Short Term Financing

"Right Tool for the Right Job"

South Texas HFMA Valley Forum
Oct. 22nd, 2015

hfma south texas chapter
healthcare financial management association

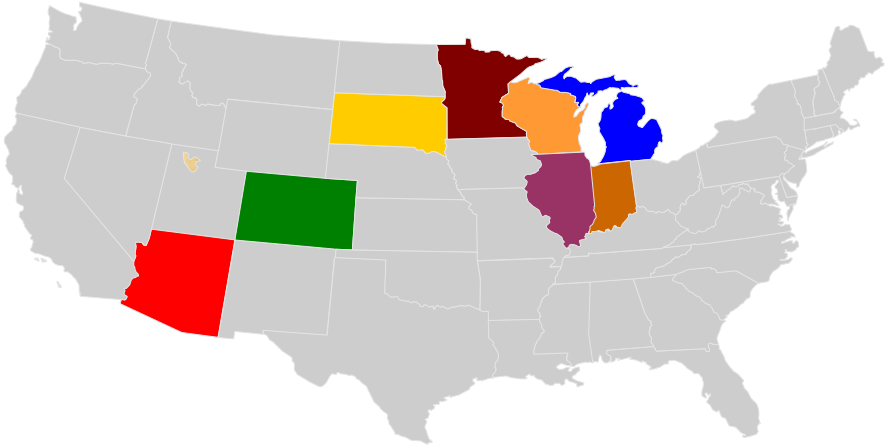
WINTHROP
Experience The Winthrop Difference

Agenda

- Winthrop Resources "Healthcare Trusted Advisor"
- Forces of Change in Healthcare
- "Ripple Effect" of Short-term Assets
- Right Tool for the Right Job

Winthrop

Corporate Profile: Subsidiary of TCF Bank



- TCF Financial Corporation (NYSE: TCB)
- $19 billion in assets
- Headquarters: Minneapolis, MN
- 439 bank branches in eight states
- Low-cost, checking & savings account deposit base

- Specialty Finance Division of TCF Bank specializing in Medical & Technology Leasing
- Vertical Focus: Healthcare
- Headquarters: Minnetonka, MN
- Founded in 1982 – 32 years in the business
- Self-Funded / Financially stable
- HFMA Peer Reviewed & Largest Independent Healthcare Financing Company

Winthrop In Healthcare: HFMA Peer Reviewed

HFMA's Peer Review process is designed to provide healthcare financial managers with an objective third party evaluation of products and services used in the healthcare finance workplace. The Peer Review process consists of a rigorous eleven-step high-level screening process by a peer review panel consisting of current customers, prospects who have not made a purchase and expert HFMA Peer Review Board members. Peer Review status approval of the product or service and its performance claims are based on the following criteria:

- Effectiveness
- Quality and usability
- Price
- Value
- Customer and technical support

Benefits to Healthcare Organizations

- Can provide a valuable time savings when doing a product search
- Broadens the search by acquainting you with products and services that may be unfamiliar
- Provides benefit from the research and trials completed by the Peer Review board
- Provides a broader picture of a product or services than internal market research can
- Separates fact from promotional fiction about a product or service
- Potentially improve patient experience by implementing a product or service that has demonstrated superior results
- Potentially improve quality of care, error prevention and other efforts

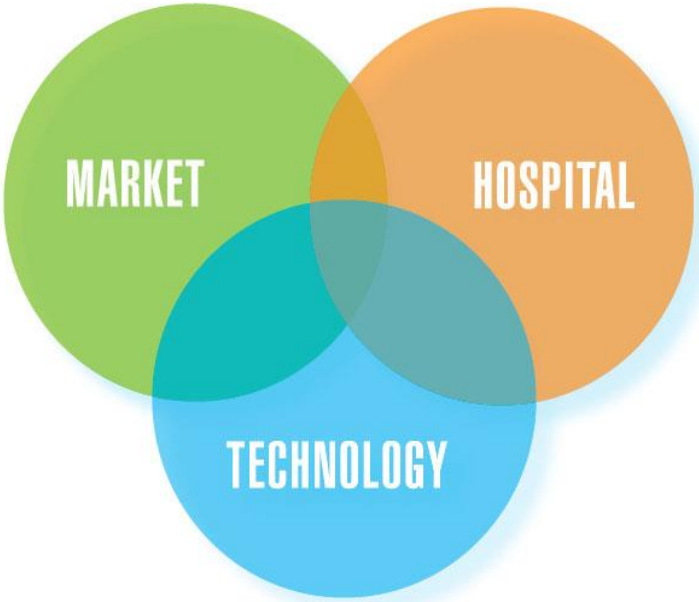
HELP!

