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Think Strategically

Healing Puerto Rico's Healthcare, From Discrimination and Systemic Risk to Strategic Renewal

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The Slow Death of Hospital del Maestro

In late August 2025, the Department of Health ordered the immediate closure of **Hospital del Maestro**, a San Juan institution that had served Puerto Rican families for more than six decades. Once licensed for 255 beds, only a fraction remained in operation during its final days. Within a week of its bankruptcy filing, the hospital's license was suspended, and another pillar of Puerto Rico's healthcare system crumbled — not only from mismanagement, but from forces far larger and more systemic.

The decline had begun much earlier. The first real blow came in **2010**, when Westernbank, one of Hospital del Maestro's primary lenders, collapsed. That failure left the hospital with limited access to credit, forcing it into a fragile financial position from which it never truly recovered. In the years that followed, especially between **2015 and 2019**, operating costs rose while patient volumes shrank. Over the past two decades, Puerto Rico has lost more than **736,000 residents — nearly a quarter of its population —** to outmigration. Among them were young families, doctors, and nurses. What remained was an older, poorer population, more dependent on Medicare and Medicaid — a demographic shift that meant higher costs but lower revenues. To survive, Hospital del Maestro increasingly borrowed not to modernize, but simply to meet payroll, pay suppliers, and keep the lights on.

Management choices compounded these structural weaknesses. Instead of bringing in **top-tier executive talent or innovative leadership**, the hospital's board of directors leaned on **insiders and a small circle of advisors**. This insularity limited new ideas and left Hospital del Maestro without the expertise needed to navigate mounting financial and demographic pressures.

Then came **COVID-19**. In 2020 and 2021, as the government urged residents to avoid hospitals unless facing life-threatening emergencies, occupancy collapsed to 30%. Revenues evaporated, and Hospital del Maestro shut down entire wings. The ICU was closed, pediatrics disappeared, and operating rooms went dark. Licensed for 255 beds, the hospital was barely functioning with fewer than 100. Layoffs followed, morale deteriorated, and patients drifted elsewhere.

By **2023**, the contraction was undeniable. Hospital del Maestro was a shadow of its former self. Across the island, six other hospitals had filed for bankruptcy and another sold. Regulators and creditors began to watch Hospital del Maestro more closely, and whispers grew louder: it was not a matter of *if* the hospital would fail, but *when*.

The final chapter came in **August 2025**. On the 25th, Hospital del Maestro filed for Chapter 11 bankruptcy, reporting **$13.4 million in assets against $39.7 million in liabilities**. At that point, only 18 beds remained in

use. Four days later, the Puerto Rico Department of Health ordered its immediate closure, citing patient safety concerns.

Hospital del Maestro's fall was not an isolated tragedy. It was part of a broader pattern of bankruptcies, consolidations, and closures reshaping Puerto Rico's healthcare system. Chronic federal underfunding, demographic decline, unsustainable debt, and weak governance combined to erode institutions that once stood as anchors of their communities.

Yet its death was not inevitable. Hospital del Maestro could have sought **outside management from a stronger healthcare group**, injecting new expertise and discipline. It could have pursued a **timely sale**, as others have done ensuring continuity of services under a more resilient operator. It might have **aligned with a U.S. teaching institution**, bringing academic partnerships, residents, and long-term investment into its corridors. Even an earlier restructuring could have offered breathing room. None of these paths were taken.

Over the past twenty years, Puerto Rico has lost more than **736,000 residents — nearly a quarter of its population** — to outmigration. Many were doctors, nurses, and young professionals. What remains is an older, poorer population with higher rates of chronic illness and heavier reliance on Medicare and Medicaid.

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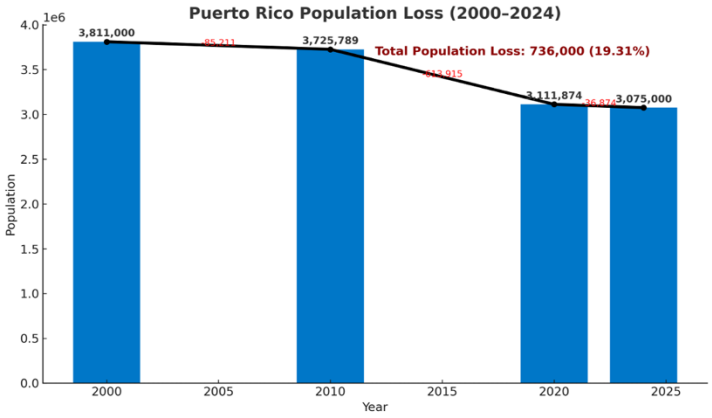
Puerto Rico Population Loss 2000-2024



The lesson of Hospital del Maestro is clear: its destruction was not destiny. It was the result of choices — and with better decisions, backed by timely action and openness to change, it could have been saved.

