Bankrupt healthcare provider Prospect Medical Holdings begins auctioning off parts of closed hospital system in southeastern Pennsylvania

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Are you a resident in or near Chester, Pennsylvania? Tell us how the closures have affected you and your family, friends and co-workers by filling out the form below. All submissions will be kept anonymous.

On Wednesday, May 28, health provider Prospect Medical Holdings announced that non-profit healthcare provider ChristianaCare will purchase several remaining Crozer Health-affiliated facilities in Delaware County, Pennsylvania.

The $50.3 million auction purchase is the result of Prospect Medical Holdings' ongoing bankruptcy as it seeks to offload various properties in several states. The health system has been saddled with nearly $2.3 billion in debt following its ownership by private equity firm Leonard, Green & Partners from 2010 until 2021.

"ChristianaCare plans to keep these sites operational," stated the non-profit in a press release following the auction. The company said it was "assessing the programs and services that are provided at these locations to determine which services to continue, restart or grow."

The bankruptcy has infamously led to the closure of two hospitals in suburban Philadelphia, which were not involved in the purchase.

The non-profit will assume control of outpatient centers in Haverton, Media and Broomall, and two in Glen Mills. The purchase will not revive Crozer or Taylor Hospitals, both of which were shut down suddenly in late April and early May. The closure has left the entire community of Chester, Pennsylvania and the greater Delaware County devastated and deprived of access to essential medical services, and leaving nearly 2,600 workers unemployed.

The purchase of the smaller facilities associated with Crozer comes as cold comfort for the tens of thousands dependent on the former hospital system.

'I had been employed by Crozer for 35 years. I have a mortgage, multiple bills and am in need of medical insurance and need to find a new provider," a nurse told the *World Socialist Web Site*. "I have already started cutting my meds in half to save a little money. I have interviewed at multiple locations, but no one wants to hire someone who is looking to retire in a few years," they said.

"Unemployment only provides a portion of what I had been making. How are we to survive?"

In 2024, ChristianaCare announced plans to build several "micro-hospitals" in southeastern Pennsylvania. Two facilities will be built in Delaware County, with another in nearby West Grove. Such facilities, also called neighborhood hospitals, employ a fraction of the resources and space of a traditional hospital. They will likewise employ only a fraction of the staff at their larger counterparts.

ChristianaCare had approached the hospital system in 2022 seeking a purchase of four facilities, but later backed out, citing an unfavorable "economic landscape." At the time, the hospitals were functioning at a deficit and reeling from massive debt. With the hospitals now closed and out of the picture, the bidding war on Crozer's more profitable features can commence.

Proceeds from the auction will go to various creditors and service providers the healthcare provider has failed to pay. The state of Pennsylvania and Delaware County, along with the regional nonprofit Foundation for Delaware County, will not be reimbursed for their collective funneling of over $40 million in emergency funds to keep the hospitals running following the January bankruptcy filing.

In February, Democratic governor Josh Shapiro justified the state's infusion of funding to temporarily keep the hospital system functional by noting that "Prospect has a long track record of reckless, greedy, and irresponsible management," whom he claimed "will not receive a cent of this funding.”

This was part of a series of public statements made by Shapiro only after the damage had already been done. While the infusion of funding prolonged the hospitals’ operations, the governor had also largely left no means for the state and local community to be reimbursed.

Shapiro recently appeared in Delaware County in order to posture as an opponent of private equity in healthcare, saying the latter “has no place in our health care system.” In fact, Shapiro received campaign funding from sources associated with private healthcare. As the state’s attorney general from 2017 until 2023, he had a direct forewarning about the potential implosion of Prospect but did nothing to prevent it.

In a letter dated May 27, 2020 from the nonprofit Private Equity Stakeholder Project’s Eileen O’Grady, then-Attorney General Shapiro was warned:

> Since Leonard Green acquired Prospect in 2010, the private equity firm and minority owners have drawn $658 million in fees and dividends from the company even as its hospitals suffered operating challenges, substantially underfunded pensions, and regulatory scrutiny…
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> Prospect’s hospitals currently have some of the lowest quality ratings from the Centers for Medicare and Medicaid Services—all but one have received one or two stars, the lowest quality ratings from CMS. In Connecticut, state regulators placed Prospect’s three hospitals under review last year for deteriorating conditions that place patients in “immediate jeopardy.” In Rhode Island, Prospect-owned hospitals’ pensioners are suing Prospect for allegedly hiding the pension plan’s poor health to shield its own liability from regulators.
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> Prospect saw its EBITDA [Earnings Before Interest, Taxes, Depreciation, and Amortization] decline dramatically in recent years, from $142 million in 2015 to $17 million in 2018. Prospect’s EBITDA margin dropped from 10.8% in 2015 to just 0.6% in 2018. In addition, Prospect faced $260 million in unfunded pension liabilities as of September 2018.

Significantly, O’Grady warned Shapiro that the healthcare provider had broken its agreements with state governments before:

> In their consideration of Prospect’s conversion of the CharterCARE hospitals in Rhode Island from non-profit to for-profit in 2014, the Rhode Island Office of the Attorney General and the State Department of Health made note of previous dividends the company had paid to investors, stating that Prospect had assured the regulators that it did not intend to make additional dividend distributions. Prospect paid the $457 million dividend to its ownership group just four years later.
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> Last year, in an effort to pay down some of the existing $1.1 billion debt it had accrued in part to fund dividends, Prospect sold much of its hospitals’ real estate to health care REIT Medical Properties Trust and leased it back, adding additional lease obligations for Prospect’s balance sheet…
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> Prospect subsequently shut down all of its health care facilities in Texas, laying off nearly 1,000 workers. It then sold the downtown hospital real estate to a hotel developer…

O’Grady concluded the letter by urging Shapiro to “decline to approve Prospect Medical Holdings’ proposed change of ownership until Leonard Green & Partners returns the fees and dividends it collected from Prospect to ensure the hospitals and health care workers have as many resources as possible to respond to the COVID-19 pandemic.” Needless to say, Shapiro made no such demand on the company.

The posturing amounts to damage control after the fact, with Shapiro and other Democrats seeking to divert attention from the massive crisis the hospital system’s collapse has caused and which they had a part in creating.

The Pennsylvania Attorney General’s office has opened a lawsuit against Prospect Medical Holdings over the latter’s mismanagement and failure to keep the facilities open for 10 years as stipulated in its 2016 agreement when it purchased the hospital system.

The state pursued a similar lawsuit in 2023 after Prospect announced the closure of two other hospitals in the Crozer Health system. That suit was dropped in an attempt to ease the mounting financial problems the system faced. Now in bankruptcy, Prospect’s financial problems have only worsened.