How Supply Chain Financing Brings the Healthcare Supply Chain to Scale

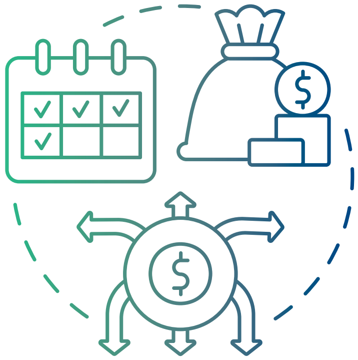
Pharmaceutical and medical product manufacturers often face an array of challenges as they attempt to grow financially and scale their business. In such a highly competitive market, it can be difficult to receive useful funding or scale in a meaningful way even if they do receive access to cash.

Global supply chain shortages have created a domino effect of issues for healthcare manufacturers. With raw material shortages for drugs and medical devices creating a bottleneck effect, about **80% of US hospitals** have reported supply shortages forcing them to seek out new suppliers.

There are moments of aid, like the HHS announcing their plan to establish a program to provide loans, grants and other types of funding to the U.S. health resources industrial base earlier this year. But how much of those funds and how they are dispersed remains outside of the hands of suppliers. Grants and loans can be inconsistent and spaced out, leading to “dry” periods for manufacturers looking to scale.

One of the most pressing questions for a manufacturer or supplier of any size is usually, “How are we going to fund our next business initiative?”

The most resourceful answer is supply chain financing.



What is SCF and How the Healthcare Industry Can Use It

Supply chain finance is a way to optimize working capital and reduce supply chain risk. Supply chain finance allows businesses to increase supplier payment terms while providing the option for their large and SME suppliers to get paid early. The buyer provides a way for suppliers to mitigate the negative impact of longer payment terms and to accelerate their own cash flow by pairing suppliers with funders who are willing to provide early payment for receivables.

The supplier can choose which receivables to submit for early payment, depending on their financial position and funding requirements. To complete the process, the buyer then pays the funder for the receivable based on the extended payment terms.

Unlike commercial-based lending, dynamic discounting or early payment programs, supply chain finance is a win-win for all parties involved. It doesn't negatively impact the balance sheet for either party and suppliers are paid the full amount due for invoices. Most importantly, the cash flow gains delivered are substantial enough to fund the kind of large-scale strategic business initiatives that often require billions of dollars in working capital.

Benefits

Manufacturers in the healthcare supply chain can have any number of initiatives that they are working towards to grow, scale and invest in themselves and others. Those initiatives are not always inexpensive and often require funding. Whether a company lacks that funding or the network necessary to bring the initiative to scale, supply chain financing can help bring about their desired changes and transformations.

Earlier Access to Payments | Early payment isn't just a selling point. Suppliers have experienced real impact and change from gaining access to cash flow earlier. Many are able to better prepare for demand increases or invest in new product innovation for the future.

Healthcare suppliers got paid 77 days early on the PrimeRevenue Platform in the last 12 months, trading on day 17, on average. These supplier took payment on more than 80% of available invoices.

Multi-Funder Structure | Although pharmaceutical or medical device companies may be able to find programs with a bank for funding, supply chain financing offers a multi-funder approach that allows companies to reward multiple mid-tier relationship banks with an opportunity to provide liquidity instead of a single bank.

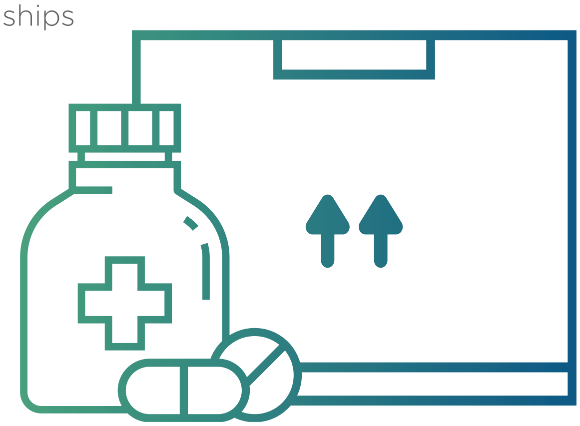
Improved Cash Flow | Manufacturers often need access to readily available cash in order to scale and grow, whether that happens via acquisitions or new innovations. Supply chain financing is able to improve a company's cash position. Better cash flow can lead to an expanded product portfolio as the company invests in new technology or acquires other manufacturers with different products.

Positive Supplier Relationships | Suppliers can struggle with access to liquidity, especially when it comes to the surges in demand that medical device manufacturers experience. Early payment at a nominal fee can often be a lifeline for suppliers, offsetting the need to borrow from banks. It also gives suppliers visibility into payment processing and invoice status, allowing them to know exactly when they are getting paid. This may seem minor, but transparency to this degree instills trust and confidence. In turn, there is a lower risk of disrupting supplier relationships while still optimizing working capital.

Increased Financial Agility | The manufacturing industry has witnessed a need for greater agility in recent years. Transformation breeds innovation and opportunity, but it also creates risk and instability. Having the financial agility to navigate new threats is critical. This is especially true for sub-investment grade suppliers and/or suppliers that want to access liquidity at lower funding costs.

SCF Helped Boston Scientific to Improve Cash Flow and Fuel Growth

As part of its long-term growth strategy, medical device manufacturer Boston Scientific invests heavily in strategic acquisitions – many of which are paid for in cash. To improve its cash position, the company turned to supply chain finance. Since implementing its supply chain finance program with PrimeRevenue, the manufacturer has gained nearly $100 million in working capital. This has helped the company expand its product portfolio through numerous acquisitions, including the acquisition of Apama Medical, a developer of atrial fibrillation technologies, for over $300 million in cash (including $175 million upfront).



About PrimeRevenue As a pioneer in global B2B payments, the PrimeRevenue SurePay Platform connects the entire supply chain by improving working capital and automating digital payments. Thousands of companies around the world leverage one streamlined platform to increase payment visibility, enhance control, and improve cash flow. PrimeRevenue is headquartered in Atlanta, with offices in London, Prague, Hong Kong, and Melbourne. For more information, visit **www.primerevenue.com**.

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