The Pandemic: Part Three of the Perfect Storm

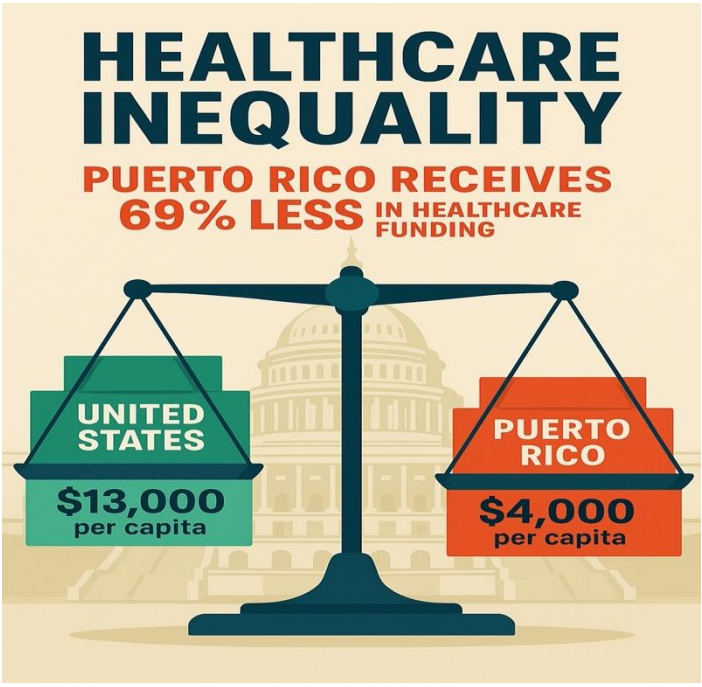
These seven hospital demises and the others that were sold are emblematic of deeper cracks across Puerto Rico's healthcare system. What happened within their walls —shrinking capacity, mounting debt, and missed opportunities — was and is not unique. The pandemic exposed those same vulnerabilities on a systemwide scale, turning localized struggles into islandwide emergencies.

When COVID-19 struck in 2020, Puerto Rico's fragile healthcare system faced its harshest test yet. The government urged residents to avoid hospitals unless facing life-threatening emergencies. The public complied, and revenues collapsed as occupancy fell to record lows.

For Puerto Rico, the pandemic was not an isolated crisis — it was **part three of a perfect storm**, following decades of federal underfunding and the devastation of Hurricane Maria. The combined pressures proved overwhelming. From **March 2020 to December 2021**, Puerto Rico's hospitals lost an estimated **$1.085 billion**. Federal relief through the **CARES Act** provided just **$300 million**, leaving a **$785 million hole** that many institutions could not fill. Debt service, already a heavy burden, became a noose tightening around hospital finances.

The pandemic did not create Puerto Rico's healthcare crisis — but it **exposed and accelerated it**. What began as a public health emergency became a financial contagion, accelerating the collapse of an over-leveraged, underfunded, and overstretched healthcare system. For weaker institutions, it was the final accelerant. For the system as a whole, it remains a warning: without intervention, more closures will follow.

The Long Shadow of Discrimination

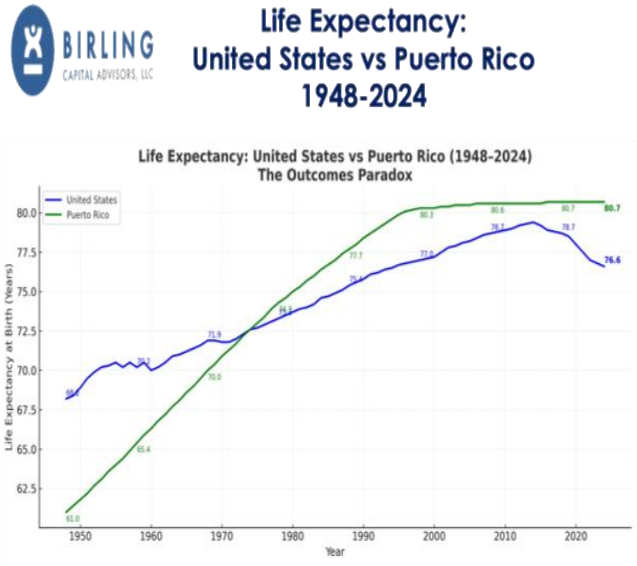


These bankruptcies are not accidents of poor management; they are the inevitable outcome of how Washington funds Puerto Rico. On the mainland, healthcare spending averages **$13,000 per person annually**. In Puerto Rico, it is just **$4,000**. That **69% shortfall** represents nearly **$29.8 billion in lost funding every year**, or close to **$300 billion over the past decade alone**.

