense
- Allows alignment of cashflows
- Partnership with a leader in technology management

— Fixed payment
 — Variable payment

1. Unitary payment model

This is an easy-to-understand model that involves bundling equipment, maintenance, operations-related expenses, and ongoing consulting services (e.g. technology management, managed departmental operations) in single fixed payment over regular intervals. This solution is attractive for organizations that want to avoid heavy up-front capital investments. One of the key advantages of unitary payments arrangements is that they free up “frozen” capital – funds that would otherwise be tied up in technology purchases – so that it can be used to fund other important initiatives, like expanding clinical capabilities, hiring new talent, training and retaining staff, and investing in new technology to improve the quality and efficiency of care.

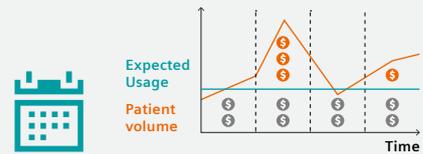
Unitary payments give healthcare providers financial predictability, allowing them to plan for sustainable growth. Additionally, a flexible partnership arrangement will allow the healthcare provider to change the scope of the contract – and thus, potentially, the regular payment amount – in order to optimize financial health while adapting to new circumstances.

2. Pay-per-use model

This is a payment model including variable payments where a healthcare provider pays a given fee per use of a medical technology asset. Cost-per-result arrangements, often seen in diagnostic laboratories, are a variation on the pay-per-use model, where healthcare providers only pay for evaluable results. Some providers prefer variable-cost models, where incoming and outgoing cash flows are aligned and operational risks are shared with medical technology manufacturers.

3. Subscription model

A hybrid between unitary and pay-per-use payment arrangements, the subscription model allows for a fixed monthly payment up to a specified volume. Additional uses beyond the contractually specified volume incur overage fees at agreed-upon rates. This arrangement provides a mix of financial predictability and flexibility to adapt to changing patient volumes.



What is it?

Fixed payments for specified volume & variable payments for overage fees at agreed-upon rates

Who's it for?

Providers who want to combine flexibility and stability

Key advantages

- Helps optimize cashflows
- May include guaranteed access to innovations at no additional software and support fee
- Partnership with a leader in technology management

4. Performance-sharing model

Simply put, performance-sharing contracts tie suppliers' compensation to the performance of a given asset or service. Upon reaching specified Key Performance Indicators (KPIs), performance-based incentives are triggered. These contracts are structured such that reaching the agreed-upon KPIs is mutually beneficial, thus encouraging the partners to pursue these goals.



What is it?

Arrangement that ties payment to predefined key performance indicators

Who's it for?

Providers seeking partners for ambitious quality and efficiency goals

Key advantages

- Having "skin in the game" ensures that partners work to continually improve performance and share operational risks
- Partnership with a leader in technology management

