

Diagnosing Distress: Top 5 Challenges for Private Credit Lenders in Health Care Restructurings

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A variety of conditions may be conspiring against businesses in certain segments of the health care industry. These include reduced patient census at skilled nursing and other long-term care facilities, COVID regulations that limit the ability of providers to give (or patients to receive) various forms of treatment and patients choosing to delay lucrative elective procedures, or even to forego health and dental care altogether. In addition, Congress passed and President Trump enacted into law the No Surprises Act, which went into effect on January 1, 2022 and will have a profound impact on health care service providers across the country. Individually, or in combination, these and other adverse market conditions have the potential to wreak financial havoc on health care businesses.

When financial distress afflicts one of its borrowers, private credit lenders must act quickly to maximize the prospects for recovering their capital. In this alert, we discuss five of the most significant challenges for private credit lenders in addressing a distressed health care borrower.

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