Congress's Discrimination in Healthcare Funding towards Puerto Rico stems from a long history of **discriminatory statutory treatment** in Medicare and Medicaid programs. Despite contributing fully to the same programs as residents of the 50 states, Puerto Ricans receive less than 69% of the benefits their contributions should secure. This is not a policy quirk — it is one of the clearest examples of systemic inequity embedded in U.S. law. The result has been the stunting of Puerto Rico's healthcare economy, limiting investment, access, and sustainability compared to the mainland.

The Outcomes Paradox

And yet, Puerto Ricans have achieved longer lives. In 1995, life expectancy stood at **74.26 years**. By 2023, it had risen to **80.69 years**, even as U.S. life expectancy fell to **76.40 years**. Today, Puerto Ricans live **4.29 years longer** than their mainland counterparts. Much of this progress stems from **Plan Vital**, the island's government insurance program, which now covers **1.5 million residents — nearly half the population.** Combined with Medicare Advantage and employer-based coverage, Puerto Rico now has **92% insured**, among the highest coverage rates in the nation. But insurance does not equal access. Patients wait **five to seven hours for a routine appointments.** Expectant mothers struggle to find OBGYNs, sometimes waiting **six months** for care. Chronic illnesses such as diabetes and hypertension are often untreated until they become critical, which is why **2–3% of patients consume 80% of medical budgets.** This is the long shadow of discrimination: **chronic underfunding, compounded by demographic decline and over-leverage, has left Puerto Rico's healthcare system brittle and near systemic collapse.**



Banking Contraction and the Healthcare Credit Void

Most recently, under the Trump Administration's *'One Big Beautiful Bill'*, Medicaid is set to face **cuts of more than $1 trillion over the next decade**. Eligibility has been tied to **work requirements, six-month redeterminations, and new service fees**, changes that disproportionately affect Puerto Rico's most vulnerable populations. At the same time, Puerto Rico's **Medicare Advantage benchmark will drop to just 59% of the U.S. average by 2026 — 41% below parity.** In practice, this means island residents will receive less than the **$4,000 per capita**, compared with **$13,000 per capita on the mainland.**

Over the past 15 years, Puerto Rico's financial landscape has been reshaped by a wave of collapses and exits. In **2010**, the failures of **Westernbank, R-G Premier Bank, and Eurobank** wiped nearly **$20 billion in assets** from the system. Five years later, in **2015, Doral Bank**, once Puerto Rico's third-largest mortgage lender with more than **$9 billion in assets**, also failed, further shrinking local credit capacity.

At the same time, Puerto Rico saw the **exit of major international banks**, such as **Santander, BBVA, and Scotiabank,**all of which sold their operations to local Banks. These departures marked the end of a global banking presence on the island and reduced competition in lending markets.

Today, only **four commercial banks** remain: **Banco Popular, FirstBank, Oriental Bank, and Banesco**. The volatility of the healthcare sector, shrinking populations, high leverage, chronic underfunding, and discriminatory federal reimbursements make any lender wary. Hospitals, credit reviews are stringent, covenants are restrictive, and risk appetite has narrowed considerably.

Into this vacuum have stepped **alternative lenders** such as **Sygnus Puerto Rico, Parliament Capital, and CEFI**, offering structured credit and asset-backed loans. While these firms have provided crucial liquidity, their resources are limited, and their capital comes at a higher cost.

This reliance on niche financing underscores the absence of a **broad, sustainable credit market** for healthcare in Puerto Rico. Unlike stateside hospitals that can tap municipal bond markets, low-cost credit facilities, and federal support programs, Puerto Rican providers are left with expensive, short-term fixes. This reality reinforces the urgency of creating systemic support mechanisms like **NEW-HOPE**, designed to provide hospitals with low-cost, long-term capital and restore stability to the healthcare ecosystem.

A Systemic Risk Reckoning

Hospitals in Puerto Rico are among the largest employers in their communities, training grounds for new doctors and nurses, and economic anchors. Their collapse ripples outward: lost jobs, lost confidence, lost access to care. The parallel to the **2008 financial crisis** is striking. Then, U.S. banks faced systemic collapse. Congress responded with the **Troubled Asset Relief Program (TARP)**, injecting capital to stabilize institutions. Puerto Rican banks received $1.3 billion, all of which was repaid with interest and with a handsome profit to the U.S. Treasury. Today, Puerto Rico's hospitals face a crisis of equal or greater magnitude.

The Case for NEW-HOPE

The collapse of Hospital del Maestro, along with the bankruptcies of San Jorge Children's Hospital and HIMA-San Pablo, exposes a painful reality: Puerto Rico's healthcare system faces a **systemic risk event** without a safety net. Unlike the banking sector in 2008, which received federal stabilization through TARP, hospitals today are left to fend for themselves. To prevent further collapse, we propose the creation of the **National Wellness Hospital Lending Program, NEW-HOPE**.

