In the past two years, we have seen global healthcare thrust into change like no other industry. As Covid-19 hit, The World Trade organization reported that, despite a 14% reduction in international trade in the first half of 2020, imports and exports of medical goods jumped by 16%.

The demands and impacts of the pandemic have been unique for global healthcare and have required both agility and speed from all areas of the business. The pandemic created a once-in-a-lifetime funding and supply chain shock for an industry that was already facing significant business model pressures. These included changing demographics and healthcare funding models, a shift to growth in emerging markets, increasing competition in generic pharmaceutical manufacturing and high R&D costs for niche, customised treatments. That shock has also rapidly increased the consumerization and digitization of healthcare and payments.

"Whether with ventilators, vaccines or other life-saving therapies, in this context we have seen healthcare treasurers play an invaluable strategic role in enabling specific business lines and products to rapidly scale production, ensure supply and manage distribution around increasingly fragile global trade routes", says Bethann Johnston.

"We have seen healthcare treasurers play an invaluable strategic role in enabling specific business lines and products to rapidly scale production, ensure supply and manage distribution"
Cashflow visibility and control need to move to the next level

The Association of Corporate Treasurers' 2021 Business of Treasury survey showed that capital and liquidity were the most important board-level topics for treasurers over the past year. While many global healthcare firms had strong cash positions going into the pandemic, treasury was once again in the executive limelight as a trusted partner, tasked with bolstering short-term reserves and longer-term funding to enable production to scale. In tighter capital markets this often meant shorter maturities and a higher cost of capital, increasing the focus on lean working capital processes.

The cashflow impacts across each division and product line have been so diverse, treasurers have needed a higher level of granularity and visibility for cash reporting and forecasting than ever before. Even those treasurers who had already invested in data and systems saw the need to enhance local capabilities to ensure truly global, near real-time, visibility. In many cases monthly or quarterly forecasts moved to weekly, with monthly cash positions moving to daily as treasurers had to manage ever-changing global cash needs.

As healthcare treasurers look to the future, mergers and acquisitions are high on the agenda with markets expecting global healthcare to drive an historic level of acquisitions. In this context, the benchmark for cashflow visibility for cash reporting and forecasting than ever before. Even those treasurers who had already invested in data and systems saw the need to enhance local capabilities to ensure truly global, near real-time, visibility. In many cases monthly or quarterly forecasts moved to weekly, with monthly cash positions moving to daily as treasurers had to manage ever-changing global cash needs.

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ESG will be part of the DNA

As countries around the world commit to increasing environmental and ethical business practices, environmental, social, and governance (ESG) initiatives are already incorporated into targets and objectives throughout global healthcare organizations. While treasury may not be leading this process, there is now a real opportunity to elevate the dialog with the executive and ensure ESG thinking becomes part of the treasury DNA.

Aside from green funding, credit facilities linked to key performance indicators (KPIs), and ESG investments, healthcare treasurers can support the broader organization by, firstly, developing the data and tools to monitor KPIs, and then by understanding the evolving ecosystems in their supply chain to find ways to contribute to local initiatives, with fintech and banking partners. By deploying these principles in supply chain finance and management as well as counterparty risk evaluation, treasurers will directly contribute to building not only diverse and robust but also responsible supply chains.

Treasury is increasingly a strategic partner

Regardless of whether your treasury model is a consultancy or an in-house bank, the rapid change and environmental challenges for the global healthcare industry mean treasury no longer operates as a back office function but as a fulcrum on which the organization can pivot. Through funding, liquidity risk and working capital management, treasurers now add value and strategically impact almost all areas of the business. Strategic thinking, stakeholder management, partnerships and communication play a vital role in every treasury initiative. Healthcare treasurers must become the preferred provider of banking and treasury services to the group, embracing new data and technology skills to partner across the organization for digital transformation while providing insight for fundamental business shifts.

In this environment, having a bank that understands the challenges, has the right global footprint and technological capabilities and investment commitment is critical. Speak to your Treasury Sales Officer about how Bank of America can support your treasury transformation.

Author

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Head of Healthcare Treasury Sales
Bank of America

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1) [https://www.wto.org/english/news_e/news20_e/covid_22dec20_e.htm](https://www.wto.org/english/news_e/news20_e/covid_22dec20_e.htm)
2) [https://www.treasurers.org/hub/research/business-treasury-2021](https://www.treasurers.org/hub/research/business-treasury-2021)

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