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Made For *life*

Canon Medical Finance

Features and Benefits of Financial Solutions

With the tremendous changes and competition occurring in medical technology today, equipment must be every institution's first consideration to stay competitive and maintain a stable financial foundation. There are basic questions facing every administrator when considering new equipment.

- How much will it cost?
- How long will it be used?
- What will be done with it after its useful life has expired?
- What will replace it?

Purchase vs Finance

An outright cash expenditure might not be the best way to proceed when acquiring new equipment. Medical equipment that will outlive its usefulness before it has been paid off is a prime reason for financing. High technology items such as CT Scanners, ultrasound equipment, X-Ray and MRI are more likely to be used for 4-7 years, after which point a hospital, imaging center or physicians' practice might want and need to upgrade. Financing prevents the facility from taking on the risks of ownership. Financed equipment can simply be turned in at the end of a lease. Owners, on the other hand, must deal with depreciation risks, and the disposal or resale of their outdated equipment.

Capital and Cash Flow

A facility's financial strength or weakness is another consideration. Financing provides additional funds, and generally there is no substantial deposit required. It's all about cash-flow. Given equipment product life-cycles and risk of obsolescence, finance rates can quickly become very attractive when compared to a cash purchase.

Financing can also impact tax and balance sheet calculations. Finance options can allow payments to be coordinated with cash flow, budget ceilings to be overcome and cash to be conserved. A provider who is diligent about making payments has access to expanded sources of capital.

Operating Lease (Fair Market Value) VS Capital Lease ($1.00)

An Operating Lease typically provides the lowest cost of use and most flexibility to meet business needs. After the initial term, the equipment can be upgraded, returned or purchased at the Fair Market Value. Lessee may also choose to renew the lease for a predetermined length of time.

Alternatively, a Capital Lease offers the option to transfer title to that asset after all payment obligations are received. The facility counts this as debt and is typically responsible for maintenance, taxes and insurance. The facility can deduct the depreciation of the equipment.

Advantages of OEM (Original Equipment Manufacturer) Lenders

OEM Lenders work in conjunction with all functional areas: e.g., sales and service departments to ensure customer satisfaction before, during and after the term of the lease. Canon is the only major imaging manufacturer with the ability to offer direct financing of their equipment.

OEM lenders understand the business you are in and how your equipment is contributing. Third party lenders know less about your equipment's capabilities, value, available upgrades, etc. They may require that the entire existing lease be paid off before a new finance agreement is begun to purchase necessary upgrades. They may use higher residual values (the portion of the new equipment value that is not financed by the customer) to lower the payments and need to charge higher buyout prices at the end of the term to recoup their losses. This higher buyout will not be evident until the end of the initial term.

Major Advantages of Financing:

- Better control over cash flow
- Leaves normal line of bank credit undisturbed
- Creates or maintains working capital for inventory, AR, and other expenses
- Allows for upgrades to old or obsolete technology
- Ability to take advantage of current depreciation allowances
- Equipment can be installed immediately maximizing cost-cutting or profit making benefits
- Allows for flexibility to meet current business needs

Major Disadvantages of Owning

- Equipment may outlive its usefulness before it is paid off
- Risk of depreciation
- Disposal of old equipment
- Re-sale of equipment at "fair market value"

Now that you've decided to finance your equipment...

Benefits of Financing with Canon Medical Finance ("CMF")

- Eliminate standard progress payment requirements for Canon equipment
- NO Documentation Fees
- Customer Controlled Acceptance-financing commences after equipment delivery and upon first clinical use
- Quick approval process & simple documentation
- No down payments are required, only one advance payment is due with the proposal (subject to credit approval). Graduated and deferred payment options available.
- Unparalleled upgrade capability offered as a seamless process in addition to minimizing the costs for de-install, shipping, rigging, downtime, etc.
- Reduced depreciation risk
- Ability to add service to lease schedule as a 0 interest pass thru cost
- CMF financing available for non-Canon assets: ie: Leasehold Improvements, IT, mammography etc.