NEW-HOPE would serve as a dedicated stabilization and financing facility for Puerto Rico's hospitals, modeled after the U.S. Treasury's interventions during the financial crisis. With an initial capitalization of **$1.5 billion**, NEW-HOPE would provide:

- **Low-cost loans and credit guarantees** to keep hospitals operating and avert shutdowns.
- **Structured financing tools** to help restructure debt and strengthen balance sheets.
- **Targeted investment support** for critical upgrades, modernization, and expansion of services.

To anchor NEW-HOPE locally, it would be ideal to **grant the Economic Development Bank (EDB) of Puerto Rico $1.5 billion in capital** to serve as the funding vehicle for the program. With this endowment, the EDB could channel resources directly into the healthcare system, leveraging its public mission and local oversight to ensure funds are used transparently and effectively.

The logic is simple: when Wall Street banks were in crisis, Washington created TARP because the financial system was "too interconnected to fail". Today, Puerto Rico's hospitals are **too essential to abandon**. NEW-HOPE would provide them with the financial tools to withstand current pressures, invest in their future, and preserve healthcare access for 3.1 million U.S. citizens on the island. Creating NEW-HOPE is not just about stabilizing institutions; it is about affirming that Puerto Rico's lives are worth the same as those on the mainland. With it, Puerto Rico has a chance to build resilience, restore confidence, and safeguard its healthcare system.

The Human Cost

These inequities are not abstract — they are lived every day. Mothers wait months for prenatal care. Elderly patients endure endless hours in overcrowded clinics. Specialists are scarce, pushing families to the mainland for treatment. Doctors themselves migrate, lured by salaries and support systems unavailable at home. Every year, Puerto Rico's hospitals are underfunded by **$9.86 billion**, and doctors and providers lose another **$7.77 billion**. This structural deficit corrodes the system. It is why hospitals cut services, why units close, and why morale deteriorates. Healthcare is not just a budget line — it is a human right. And Puerto Rico is living proof of what happens when that right is denied.

A Strategic Roadmap Forward

The crisis is undeniable. The question is whether policymakers will act.

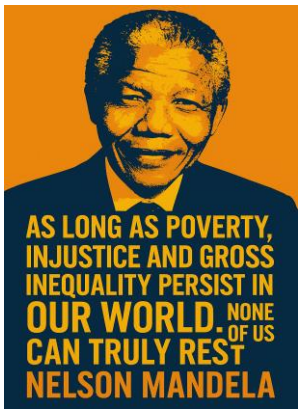
1. **End Congressional Discrimination:** Align Puerto Rico's funding formulas with those of the states. Restore the **$29.9 billion annual shortfall**. If Congress refuses, litigation may be necessary.
2. **National Wellness Hospital Lending Program (NEW-HOPE):** Modeled on TARP, NEW-HOPE would create a **$1.5 billion facility**, using reconstruction funds and coordination with the U.S. Treasury. It would provide loans, guarantees, and equity injections to stabilize operations, prevent bankruptcies, and expand capacity.
3. **Healthcare Investment Program (HIP):** HIP would allow hospitals to issue senior debt or warrants to Puerto Rico's fiscal authority, leveraging **$300–500 million in initial capital**. This would give hospitals access to flexible financing while allowing the government a stake in recovery.
4. **Invest in Prevention and Holistic Care:** Shift resources toward prevention, education, and chronic disease management. Breaking the cycle of late-stage treatment is the only way to reduce long-term costs.
5. **Strengthen Workforce Retention:** Offer competitive pay, loan forgiveness, and infrastructure improvements to retain doctors and nurses. Without a stable workforce, no reform can succeed.
6. **Modernize with Research and Innovation:** Invest in hospitals, clinics, digital health, and medical research to build resilience and prepare for the next crisis.

Puerto Rico's healthcare system is standing at a crossroads: one path leads to further decline, the other toward resilience and equity. The roadmap outlined here is not theory but necessity — concrete steps that, if taken together, can stabilize hospitals, protect patients, and restore confidence in the system. The time to act is now, before another institution falls and the cost of inaction becomes irreversible.

The Final Word: A Moral Imperative

Puerto Rico's healthcare inequity is not just fiscal; it is moral. Over the past decade, **$300 billion in lost funding due to Congressional discrimination in funding towards Puerto Rico** has eroded hospitals, driven doctors away, and jeopardized care for **3.075 million U.S. citizens**. The question is not whether the system will fail — it is how many lives will be lost before parity is restored.

Puerto Rico's Governor and Resident Commissioner have the chance to break this cycle. By pressing **Congress**, implementing NEW-HOPE and HIP, and investing in prevention and workforce development, the island can build a sustainable, equitable healthcare system.



As **Nelson Mandela** said many times, ***"As long as poverty, injustice and gross inequality persist in our world, none of us can truly rest".***
For Puerto Rico, the time to act is now.

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