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## Healthcare Bankruptcies: Trends, Challenges and Future Outlook



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The healthcare sector has experienced significant financial distress in recent years, with bankruptcy filings reaching unprecedented levels in 2023. Although 2024 saw a decline in the number of bankruptcies, filings remained well above pre-pandemic averages, indicating that financial pressures persist across the industry. According to the *Gibbins Advisors Healthcare Bankruptcies 2024 Full-Year Report*, key drivers such as rising labour costs, supply chain challenges, reimbursement issues and shifting care models have contributed to this trend. Understanding the primary factors influencing these bankruptcies is essential for healthcare leaders, policymakers and investors as they seek to navigate an evolving financial landscape.

### Trends in Healthcare Bankruptcies

The number of healthcare bankruptcies in 2024 dropped to 57, down from 79 in 2023 but still exceeding the pre-pandemic annual average of 42 filings. Middle-market bankruptcies, involving liabilities between €9.62 million and €96.2 million (\$10 million and \$100 million), saw the sharpest decline, dropping by one-third compared to the previous year. However, large-scale bankruptcies remained prevalent, with nine filings exceeding €482 million (\$500 million) in liabilities—three times the pre-2023 average.

Sector-specific trends also emerged. Senior care and pharmaceutical bankruptcies accounted for nearly half of all filings, reflecting persistent financial pressures in these industries. Clinics and physician practices experienced their highest bankruptcy rate in six years, with ten filings in 2024 compared to an annual average of four from 2019 to 2023. Meanwhile, hospital bankruptcies declined from 12 in 2023 to five in 2024, though the collapse of the Steward Health Care System, involving 31 hospitals, marked the largest hospital sector bankruptcy in three decades.

### Key Challenges and Market Pressures

Several factors have contributed to the financial distress seen across the healthcare industry. One of the primary drivers has been labour and supply cost inflation. While hospital wage growth slowed to 4% in 2024, workforce shortages continued to strain operations, particularly in rural areas. The introduction of new staffing regulations for long-term care facilities has further increased financial burdens on providers, with full implementation set for 2026.

Reimbursement challenges have also played a significant role. Many healthcare providers rely on government payers, yet rate increases have not always kept pace with inflation. Medicare Advantage plans have been a growing source of financial strain, with an increase in claim denials impacting cash flow. In 2025, skilled nursing Medicare Part A rates are set to rise by 4.2%, while inpatient hospital rates will increase by only 2.9%, potentially exacerbating funding shortfalls.

Regulatory shifts and capital market constraints have compounded financial pressures. Interest rate reductions in late 2024 have provided some relief, but healthcare refinancing and investment remain uncertain. The changing regulatory landscape, particularly regarding Medicaid funding and anti-trust policies, adds another layer of complexity for healthcare providers and investors.

### Outlook and Strategies for Navigating Financial Headwinds

Despite the challenges, the outlook for healthcare remains mixed. While operating margins improved in 2024, uncertainty lingers regarding whether profitability will return to pre-pandemic levels. The market is becoming increasingly divided, with stronger hospitals stabilising while financially weaker facilities continue to struggle. The trend of shifting care away from hospitals to outpatient, community and home-based settings is expected to continue, influencing financial viability across different healthcare subsectors.

To navigate these financial pressures, healthcare organisations must focus on strategic cost management, revenue cycle optimisation and operational efficiency. Reviewing service portfolios, rationalising vendor contracts and leveraging technology for automation can improve financial resilience. In addition, early engagement with financial and legal advisors can help providers develop proactive restructuring plans and explore potential partnerships.

Although the number of healthcare bankruptcies declined in 2024, financial challenges remain significant. Rising labour costs, reimbursement issues and regulatory pressures continue to affect providers across various subsectors, particularly senior care, pharmaceuticals and physician practices. The ongoing shift towards outpatient and community-based care is further reshaping the industry, creating both challenges and opportunities. As healthcare organisations navigate these financial pressures, a proactive focus on cost management, operational efficiencies and strategic restructuring will be essential for long-term sustainability.

**Source:** [Gibbins Advisors](#)

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