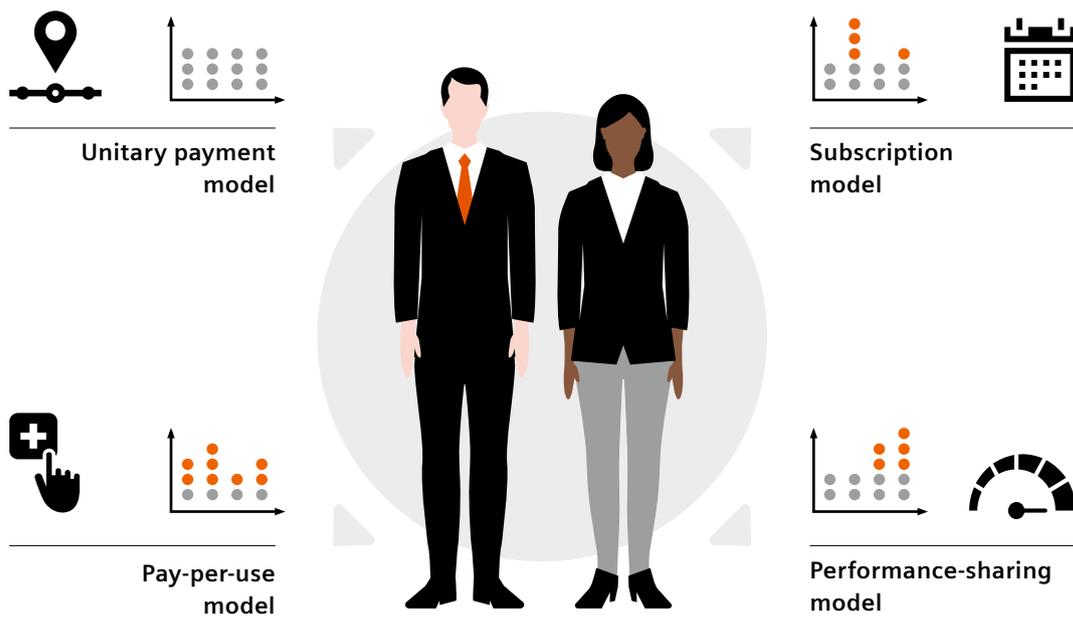
Putting it all together

The payment models described above are only a small part of the story. An effective partner has the expertise to take a deep dive into a healthcare provider's financial situation and create innovative, customized financing solutions that enable them to pursue their goal of delivering top-quality care to the patients they serve.

Sometimes special circumstances require unique solutions. Jelle Job van Bergen Bravenboer, Manager Finance and Control at Siemens Healthineers Enterprise Services, recounts an ambitious project with a long-term partner in the Netherlands: "This institution was having trouble getting financing. So we did our due diligence and came to the conclusion that they would have enough patients and treatments, and therefore enough revenue to fund the kind of expansion they needed," van Bergen Bravenboer said. "We ended up with a contract where

Siemens Healthineers financed construction of a new operating room and nuclear medicine facility, in addition to managing and financing their medical technology assets." This unitary payment model arrangement has delivered benefits to both healthcare providers and patients, who now have cutting-edge medical services much closer to home than previously.

Clearly, a technology partner that can evaluate the financial viability of a project holistically, instead of just looking at credit ratings, can be a great match for institutions with strong fundamentals. The ability to create strong partnerships and develop innovative financing solutions is thus a key cornerstone to enabling the success of healthcare providers in a variety of financial situations and geographies.



Enabling transformative growth of emerging healthcare systems

Developing countries often face special challenges when it comes to large-scale healthcare projects. Risk-averse lenders may shy away from financing these projects because of concerns over the long-term sustainability of revenue generated from new construction, technology replacement, and other capital-intensive transformations. These concerns are often misplaced, as financiers may not look deeply enough into the fundamental challenges and opportunities in such locales. On the other hand, given their deep expertise in medical technology, med tech manufacturers are uniquely positioned to take a different perspective when it comes to medical infrastructure projects. And it's worth pointing out that a strong med tech partner can view financing as a means of enabling an operational partnership, rather than the end goal, as it would be for traditional financiers.

The decision to help finance a project goes beyond a simple credit rating. "There are other fundamental aspects that are critical to the success of a partnership. Has the country strategically prioritized healthcare? Is it committed to ensuring performance of its healthcare system? This strategic commitment to the performance of the healthcare system is a key ingredient of a successful long-term partnership," said Agnes Mwangi, Global Asset Management Services Manager at Siemens Healthineers Enterprise Services.

A medical technology partner can help guide development of a robust healthcare infrastructure in developing nations. A big part of that is ensuring that

proposed solutions are right-sized for the context in that country. Mwangi describes a common challenge for healthcare provider organizations in developing countries.

