



Background

Review of Education Policy Research and Action

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Private Equity in Healthcare: The Waterbury Hospital Crisis

In 2024, 7 of the 8 largest healthcare bankruptcies were private equity-owned (PEQ) companies.¹ Three Connecticut hospitals and 51 clinics operated under a company owned by PEQ firm Leonard Green & Partners. The company, Prospect Medical Holdings, went bankrupt in 2025, harming Greater Waterbury and Eastern Connecticut. Leonard Green & Partners now owns The Stepping Stones Group, a special education staffing company operating throughout Connecticut. PEQ's track record in healthcare serves as a warning to growing PEQ involvement in K-12 education and its potential adverse impacts.

Decline in Quality of Care at Waterbury Hospital

- Cited for being in “immediate jeopardy,” meaning “the health and safety of recipients in its care at risk for serious injury, serious harm, serious impairment, or death”²
- Decrease from combined 354 staffed beds in FY17 to 181 in FY18
- 20% decline in staffing of full-time equivalent physicians from FY17 to FY23
- Fined \$60,000 by the Connecticut Department of Public Health, in part related to inadequate staffing³
- Connecticut Department of Public Health appointed an independent monitor to conduct oversight on patient care because of various citations of health and safety violations
- Chronic shortages of medical supplies, deterioration of infrastructure, and ransomware attacks

Leaving Waterbury and Connecticut to Foot the Bill

- \$18 million written off as “uncollectible” taxes by city of Waterbury
- \$127 million still owed by Prospect Medical to state of Connecticut for all its Connecticut facilities
- Prospect Medical reneged on commitment to invest \$55 million to upgrade Waterbury Hospital
- UConn Health buys Waterbury Hospital for \$13 million, out of bankruptcy
- State bonded \$390 million for infrastructure upgrades at Waterbury Hospital, post-bankruptcy⁴

Corporate Raiding of Connecticut's Community Hospitals

- Year-over-year multimillion-dollar operating losses while issuing regular large payouts to investors. Debt-funded dividend paid out from Prospect Medical Holdings to executives and PEQ firm Leonard Green & Partners of \$457 million via refinancing of loan from \$625 million to \$1.12 billion, in 2018
- Ran out of cash by the end of 2018, after big payouts mentioned above
- Saddled with \$3 billion in debt after Leonard Green & Partners exited ownership of Prospect Medical
- \$18 million per year in rent paid by Waterbury Hospital⁵ to mega-landlord Medical Properties Trust, after \$1.55 billion sale of land & buildings of Prospect Medical Holdings hospitals across three states.
- Compensation to executives aligned with financial incentives but not healthcare quality incentives

Backgrounder

Private Equity in Healthcare and K-12 Special Education

LGP | LEONARD GREEN
& PARTNERS



**Contractor to Connecticut
school districts providing
special education staffing**



**Waterbury
Hospital**

WaterburyHEALTH

**Rescued by Connecticut
taxpayers and now part of
UConn Health**

¹ 2024 Private Equity Bankruptcies. (2025, February 12). Private Equity Stakeholder Project (PESP). <https://pestakeholder.org/reports/2024-private-equity-bankruptcies/>

² Klein, L. (2025, October 2). 'Immediate jeopardy' finding at Prospect Hospital. CT Insider. <https://www.ctinsider.com/business/article/waterbury-hospital-manchester-patients-ct-prospect-21078900.php>

³ Stanford, L. (2025, July 21). Officials say bidding process delays could endanger CT hospitals. Situation called 'dire.'. Hartford Courant. <https://www.courant.com/2025/07/21/bidding-process-delays-could-spell-trouble-for-hospitals/>

⁴ Treasurer russell announces historic University of Connecticut Bond sale. (2026, March 18). CT.Gov - Connecticut's Official State Website. <https://portal.ct.gov/ott/newsroom/news/news-releases/treasurer-russell-announces-historic-university-of-connecticut-bond-sale>

⁵ Organized Crime and Corruption Reporting Project. (2025, September 17). Deal with real-estate investment trust helps bring down another U.S. hospital operator. Occrp. <https://www.occrrp.org/en/investigation/deal-with-real-estate-investment-trust-helps-bring-down-another-hospital-operator>