

A Prescription for Healthcare Treasury: *How AI can accelerate healthcare treasury management*

The healthcare industry continues its rapid evolution as emerging, disruptive technologies transform the health and wellness space. This in turn is impacting how treasury organizations are supporting strategic objectives. Today's healthcare industry is more globalized than ever before, leading to an increase in merger and acquisition (M&A) activity, particularly in biopharma, which is projected to see health-tech investments of approximately \$1.2 trillion through 2025.¹

The increase in M&A activity, as well as advances in research and development (R&D), has treasury organizations focused on liquidity with the goal of better managing capital. Technology innovation is driving major change as big technology players continue to

transform the landscape and generative artificial intelligence (gen AI) is being used to create precision medicines and tailored gene therapies, which hold the potential for better health outcomes. Revenue from such treatments is likely to reach \$175 billion by 2030.²

GLP-1 drugs to treat conditions such as diabetes and obesity are creating huge opportunities for growth. The latest projections show a market size of \$71 billion by 2032, which holds the potential of dramatically altering the wellness market.³

¹ Iqvia | Biopharma outlook – Source: <https://www.iqvia.com/blogs/2024/01/biopharma-m-and-a-outlook-for-2024>

² Precedence Research - <https://www.precedenceresearch.com/precision-medicine-market>

³ Deloitte | Can - offshoring - help - health - systems - bulk - up - thin - margins - Source: <https://www2.deloitte.com/us/en/blog/health-care-blog/2023/can-offshoring-help-health-systems-bulk-up-thin-margins.html>



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All of these trends are leading healthcare finance leaders to focus on costs as a key priority. Seventy percent of CFOs were worried about cost pressures on healthcare systems due to soaring labor costs and high interest rates.⁴ These leaders are increasingly looking toward outsourcing functions and adopting digital models to drive efficiencies and achieve savings.

As healthcare organizations increasingly rely on innovative business models to grow their footprints globally, achieving healthcare equity also remains top-of-mind. The industry faces the challenge of making healthcare affordable and accessible to underserved populations, which represent more than 50% of the world's population.⁴

As a result of all of these factors, treasury organizations are under pressure to explore future payment models in order to meet the evolving needs of their businesses.

The convergence of health, technology and the consumer

The healthcare industry of today is substantially different from that of only a few years ago. Technology and consumer demand are converging to progressively influence more personalized, preventative, and convenient experiences. Today, many patients are receiving care either at home through telehealth services or in retail settings. Healthcare-tech is also exploding as clinical-grade devices and consumer devices are fast becoming indistinguishable in their capabilities. For example, smart watches can provide EKG functions and are soon expected to measure blood pressure and may eventually indicate glucose levels. This has led a number of tech titans to enter the healthcare space.

Venture capital is flocking to the healthcare marketplace. In 2022, venture capital investment in healthcare reached \$73 billion.⁵ With this kind of capital flowing in, the potential for disruption is even greater.

Increasing focus on proactive and preventative medicine

With major advancements in testing and treatments, the healthcare industry is increasingly focused on treating problems earlier, oftentimes before symptoms appear. Innovations, such as liquid biopsies, hold the potential to detect cancer before it can spread, making treatment and cure possible. Similarly, tests for specific proteins hold the promise of revealing dementia even before symptoms develop, offering opportunities for earlier treatment.

As costs around DNA testing continue to fall, advances in polygenic risk scoring will continue to open the door to assessing the risk of conditions individuals may be predisposed to, allowing doctors to be more proactive and intervene earlier. As previously mentioned, GLP-1 development is growing rapidly and holds the promise of profoundly improving treatment of diabetes, kidney disease, cardiovascular disease, geriatric issues, and obesity, helping to increase a healthy lifespan as the global population ages.

⁴ Philips | Global access to healthcare - Source: <https://www.philips.com.sg/a-w/about/news/archive/standard/news/press/2022/20221129-10-things-to-know-about-global-access-to-healthcare.html>

⁵ Source: Pitchbook

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Global Head of Digital Assets, Citi Treasury and Trade Solutions

A focus specifically on women’s health is another area that is attracting a lot of attention, and investments. Existing inequities in the quality of care for women and minority populations are attracting innovative technology developments that bode well for the future.

Artificial intelligence is already making waves

Artificial intelligence (AI) is already making an impact across the healthcare industry. On the clinical side, AI is being used as a powerful tool for advancing research and development for new pharmaceutical and biomedical treatments. This technology is cutting the time and cost of creating breakthrough therapies.

AI is also being applied to the improvement of healthcare administration, which has long been the bane of the industry. A recent study found that 36% of U.S. clinicians spend more than half their time on administrative tasks.⁶

Implications for healthcare treasury

As the healthcare industry continues to transform, payments and cash flows are, out of necessity, evolving in response. In today’s digital economy, businesses of all kinds are facing the need to be prepared to take advantage of real-time, 24/7 payment flows. This is made more complex when treasury organizations must factor in cross-border payment and liquidity needs. Fortunately, emerging payment technologies are solving these types of problems.

For large healthcare organizations that have treasury operations around the world, being able to optimize liquidity is critical for effective working capital management. The emergence of digital asset solutions is helping solve the problem of trapped liquidity due to misaligned cutoff times and a lack of visibility, which hampers cash forecasting.

⁶Citi Global Insights Source: <https://www.citigroup.com/global/insights/global-insights/ai-in-healthcare-health-administration->

Such solutions rely on distributed ledger technology to ensure synchronization of cash flows. Treasury can use tokenized funds to move cash in real time, reducing risk, enhancing security, facilitating always-on infrastructure, and enabling programmability and automation.

These innovative solutions are just a few of the invaluable options that are meeting the evolving needs of healthcare treasury organizations today, and are setting the stage to tackle tomorrow's needs as well. Advancements in medicine and treatment options are revolutionizing care, while next-gen payment solutions are doing the same for managing liquidity.

Alongside liquidity management, working capital is an emerging area of focus for healthcare companies. In a recent survey conducted with over 130 healthcare clients, a resounding 60% chose working capital optimization as the key treasury fundamental to prioritize for the year. This represents a real shift in the treasury priorities of healthcare companies and is something that Citi is acutely focused on to support clients as they navigate the next phase of optimization.

The future of the healthcare industry is filled with tremendous promise. A banking provider that understands the nuances of the healthcare industry is essential to help you navigate your treasury and commercial journeys in this rapidly evolving industry. ■

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Adam Spielman
Global Head of Health and Consumer at Citi Global Insights

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