"In the case of medical technology, often the wrong equipment was purchased, clinical staff has been lacking or has lacked the right skill-set, maintenance contracts were absent, hospital construction was delayed, or simply, the electrical connection was unstable. In some cases, developing countries were used as a backyard for 'dumping' outdated medical equipment. While this might sound like a disaster, in reality, these hurdles have created a substantial opportunity for Public-Private Partnerships and new business models. Through these partnerships, healthcare providers are able to tap into the deep clinical, technological, and business expertise of med tech manufacturers to develop progressive policies, embrace innovative treatment approaches, optimize resource allocation, and adopt technology faster – and through this, leapfrog some of the complexities that high-income countries have previously faced in healthcare provision," she said.

A Value Partnership can help ensure that proposed solutions are right-sized and make sense for the country's current and projected healthcare infrastructure. "One of the key things we do is to help our partners develop projects that are bankable, that will pay for themselves and make sense in the larger socio-economic context of that country," Mwangi said.

Enabling new value in healthcare through Value Partnerships

As healthcare providers continue to see value in shifting cash outflows from capital expenditures to operating expenses, Siemens Healthineers provides several compelling advantages to providers. First and foremost, Siemens Healthineers produces innovative medical technology products and services that deliver real benefits to patients. But there are additional factors specific to financing that make Siemens Healthineers an attractive partner.

Robust global footprint

Siemens Healthineers is a leading global med tech provider, with a direct footprint in 75 countries. We have extensive experience with both public and private organizations around the world, and we understand the unique challenges and pressures that apply in each country where we are doing business. That helps us design a financing solution that will enable the implementation of robust transformational development for healthcare providers. And that applies in cases where we aren't directly financing—we help our partners work with other financiers to get the right technology, services, and facilities in place. By bringing in this expertise, our Value Partnerships help healthcare providers to focus on delivering quality patient care.

According to Alexander Raiser, Global Head of Finance, Siemens Healthineers Enterprise Services, "We enable healthcare providers to realize their vision. By establishing Value Partnerships with our customers, we find the most suitable financing solutions, as required by their existing and future needs to unlock additional value."

Global tax and financial expertise

Siemens Healthineers has a global network of tax experts who can make sense of complex local/regional requirements and enable projects to proceed in compliance with all applicable regulations. "Complex financing is often driven by taxes," said Raiser. "With this global network which we can provide with legal and treasury and tax experts in the country and in

combination with headquarter experts ... there shouldn't be a problem which we are not able to solve."

In addition, Siemens Healthineers has the backing and support of Siemens Financial Services, a division of Siemens AG. This relationship gives our partners access to a unique combination of market, technical and financing expertise.



For additional insights on how financing solutions can help unlock "frozen" capital, read this recent whitepaper from Siemens Financial Services.

[new.siemens.com/global/en/products/financing/whitepapers/whitepaper-relieving-the-pressure.html](https://www.siemens.com/global/en/products/financing/whitepapers/whitepaper-relieving-the-pressure.html)

"Siemens has the unique ability to satisfy two of the most critical needs of healthcare providers: On the one hand, access to state-of-the-art technology and services, and on the other hand, a full range of financial solutions." adds Matthias Gelbe from Siemens Financial Services. "This integrated value proposition – of technology and finance from a single trusted provider – can unlock real value for the healthcare provider and create opportunities to transform their healthcare delivery in a way that other financial providers would struggle to deliver."

Beyond financing: The benefits of partnership with Siemens Healthineers

Financing is an important enabler of Value Partnerships, but the benefits of these partnerships go much deeper and are all encompassing.

“There was no certainty regarding finance, so we couldn’t be sure if we would be able to replace a CT scanner or not. We needed a flexible program of investment in medical imaging to accommodate changes in need year on year.”

