

Financing Mode and Risk Management of Healthcare Industry

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Abstract: with the improvement of income level, the demand for medical services of Chinese residents is growing rapidly, which makes the contradiction between the development demand of healthcare industry and the lack of capital sources increasingly prominent. Although the national finance has increased the financial support for the healthcare field, there is still a big gap with the development needs of the industry. At the same time, with the increasing requirements of the state for the social welfare of residents, the traditional way to obtain profits by relying on the price difference of medicine is blocked. Coupled with the decline of the price of medical services, the operating cost of medical institutions is rising. From the development trend of today's society, diversified financing has become the mainstream, and there is an urgent need to increase capital supply through market financing. As a sunrise industry, healthcare industry is related to all aspects of residents' life. It has the characteristics of large capital market capacity, high capital profit margin, large capital operation space and so on. With the continuous development of economy and the improvement of various systems, the state has strengthened the reform of the financing mechanism of the healthcare industry, so as to continuously adapt to the growing demand for medical services of residents. In the future, China's healthcare industry has great development potential. In the process of innovating the financing mode of healthcare industry, we should also pay attention to establishing and improving the internal control system of medical institutions, strengthening the risk management of financing subjects and improving the financing efficiency. Based on the current financing situation of healthcare industry, this paper analyzes the financing mode suitable for healthcare industry, and puts forward policy suggestions to strengthen risk management.

1. Introduction

There are many discussions on the connotation of healthcare industry. The usual practice divides the health industry into “service” industries (such as treatment, nursing, prevention and other services) and “product” industries (such as pharmaceutical and medical equipment). More in-depth research shows that the health industry is composed of six basic industrial groups. From the perspective of the role and functional classification of health industry, the narrow healthcare industry only refers to the industrial activities related to human health and directly related to pharmaceutical production and marketing and medical services. The broad healthcare industry is an

industrial cluster composed of service provision, financing, production, research and other functions with “health” as the core [1], including not only traditional medical services, public health service system, health financing institutions and health insurance institutions, but also industries providing health-related products and services. This paper holds that the healthcare industry is a division of labor, organization system and activities with the basic healthcare system as the core and the goal of ensuring people's health. It has the characteristics of high technical content, special market environment and remarkable social and economic benefits. From the perspective of functional orientation and service provision mode of healthcare industry, it is divided into four parts: service industry, product industry, support industry and peripheral industry. Service industry is an industry based on basic medical and public health services. It is an industrial chain organization integrating health care, medical treatment and health management with the provision of direct health services as the core. Product industry is the support of service industry, providing basic drugs and equipment for service industry; Supporting industry is a key supporting industry aimed at improving the efficiency of service industry and focusing on accelerating the development of health industry, mainly including education and training, insurance, logistics, information, finance, materials and information; Peripheral industries complement the above industries and play an important role in driving the development of related industries, mainly including sports and fitness industry, social work, social security, etc.

2. Financing Mode of Healthcare Industry

2.1 Group Mode of Chain Operation

The advantages of this model are prominent. Through the direct foreign investment and establishment of companies by public hospitals, the group operation of hospitals is realized. However, it has high requirements for the management ability and medical technology level of hospitals. It is suitable for large public medical institutions in a leading position in specific industries. How to coordinate the manpower, financial resources and patients of each chain organization, how to ensure the doctor supply, technical standards, the balance of medical resources and the use efficiency of cutting-edge equipment of each chain organization are the problems that need to be considered in this model.

2.2 Financial Leasing Mode of Medical Equipment

The financial leasing mode of medical equipment is a typical demonstration of the combination of the financial industry and the healthcare industry, that is, the lessee selects the supplier and the leased object, and the Lessor provides funds to sign a sales contract with the supplier to obtain the ownership of the leased object; A transaction mode in which the lessee signs a lease contract with the lessor, pays a certain rent, obtains the right to use the leased object and bears the risk of the leased object. After the lease expires, the lessee can choose to retain, withdraw and renew the leased object, and the contract cannot be suspended in the process of performance. The financial leasing companies engaged in medical business mainly include banks, manufacturers and independent third-party financial leasing companies. The financing modes include simple financial leasing, after-sales leaseback, leveraged leasing, manufacturer leasing and so on. This mode can avoid the risk of intangible loss of medical equipment to the greatest extent, especially for high-end medical equipment. At the same time, the funds for the purchase of medical equipment can be used for personnel training and the improvement of medical technology, so as to optimize the allocation of resources to the greatest extent. However, there are also credit risks that the lessee cannot repay the rent on time, market risks caused by changes in market prices, operational risks caused by imperfect

internal procedures and external events, and liquidity risks caused by restrictions on the second-hand market.

