Connecticut: Prospect Medical Holdings bankruptcy devastates care at 3 safety-net hospitals

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The ongoing collapse of Prospect Medical Holdings (PMH) in Connecticut stands as a chilling testament to the social crime that is for-profit healthcare under the dictates of the financial oligarchy. Following years of predatory financial extraction, the company filed for Chapter 11 bankruptcy in January 2025, leaving a trail of broken equipment, more than $100 million in unpaid state taxes, and devastating patient care.

This collapse has left safety-net institutions like Manchester Memorial, Rockville General and Waterbury Hospital reeling from long-term neglect and infrastructure gaps.

The fallout has seen the Eastern Connecticut Health Network (ECHN) system—including Manchester Memorial and Rockville General—auctioned off to Hartford HealthCare for $86.1 million, a fraction of its former valuation, while UConn Health has emerged as a "stalking horse bidder" for the dilapidated Waterbury Hospital. These maneuvers preserve capitalist relations while patients and healthcare workers are left to suffer the consequences of decades of mismanagement and plunder.

Prospect Medical Holdings is a private healthcare company, founded by physicians in 1996, based in Los Angeles. It operates 16 hospitals in the US, mainly in the Northeast. As of 2024 it employed about 18,000 people. For its first decade, the company operated primarily as a management service organization for doctors' groups. But in 2007, Prospect moved to full hospital operations by acquiring the Alta Hospitals System, a network of four community-based hospitals in Southern California.

The Real Estate Investment Trust model

To understand how Wall Street vultures like Prospect extract wealth from the sick and dying requires examination of the mechanics of Real Estate Investment Trusts. REITs are companies that own, operate or finance income-generating real estate. REITs function like mutual funds for real estate, allowing investors to pool money to purchase and manage portfolios of properties, instead of buying a physical property directly, which might be too expensive for most individual investors.

In the healthcare sector, private equity firms utilize REITs to execute a predatory maneuver known as a "sale-leaseback." In this scheme, a hospital system sells its land and buildings to a REIT for immediate cash, only to be forced to lease these same facilities back at exorbitant rates, stripping the hospital of its most valuable assets.

The expansion of REITs into hospital property ownership took off in a big way with the penetration of private equity investments after the passage of the Affordable Care Act (ACA) in 2010. The promise of a dramatically expanded insurance pool and improvements in hospital margins brought Wall Street venture capitalists into the business of healthcare, creating a powerful set of financial incentives and pressures that made hospital property acquisition by private investors an attractive strategy for both hospitals and investors.

The ACA fundamentally changed hospital reimbursement models, moving away from fee-for-service (paying for each procedure) toward value-based purchasing (paying for outcomes and efficiency). This put immense pressure on hospital margins and represented a fundamental financialization of hospital real estate.

Even before the ACA's full impact, Prospect used a version of this model when they sold the real estate of their California hospitals to an REIT (initially Medical Properties Trust, or MPT) in 2010 for cash and leased them back. This amounted to a 61.3 percent stake in Prospect through a $363 million leveraged buyout, providing liquidity and de-leveraging their balance sheet by turning real estate equity into cash, ostensibly to invest in operations. Flush with cash from real estate sales and backed by private equity, Prospect went on a debt-fueled acquisition spree in 2016, purchasing Waterbury Hospital in Western Connecticut for $31.8 million and two hospitals in the Eastern Connecticut Health Network (ECHN).

All three are safety-net hospitals that are legally mandated to provide a significant amount of care to uninsured, Medicaid-enrolled and other vulnerable patients who face financial, social or other barriers to healthcare.

ECHN is a regional healthcare system serving 19 towns in Eastern Connecticut. It consists of two main hospitals—the 249-bed Manchester Memorial Hospital in Manchester and the 102-bed Rockville General Hospital in Vernon—as well as multiple outpatient facilities and a comprehensive physician network. The system provides a spectrum of care ranging from wellness and prevention to acute care and rehabilitation.

ECHN was significantly impacted by its acquisition and subsequent management by Prospect. Despite promises by Prospect to improve facilities and expand services, a pattern of mismanagement and plunder took place instead.

Shortly after purchase, Prospect sold the hospitals' land and buildings to MPT and leased them back. This transaction left ECHN hospitals with permanent, substantial annual lease payments to use their own facilities, while the proceeds were largely used to fund massive dividends for Prospect's shareholders and executives rather than reinvesting in the hospitals. The quality of care and security at ECHN facilities deteriorated under Prospect's ownership.

Prospect centralized financial control in California, often refusing to pay vendors, leading to supply shortages, inability to perform criminal background checks on applicants, and broken equipment. At one point, inoperable elevators required patients to be carried up and down stairs.

The devastating impact on patient care

The impact on Rockville General Hospital was particularly severe. Staffed beds dropped from over 50 to just 11 by September 2022, and the average number of nightly patients fell to less than one. Once a full-service facility, it was reduced to offering only emergency, one-day surgery and behavioral health services.

In 2018, Manchester Memorial Hospital was cited for “immediate jeopardy” after mishandling two high-risk pregnancies, resulting in the death of one mother and stillbirth of her baby, and severe brain damage in another infant.