Dr. Madeleine Sampson, Clinical Lead,
University Hospitals Southampton NHS Foundation, UK

A dedicated global team enables healthcare providers through long-term partnerships

20 years of experience

in management and execution of complex projects

>110 long-term contracts globally,

up to 40 years of contract duration

We serve healthcare providers on

all continents

Over 500 dedicated experts

focus globally on Enterprise Services projects



Unlocking the benefits of partnership with Siemens Healthineers

Demonstrated improvement in operational and process KPIs unlocks monetary value

Access to innovations from Siemens Healthineers and its business partners



Workflow Simulation allows you to predict the impact of operational changes in a protected, virtual 3D environment by forecasting processes and layouts with a digital twin of your institution

Cross-modality research and collaboration to advance the pace of innovation in healthcare institutions

Reduced financial risk enabled by unitary payment and performance-sharing agreements

Facility design to achieve the optimal environment for patient care through a unique combination of architectural expertise and operational medical knowledge

Case studies at a glance

**Ommelander Ziekenhuis
Groningen (OZG),
Netherlands**
Regional Hospital,
200 beds



Challenge

Improve profitability

Banks were reluctant to fund both new buildings and new equipment

Balance fixed vs. variable costs

Manage to keep capital costs low

Reduce risk & act compliantly

Mandatory regular technology service and its documentation

Solutions

- Siemens Financial Services joined forces with OZG's principal bank, ABN AMRP to finance the new hospital
- Together, both parties are investing 110 million EUR in the project
- The Value Partnership covers the installation, management, maintenance, and regular replacement of the relevant medical equipment

Value Contribution

- 58 million EUR corporate loan provided to customer
- 15 years of security for constant technology updates and upgrades for the tenure of the contract
- Financing, equipment and service from one source

**Admiraal De Ruyter
Ziekenhuis (ADRZ),
Netherlands**

Private Hospital,
500 beds



Challenge

Improve profitability

Manage the cost increases in healthcare to remain competitive and attractive

Balance fixed vs. variable costs

Handle a major investment without the need for high capital outlay

Improve quality of care

Design and build six ORs for better outcomes & optimized security of patient care

Solutions

- Design and construction of a building complex for six operating theaters, including a hybrid OR, with partner companies Engie and Jan Snel
- Under a technology Management Business model, new ORs are equipped with world-class technology standards to enable up-to-date clinical workflows over a ten-year contracting period
- Siemens Healthineers will act as lessor, leasing both the new building and the medical systems to ADRZ

Value Contribution

- 10% costs saved compared to all alternative solutions proposed in the last 5 years
- > 11.7 million EUR capital freed up through embedded financing solution for other urgently needed investments
- Consistent OR and building design for optimized patient safety and medical outcomes

“The Value Partnership gives financial security for the next ten years. This makes life a lot easier and gives energy to focus on healthcare, and that is what we really want.”

Gré Schroever, Business Manager for ADRZ, Netherlands

Conclusion

In the end, offering direct financing and/or financing guidance to partners is all about flexibility. We strive to provide our partners with financing solutions that meet their unique challenges within the context of larger socio-political, cultural, and financial dimensions.

Innovative financing models also help mitigate the risk of technology obsolescence. We can structure long-term partnerships with a built-in technology refresh, so that at the end of the contract term, our partner is not left with aged equipment (which is often the reason they initially sought the partnership).

