

PRIVATE PATIENT UNITS

NHS units could form regional PPU brand

Our series by **Philip Housden** (right) reviewing the NHS private patient unit (PPU) sector continues with a study of the private patient services in the 13 NHS trusts delivering acute care services to the East Anglia counties of Norfolk, Suffolk, Essex and Cambridgeshire



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FIGURES FROM the published annual accounts for this group of trusts show that total private patient revenues have started to bounce back to growth in the past two years, rising 18% from £20.6m to £24.3m between 2014-15 and 2016-17 (Figure 1).

This now represents 0.72% of these trusts' total revenues, which is a return to the 2013-14 levels. The combined national average outside of London is 0.5%.

These 13 acute trusts can be divided into three groups based on analysis of private patient facilities and capacity, and revenue size and growth (Figure 2):

■ **Trusts with private patient beds and growing:** Two trusts have revenues of more than £7m a year, putting both in the top ten trusts for private patient incomes outside of London.

Both have grown by more than 19% in the past three years and private patient revenues in these trusts now account for around 2% or more of total trust revenues. These are Papworth and Cambridge University Hospitals.

■ **Smaller trusts with a PPU:** Three trusts have an entry-level private patient unit – eight beds or less – and, of these, two are growing (Basildon and James Paget in Great Yarmouth) and one declining (North West Anglia).

■ **No dedicated private patient beds:** The final group of eight trusts are those that have no dedicated private patient capacity. Of these, two – West Suffolk and Harlow – are growing, albeit from a low base, and the rest are at best holding their own or declining.

Top of the regional tree is Royal Papworth with private patient revenues in 2016-17 of £9m, representing 6.63% of total trust incomes and placing it top of the PPUs outside London.

As the UK's largest cardiothoracic hospital, Papworth has a distinctive edge and focus, ensuring that the brand can stand out sufficiently to support private patient local, regional and international demand.

The trust now manages the Papworth Clinic in-house, including the 32-bed Varrier-Jones Ward, one of the largest PPU wards in the NHS, having sourced operational support from Spire for a period a few years ago.

The planned move into a new hospital on the Cambridge Biomedical campus looks set to support further expansion of private patient services in the coming years, building on the 31.7% growth of the past three years.

Cambridge University Hospitals is also performing strongly versus the peer group of regional teaching hospitals with respect to private patient earnings. The trust has grown these revenues by £1.1m in the 2015-16 financial year to reach 1.95% of total turnover.

A significant part of this relates to the Cambridge Heart Clinic, a joint venture with Regent's Park Healthcare operating since 2008. The trust's plans for a new on-site 82-bed, five-theatre private hospital run by Ramsay, called The Forum, are now on long-term hold.

Smaller trusts

Turning to the smaller trusts with PPUs, the first, Basildon, continues the cardiac services link. The home of the Essex Cardiothoracic Centre, the trust's eight-bed PPU was, until last autumn, managed by Ramsay Healthcare.

Following a rebrand as Nash Private Healthcare and through in-house operational management, the trust is now understood to be benefiting from a significant improvement in revenues of more than £4m a year and is now working to develop non-cardiac private patient services also.

James Paget Hospital, Great Yarmouth, has a seven-bed PPU, the Charnwood Suite, which delivers £0.9m a year, 0.5% of trust revenues. The trust delivers outpatient and ambulatory services through its sub-brand East Point and is understood to be considering expansion of its capacity to boost this total.

The third smaller PPU in this group is North West Anglia, comprising Peterborough and Hinchinbrook Hospitals. There is little to no present private patient service out of Peterborough, but, since 1994, Hinchinbrook has operated the seven-bed Mulberry Suite, now recently refurbished. The trust reported private patient income of only £478k in 2016-17, 20% down in the past three years and only 0.2% of total trust incomes.

Of the eight trusts without a PPU, the largest two by revenue are

Norfolk & Norwich and West Suffolk. The former's private patient revenues appear to be on long-term decline, down from £2.7m in 2011-12 – 0.7% of total income – to only £1.6m in 2015-16, a fall to 0.34% of trust revenues.

In October 2016, the trust turned the 21-bed Cringleford private patient ward into a day-case facility and so a further reduction can be expected in the 2016-17 accounts when published.

West Suffolk, the 'outstanding'-rated NHS trust, delivers £1.35m revenues at 0.6% of turnover without a PPU.

King's Lynn is another smaller to medium-sized NHS trust with a turnover of £166m in 2016-17, of which £780k was from private patients, a slowly declining contribution.

Both have a BMI Hospital either on campus or within walking distance and this offers call-off capacity advantage to the trust, but largely hinders in-house PPU development of inpatient activity.

Colchester and Ipswich, two Suffolk trusts working towards merger, have a similar profile at present. Around 0.3% of total trust income is from private patients, being £836k and £687k respectively in 2016-17, with both reasonably flat in cash terms but declining in percentage of turnover.

Attractive markets

It is understood that private patient opportunities have begun to be considered as part of the merger site and service strategic thinking, without any particular routes to market being identified at this early stage.

Both sit in potentially attractive markets and with a combined turnover of around £600m, there is likely to be enough complex activity to support an entry level PPU to meet the needs that the local private hospitals cannot fulfil.

The final three trusts are all in south Essex. Princess Alexandra, Harlow, is another smaller single-campus hospital with no PPU. Its location at the edge of London means that a high proportion of the local insured population commute and are able to access a range of strong central and east London healthcare providers, both NHS and private.

The trust has reviewed PPU opportunities in recent years without this leading to a development and the main opportunity remains the low volume, but higher acuity and revenues, that result from the level-three critical care backing that the trust offers and local private hospitals do not. This may be enough to enable a future 'entry-level' PPU to be introduced.

Finally, Mid Essex – Broomfield Hospital in Chelmsford – and Southend are presently at the lowest point on the scale at 0.1% of turnover, around £300k a year each and falling. The two trusts are working towards merger with Basildon following on from the Essex Success Regime.

It is understood that the newly established joint executive team has already recognised the potential from the thriving PPU at Basildon and the Nash Private Healthcare branding.

So the three trusts are starting to move to leverage the skills of the back office and private patient services leadership team to create a network or 'PPU chain' that will invest in expanded capacity.

The regional burns and plastics services at Chelmsford and the regional cancer centre at Southend balance the cardiac services hub at Basildon and it is therefore possible to see how private patient growth could support the wider joint trust site and NHS service reconfiguration strategy over coming years.

This innovative approach is possible because of the bringing in-house of the ongoing PPU business last year. (Figures 3 and 4).

East Anglia may not be the largest NHS PPU market, but growth is being delivered and there remain several trusts, presently not delivering a private patient service, that have the potential market which may well support investment in additional capacity.

Should such action be taken, this may well be the geographical area that sees the first NHS PPU combined brand, or 'chain', emerge with the potential to take on the incumbent independent hospital groups.

■ **Next month: East Midlands**

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