In August 2023, all three hospitals suffered a debilitating cyberattack that forced staff to use manual paper charting and diverted ambulance traffic to other hospitals for more than five weeks. A $7 million state bailout was required to keep Waterbury Hospital and Prospect’s other two Connecticut hospitals running.

While not part of the ECHN, Waterbury Hospital, with 357 beds, in the Western Connecticut city of the same name, also experienced significant operational, financial and clinical decline, culminating in its inclusion in Prospect’s 2025 bankruptcy filing.

In March 2019, state health inspectors found the hospital failed to properly monitor two suicidal patients. One patient hanged himself with a belt that staff had returned to him; a second patient attempted suicide with hospital socks while a nurse was at lunch.

Unannounced visits by state inspectors revealed deteriorating conditions, including rusting equipment in operating rooms and a chronic nurse staffing crisis.

As part of Prospect’s larger Connecticut network, Waterbury Hospital contributed to a massive $127 million debt in unpaid hospital provider taxes owed to the state.

A 2022 agreement to sell the hospital to Yale New Haven Health (YNHH) as part of a $435 million package failed after YNHH sued to terminate the deal, citing Prospect’s “irresponsible financial practices” and the “deteriorating condition” of the facilities.

Following years of financial distress, Prospect filed for Chapter 11 bankruptcy in January 2025. As a result of the restructuring, the ECHN system was sold to Hartford HealthCare (HHC) for $86.1 million. This sale, approved in late 2025, was intended to stabilize the workforce and ensure the continuity of healthcare services for the Eastern Connecticut population. The private equity model didn’t just contribute to Prospect’s eventual bankruptcy; it was the central reason that led to its collapse.

In November 2025, UConn Health (through UCHCFC Waterbury Hospital Corp.) submitted a $35 million “stalking horse bid” to acquire the hospital’s assets, real estate and limited liabilities. State leaders noted that the facility will require “deep investments” to restore the level of care expected by the community.

Most recently, Manchester Memorial Hospital and Rockville General Hospital, both of which were recently acquired by Hartford HealthCare (HHC), still require a significant combined financial infusion of approximately $300 million for years of long-term neglect and mismanagement, infrastructure and technology gaps, staffing and vendor debts, restoring quality and safety, and debt and tax obligations, including more than $100 million in unpaid health provider taxes owed to the state.

The “Prospect model” of financialization

The “Prospect model” has left a trail of medical deserts across the US. In Pennsylvania, LGP’s ownership of the Crozer Health system resulted in the sudden closure of Crozer-Chester Medical Center and Taylor Hospital in 2025 after Prospect failed to find a buyer. These closures left a community of over 500,000 people without a local hospital and cost 2,651 healthcare workers their jobs.

In Massachusetts, similar financial plunder by the Steward Health Care system—formerly owned by the private equity firm Cerberus Capital Management—produced even more lethal results. At St. Elizabeth’s Medical Center, a new mother bled to death after giving birth because a medical device needed to stop her hemorrhaging had been repossessed by the manufacturer because Steward had failed to pay its bills. At another Steward-owned facility, a patient died in the emergency room after waiting in a line that was backed up due to chronic short-staffing.

The entry of private capital—whether through corporate chains, private equity firms, or the marketisation of public services—changes healthcare from a social provision into a vehicle for profit. The consequences are systemic: higher costs, worse working conditions, reduced patient access and, ultimately, preventable illness and death. Investors pull hundreds of millions of dollars out of the system even as hospitals are pushed toward bankruptcy. The pattern is not an accidental side?effect but the material outcome of subordinating health care to private ownership and short?term financial returns under the capitalist system.

The impact of this financialization is an objective affirmation of a truth capitalism seeks to hide: financial engineering kills. A 2025 study from Harvard Medical School revealed that when hospitals are acquired by private equity, Medicare patients in emergency departments face a 13 percent relative increase in mortality. This rise in preventable deaths coincides with deep cuts to frontline staffing; emergency room salary expenditures typically fall by 18 percent and full-time employment drops by 12 percent following a private equity takeover.

For healthcare workers, this means being forced to work in dilapidated facilities with leaking ceilings, rusted operating room equipment and broken elevators. At Waterbury Hospital, morale has reached “dangerous” levels as nurses are forced to work excessive overtime to compensate for a recruitment failure that is the direct result of the owners’ refusal to invest in human life.

The collapse of Prospect Medical Holdings and Steward Health Care proves that the profit motive is incompatible with public health. While the Democratic Party—led by figures like Governor Ned Lamont—postures as defenders of the people, they have presided over this crisis for years, offering “taxpayer subsidies” and “emergency certificates of need” that serve only to reward the looters.

The only way to halt this social catastrophe is for healthcare to be taken out of the hands of the financial oligarchy. Together with the communities they serve, healthcare workers must organize rank-and-file committees, independent of the pro-corporate unions, to reclaim hospitals as social provisions. The choice is stark: a society organized for the enrichment of Wall Street speculators, or a socialist system organized according to human need, where healthcare is an inalienable right for all.