

Chapter 11, Health Care and Real Estate Distress Indices All Up – Reaching Highest Health Care Distress in 15 Years

The Polsinelli-TrBK Distress Indices Monitor on Rolling Four-Quarter Basis

(May 15, 2024) In the [newest Polsinelli-TrBK Distress Indices Report](#), levels of distress continue to increase, hitting new, multi-year highs for all three tracked indices in Q1, including once again record-breaking distress levels in the health care sector. The Chapter 11, Real Estate and Health Care Distress Research Indices all increased in Q1 2024, resulting in pandemic-level general Chapter 11 filings, the largest increase in real estate distress since 2010, jumping nearly 30% since last quarter, and the highest Health Care Index in the report's history for the fourth consecutive quarter. Health care distress is at its highest level in 15 years – 813% higher than it was in 2010 (at the end of the Great Recession) and nearly 80% higher than in 2020.

“It’s important to note that this does not just represent a spike in filings last quarter. The Distress Indices measure distress over the last four quarters, so what you’re seeing with each of these is the trend lines of distress accelerating over the past year. Notwithstanding other economic indicators, distress is higher than it has been in years. There is significant turmoil across the various sectors,” said Jeremy R. Johnson, a bankruptcy and restructuring attorney at Polsinelli and co-author of the report.

Commenting on the significant distress in the health care sector, Johnson remarked:

“We continue to see intense stress in senior living. We have seen several skilled nursing operators singing a similar refrain in the senior living space, with inflation, staffing issues, difficulty in providing profitable care in rural areas, and COVID, all putting pressure on operations. Another major filing is the classic example where a roll-up of physician practice groups was never able to realize the ‘synergies.’ Medicare and private pay rates were listed as pressure points for both filing, as well as some others. Distress in health care is simply not abating any time soon.”

The report, released today by Am Law 100 firm Polsinelli included the following updates:

The Chapter 11 Distress Research Index was 84.81 for the first quarter of 2024, up over 11 points since the last quarter, up over 40 points over last year and down over 15 points compared with the benchmark period of the fourth quarter of 2010.

The Real Estate Distress Research Index was 47.50 for the first quarter of 2024, up over ten points since the last quarter, up over 24 points over last year and down nearly 52 points compared with the benchmark period of the fourth quarter of 2010.

The Health Care Services Distress Research Index was 913.33 for the first quarter of 2024, up over 201 points since the last quarter, up 795 points over last year and up over 813 points compared with the benchmark period of the fourth quarter of 2010.

The Polsinelli-TrBK Distress Indices are the backbone of a quarterly research report series that uses Chapter 11 filing data – bankruptcies with more than \$1 million in assets – as a proxy for measuring

financial distress in the overall U.S. economy and breakdowns of distress specifically in the real estate and health care services sectors. It is the only current measurement that tracks both Main Street and Wall Street statistics.

The Polsinelli-TrBK Distress Indices track the increase or decrease in all Chapter 11 filings with more than \$1 million in assets since the fourth quarter of 2010. Unlike the public markets, the Polsinelli-TrBK Distress Indices include both public and private companies, creating a broader economic view and one that may show developing trends on Main Street before they appear on Wall Street.

To access the full report, graphs and all past analyses, visit www.distressindex.com

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Polsinelli is an Am Law 100 firm with more than 1,000 attorneys in over 20 offices nationwide. Recognized as one of the top firms for excellent client service and client relationships, Polsinelli is committed to meeting our clients' expectations of what a law firm should be. Our attorneys provide value through practical legal counsel infused with business insight, offering comprehensive corporate, transactional, litigation and regulatory services with a focus on health care, real estate, finance, technology, private equity and life sciences. Polsinelli PC, Polsinelli LLP in California, Polsinelli PC (Inc) in Florida.