Physician
Hospital
Radiologist
Anesthesiologist
Surgeon

Forces of Change - Healthcare

MARKET

- Security
- Regulatory/Government
  - ARRA & HITECH Stimulus
  - ICD-10
  - Political Elections
- Healthcare Reform
  - Accountable Care Organizations
  - Transform Reimbursement to Quality-Based
  - Interoperability
- Environmental
- Economy



TECHNOLOGY

- Better, Cheaper, Faster
- Disaster Recovery
- Vendor Trials/Tribulations
- Point of Care Solutions
- Digital Data Proliferation
  - Storage/Capacity
  - Access Sharing
- Data & Network Security
- Medical Imaging Advances
- Telemedicine

HOSPITAL

- Mission & Values
  - Patient Safety
  - Quality of Care
- Strategy
  - Consolidation
  - Expansion/Acquisition
- Competition
  - Provider (and Non-Provider) Organizations
  - Consumerism
  - Recruiting/Retaining Physicians
- Financial
  - Access to Capital
  - Bank Covenants
  - Days Cash on Hand
  - Bond Rating
  - Access to Capital

Understanding the "Ripple Effects" of Short Term Assets

- Certain technology assets can be affected by the introduction of other assets into the facility.

- For instance, when digital mammography is introduced into an enterprise – it affects:

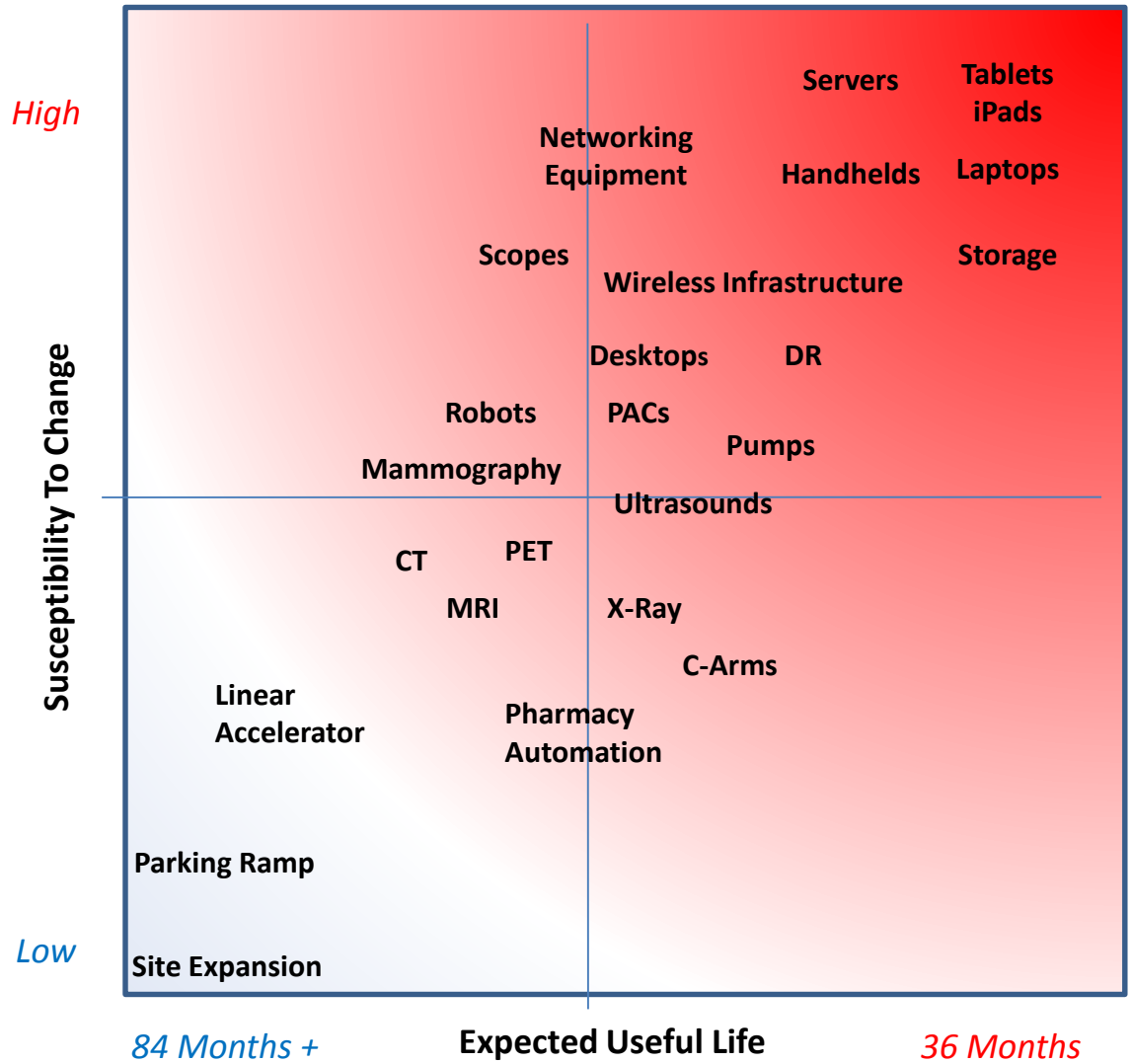
  - **Storage** – substantially more will need to be added to store the large, digital images

