Financing Technology: It's Like Marriage Counseling

How would you rate your organization in terms of its ability to adapt quickly to the fast paced changes and uncertainty in healthcare? How are these changes impacting your business strategies? And thus, your technology strategies? What is your organization’s strategy for mitigating these risks?

Most CIO’s would agree that it is their primary responsibility to ensure the organization’s technology strategies stay aligned with the business strategies. However, business strategies are changing so quickly (for reasons beyond their control), that the underlying technology that supports those business strategies are impacted. How does he or she keep up, plan for the inevitable - obsolescence - and account for this risk?

Most CFO’s would agree that it is their primary responsibility to ensure the fiscal resources of the organization are used wisely and in such a way to support the business needs and future growth of the organization. In today’s world, that means (among other things) planning for the ever-increasing line item(s) in their capital budget called technology. As technology spending goes up, and as its critical role in the organization increases, so does the financial risk of technology obsolescence to the organization. When asked almost every CFO will tell you their organization has "an insatiable appetite for capital". Every dollar spent on technology is a dollar not available for other capital needs.

What we have here are the makings of a classic marriage counseling session: the CIO needs to spend and the CFO needs to conserve. Who is right? And how do we maintain strong alignment amidst these competing interests?

Enter technology leasing.

One of the best financial tools that has gained broad acceptance within healthcare organizations is technology leasing. Leasing technology, as opposed to using capital, affords today’s healthcare organizations many benefits:

* Re-deploy capital for strategic and growth oriented initiatives
* Lower the financial and operational risks of technology obsolescence
* Improve ROI of technology projects by matching the costs with the benefits
* Maintain alignment between the business strategies of the organization and the underlying technology needed to support it
* Maximize the value of every dollar spent on technology
* Address the strategic needs of the organization that often give way to the urgent: do more with less.

As many healthcare organizations move to the "cloud", leasing provides a similar benefit by allowing organizations to treat their technology as a utility. How many CFO's do you know that pay their phone bills or electric bills three years in advance?

There are many other reasons healthcare organizations elect to lease technology, among them:

* Strategic complement to banking relationships.
Growing healthcare organizations need multiple sources of capital to meet increasing capital demands.

* Reduce costs.
Utilizing technology beyond its useful life can lead to inefficiencies as well as increased support and maintenance costs.

* Financial Diversification.
Many organizations prefer to have technology assets off their balance sheets as that may help with debt covenants, reimbursements or bond ratings and is more consistent with how the equipment behaves.

* Liquidity.
Unlike bonds or other cumbersome long-term debt instruments, leases can often be changed overnight while avoiding the additional time and cost of attorneys and oversight committees. This offers CFO's more liquidity in their overall capital structure as well as more control over cash flows.

* The “Financial Cloud.”
The “Financial Cloud” allows end-users to pay for the use of technology without giving up control or flexibility in customizing how and where the technology services are delivered.

Former General Electric CEO Jack Welch said, “Smart companies will use any opportunity to take change and make it into a competitive advantage. A company’s fundamental strength is its ability to adapt to change, rather than predict it. Don’t hide from it, grab it and do something with it!”
As most would agree, change and uncertainty is the "new normal" in today’s healthcare marketplace. To the extent that you believe this will impact your organization's business strategies, and thus your technology strategies, it might be time to seek some marriage counseling. Leasing is a great option to consider.

Contact Joshua DeWolf, Winthrop Resources today at 952-656-7437 or jdewolf@winthropresources.com to learn more about how financing technology can boost the bottom line of your organization.