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The ongoing spread of the coronavirus disease (COVID-19) and its fallout present new risks to companies that offer securities for sale, including healthcare entities. This article highlights some COVID-19 risk factors that may be relevant to potential investors in an ambulatory surgery center (ASC) offering to investors.

IN DEPTH

Companies that offer securities for sale, including healthcare entities, typically provide a customized list of risk factors to potential investors. The ongoing spread of the coronavirus disease (COVID-19) and its fallout present new risks. Some of these risks are general, and some are specific to geographic location and healthcare providers.

Potential COVID-19 risks in connection with ambulatory surgery center (ASC) offerings to physicians are not boilerplate. The risks applicable to a specific entity must be considered from the perspective of a potential investor (who may be a physician or otherwise). Here are some COVID-19 risk factors that may be relevant in an ASC offering:

- The spread of COVID-19 poses a risk of supply chain disruption. An ASC may have to delay or cancel surgical procedures if it cannot timely obtain the
• Implants, drugs and other surgical supplies required.

• Patients may delay or cancel surgical procedures if they fear that visiting the ASC (or related hospital or medical office building locations) might expose them to COVID-19.

• Self-quarantine or actual viral health issues may result in physician or staff shortages. Physicians and staff also may be diverted to assist with COVID-19 patients.

• Regional quarantines or shut-down of public transportation may result in delayed or cancelled surgical procedures.

• COVID-19 may be spread through encounters at the ASC.

• Lawsuits may be filed in relation to COVID-19 issues at the ASC.

• ASCs may face increased costs from continual heightened sanitation efforts.

• COVID-19 is a public and political crisis, and unknown disruptions may occur.

• A prolonged economic downturn from the negative effects of the virus could result in job loss, loss of private insurance coverage, and reduced demand and reimbursement for ASC procedures.

• Many COVID-19 losses may not be mitigated by reducing expenses. ASC overhead (loan interest, rent, salaries) cannot be readily reduced.

• Centers for Disease Prevention and Control or state-mandated healthcare protocols may require altered operations.

• An ASC is generally not a business that can operate with employees working remotely or by video- or teleconference.

Other effects of the COVID-19 crisis, however, may provide offsetting results:

• Other relative investment returns may be weaker due to the general market decline when compared to the ASC’s return on investment.

• An ASC that is able to continue to operate normally and that is not in a quarantined area may gain cases relative to other surgical providers.

This list does not encompass all possible COVID-19 risks for investors, but it represents a range of considerations in light of the spread of the disease and the related emerging risks. The specifics of each ASC’s specialties, geography and patient demographics must be taken into account when determining risks to disclose in an offering document.

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