  - **Network** – will likely need to be increased with the additional traffic

  - **Diagnostic Workstation** - may need to be upgraded

  - **Software** – additional software to complement PACS may be needed

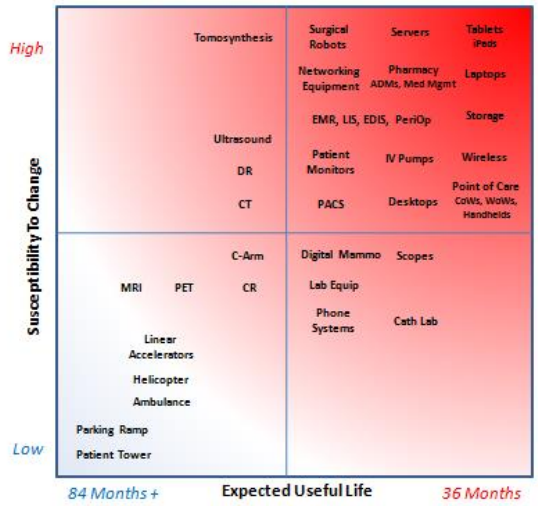
Projecting the Useful Life of Technology



"…its incumbent on healthcare's financial leaders to avoid technology potholes and drive their organizations towards financial strategies that minimize uncertainty while embracing flexibility."

- HFM Magazine, John T. Bigalke, Deloitte, LLP

Short Term Assets are Unique



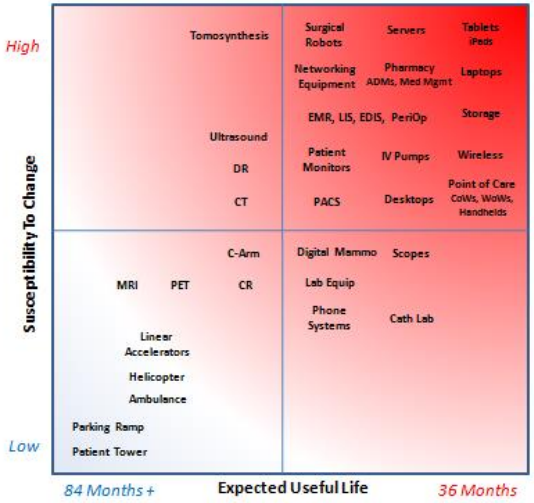
CHARACTERISTICS

- Patient Safety
- Clinical Quality
- Constant Change
- Acts Like a Consumable
- Innovation is Accelerating
- Cheaper, Faster, Better
- Rapidly Depreciating
- Maintenance Costs Multiply Over Time

STRATEGIES

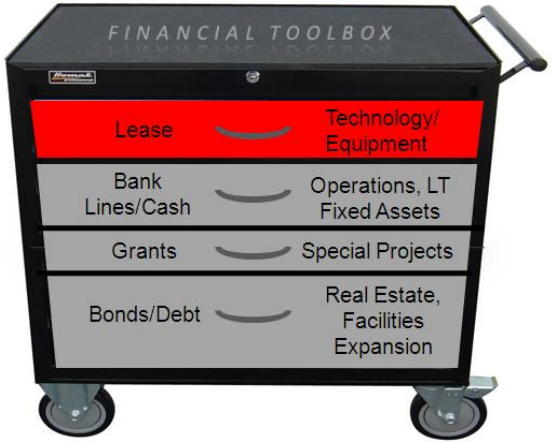
- Acquire the *right* technology today that is accretive to *mission attainment*
- Maximize Agility to respond to "Forces of Change"

The Right Tool for the Right Job



Flexible, Short-term

Fixed, Long-Term



Common Reasons "Why"

- ***Superior Economics*** – the present value of lease payments < purchase
- ***Outsource the Residual*** - ability to return & forced refresh
- ***Preserve Bank Lines & Cash*** – alternative source of capital
- ***Restructuring as change occurs*** - no book loss or pre-pay fees
- ***No Large Up-Front Capital Outlay*** – align cash flows with expenses
- ***Minimize Maintenance Costs*** – avoid escalating break/fix costs over time

The benefit of technology is realized by the *use* of the equipment, not the *ownership*