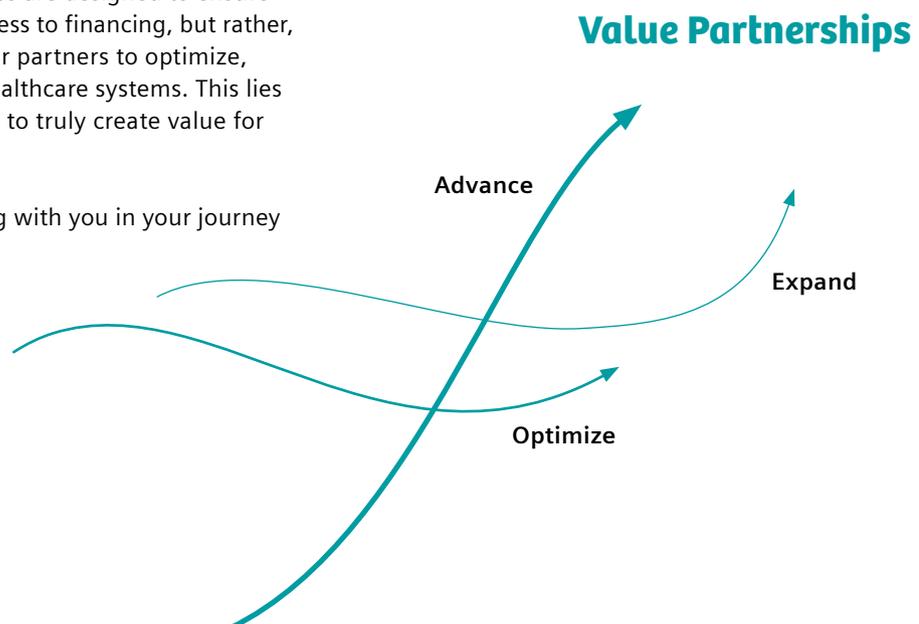
Financing is a vital part of Value Partnerships. Siemens Healthineers views financing as an enabler of these partnerships, not a revenue source. There are cases where we have more or better information compared with financial institutions because we come from a different angle – with our deep medical technology expertise, we are able to make better-informed decisions that are based on a holistic evaluation of the sustainability of a healthcare project.

The combination of medtech expertise, financial liquidity, and passion for creating value in healthcare uniquely positions Siemens Healthineers as a long-term financial partner. Our Value Partnerships are designed to ensure that we not only facilitate access to financing, but rather, that we holistically enable our partners to optimize, expand, and advance their healthcare systems. This lies at the heart of what it means to truly create value for our partners.

We look forward to partnering with you in your journey of healthcare transformation.

“Our network of legal, treasury and tax experts in our local, regional and central offices presents a vast knowledge base that we tap into for solutions.... we have been able to help our partners solve a myriad of financial challenges that they were unable to solve via traditional financing models.”

Alexander Raiser, Global Head of Finance,
Siemens Healthineers Enterprise Services



Read more from our series on Value Partnerships and how to create more value for healthcare providers:

Technology management – Healthcare enterprises continually strive to simultaneously optimize their operations, expand their capabilities, and advance innovation. Therefore, one of the most critical focus areas is the holistic management of their medical technology.

 [siemens-healthineers.com/whitepaper-technology-management](https://www.siemens-healthineers.com/whitepaper-technology-management)



Value Partnerships – These game-changers help healthcare providers meet their challenges by digitalizing and transforming care delivery while expanding precision medicine and improving patient experience.

 [siemens-healthineers.com/whitepaper-value-partnerships](https://www.siemens-healthineers.com/whitepaper-value-partnerships)



Digital twin technology – Virtualized presentations of facilities and processes – have emerged as powerful tools for healthcare providers. They can reduce the time and expense of piloting different solutions and approaches in the physical world.

 [siemens-healthineers.com/whitepaper-digital-twin](https://www.siemens-healthineers.com/whitepaper-digital-twin)



Financing models – Innovative financing models become a vital part to meet unique challenges for healthcare providers. The combination of expertise, financial solidity, and passion for creating value in healthcare separates Siemens Healthineers from other potential financial partners.

 [siemens-healthineers.com/whitepaper-financing-models](https://www.siemens-healthineers.com/whitepaper-financing-models)



Consulting services and digital transformation – How choosing the right consulting partner can help healthcare providers thrive in challenging times, unlock value and drive future-proof transformation.

 [siemens-healthineers.com/whitepaper-consulting-digital-transformation](https://www.siemens-healthineers.com/whitepaper-consulting-digital-transformation)



Siemens Healthineers Headquarters

Siemens Healthcare GmbH

Henkestr. 127

91052 Erlangen, Germany

Phone: +49 9131 84-0

siemens-healthineers.com