2.3 Equity Financing Mode with Specialty Advantages

Equity financing is a financing method that raises funds through private financing or public issuance of shares without repayment of principal and interest but requires distribution of dividends to shareholders. By selecting appropriate private placement objects and designing a reasonable transaction structure, investors make full use of their advanced management concepts and rich market operation experience to participate in the operation and management of medical institutions in the form of equity participation. The specific forms can include capital and share increase, transfer of shares by old shareholders, simultaneous capital increase and transfer, etc. When medical institutions enter a period of steady growth and good operating efficiency, they can seek public listing. For example, Changsha Aier Eye Hospital Co., Ltd., founded in 2002, has developed into a national chain Aier Eye Hospital Group Co., Ltd. through private equity and listing on the gem. The advantage of this model is that the investment threshold is low and the return potential is large. With the support of national policies, the threshold of equity investment has been greatly reduced, and it can bring considerable premium income after the listing of enterprises. In addition, this model can give full play to the advantages of risk management and realize value-added. Equity investment adopts collective investment, which can disperse risks through investment in projects at different stages and different industrial projects. Therefore, investors can not only enjoy the benefits of cost sharing, but also share the benefits of dispersing investment risks, so as to obtain value-added.

3. Risk Management and Suggestions

3.1 Legal and Normative System

The establishment and improvement of the legal and normative system of financing in the medical industry, affected by the hospital's own attributes and policy factors, the financing environment of public hospitals urgently needs to be improved. As an effective way of external financing, leasing can enable hospitals to introduce advanced equipment and realize technological upgrading through a small amount of funds [2]. China's financial leasing regulatory laws and regulations are formulated by different regulatory departments relying on their responsibilities. Due to the lack of communication and coordination between departments, the financial leasing industry lacks a complete regulatory laws and regulations system. Due to the particularity of the medical industry, the introduction of its legal norms is more challenging. With the promulgation of regulations such as the measures for the administration of financial leasing companies and the reply on the supervision of financial leasing medical devices, more targeted policy guidelines for the financial leasing medical industry are expected to be issued, which plays a positive role in improving the industry norms of financial leasing related parties, reducing industry risks and promoting the healthy development of China's medical financial leasing industry.

3.2 Early Warning System

Build a scientific, effective and reasonable risk early warning system, establish and improve the risk early warning system of the hospital, especially to maintain the integrity and safety of hospital property, strengthen the awareness of hospital internal control management, and improve the construction of hospital internal accounting system. By strengthening the capital budget, reducing the hospital operation cost, standardizing the hospital financial management system, and improving

the hospital operation efficiency and core competitiveness [3]. Credit risk is the most important risk of financial leasing enterprises in the medical industry. The indicators to measure credit risk include lease overdue ratio, dead loan ratio and capital risk ratio [4]. On the basis of following the requirements of the index setting method in the hospital management evaluation guide, medical institutions build a financial risk control index system of medical institutions, and calculate the overall evaluation score of all indicators by analyzing the financial statements and performance data of medical institutions.

3.3 Innovating the Financing Mechanism of the Healthcare Industry

Based on the practical experience of non-profit medical institutions, the priority financing strategy is conducive to enterprise capital management, cost control and risk avoidance. In the priority financing mode, internal financing is better than debt financing, and debt financing is better than equity financing[5]. At the same time, innovate direct and indirect financing modes. For example, financial leasing companies can expand the service content to comprehensive financial services such as equipment maintenance, second-hand equipment leasing, financial management, consulting and so on by integrating the financial services of the whole industrial chain of the medical system. At the same time, we will deeply integrate financial capital and industrial capital, and actively cooperate with industrial funds, insurance, securities and other platforms.

4. Conclusion

Problems in the financing of healthcare industry, such as insufficient supply of financial financing channels and unreasonable internal structure. Social financing channels account for a small proportion. Supporting policies are not implemented in place. There are many restrictions on the market financing of medical institutions, especially the relatively small scale of non-public medical institutions. There are many restrictions on financial subsidies, tax incentives, qualification access and business scope, which restrict their ability of market financing. At the same time, the financing of medical institutions lacks policy support such as interest discount and risk compensation guarantee, as well as detailed implementation measures and practical support of new financing methods. These need to improve the internal management and external monitoring of financial leasing projects. Public medical institutions are restricted by law and cannot act as collateral, resulting in low willingness of many financial institutions to lend to medical institutions and limited sources of funds. When constructing the financing structure, we should consider minimizing the capital cost and controlling the financial risk. Medical institutions should reasonably arrange the proportion of short-term liabilities and medium and long-term liabilities according to the actual capital demand, so as to optimize the financing structure of hospitals to the greatest extent. Improve various legal procedures and procedures internally, adopt market operation mode, strengthen the supervision of fund-raising, improve the internal financial review and management system of the hospital, and strengthen budget management and internal audit. For example, the quality and service risks of leased equipment are the main risks faced in the financial leasing model.

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