



## Dorsey & Whitney

# The Financial Impact of COVID-19 on the Healthcare Industry

The COVID-19 pandemic and government orders precluding non-essential business operations have produced widespread financial impacts on all industries, including healthcare. Hospitals, health systems, and other types of providers have been compelled to make significant investments in facilities and equipment to prepare for anticipated surges in COVID patients. At the same time, many providers are facing a critical drop in revenue caused by the cessation of elective procedures. Despite the impact to revenue, providers are working around the clock to care for patients, and to protect their workforce to the greatest extent possible. Manufacturers, drug companies, and other vendors in the industry are also impacted as they scramble to provide vital supplies and equipment. Many vendors, laudably, are relaxing payment terms and otherwise undertaking financial risk to ensure supplies and equipment are delivered to providers without delay.

While patient care should remain the top priority, prudent systems and companies can and should begin planning now to protect their legal interests and long-term financial wellbeing. **We recognize that COVID-19 has significantly impacted your current business operations; looking ahead, we recommend a number of steps to help minimize the long term impact of COVID-19.**

These steps should include, among others:

- Initiate financial contingency planning based on the possible duration of the pandemic and stay-at-home or similar orders.
  - Please be aware that the impact of COVID-19 changes daily and projections for revenue and cash requirements are speculative, so we recommend that you formulate several scenarios.
- Obtain additional liquidity.
- Evaluate your current relationships with customers and suppliers with the understanding that these relationships may change once the pandemic eases.
- If possible, restructure your existing loan facilities.
- Consider negotiating with vendors and landlords for short or near-term extensions.
- Expect and plan for customers to request extended credit and payment terms.
  - You can build this into your financial scenario planning (noted above).
- Anticipate that critical vendors may have financial issues which may disrupt your supply chain.
  - Work with your internal experts to procure back-up supplies and/or substitutes to the extent possible; and
  - Build in supply shortages into your incident response planning.
- Now is the time to rely on your Incident Response Plan (IRP). If you do not have one, please let us know, as we can assist. The IRP should encompass much of the contingency planning you might need with respect to escalation, chain of command, and cross-coordination.

## How Dorsey Can Help?

- Assist clients in customizing negotiating financial or general business strategies to protect their interests.
- Assist clients with contingency planning to assist operations.
- Assist clients with quick business planning to enable business pivots and/or surfacing other possible revenue streams.
- Continue to assist clients in accessing federal, state, and local governments programs that provide loans and grants.
- Assist clients in reviewing contracts that present a significant burden to their business and determine if the client can be relieved of those obligations, or if they can otherwise be mitigated.
- Assist clients in restructuring existing contracts.
- Assist clients with Incident Response Planning, including but not limited to drafting Business Continuity and Disaster Recovery Plans, escalation protocols, and operational contingency planning.
- Assist clients in purchasing assets from distressed entities.

## The Bottom Line

The COVID-19 pandemic has disrupted healthcare businesses across the economy and caused unexpected and immediate financial impacts. Dealing with these disruptions may require legal and/or business planning in multiple disciplines. Dorsey has a large network of experienced lawyers and business consultants in healthcare, labor and employment, finance, business litigation and restructuring who are able to assist clients.

Please contact Ross, Shira or Alissa with any questions.



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