

PRIVATE PATIENT UNITS

# Investment in PPU could pay for itself

Independent Practitioner Today's series reviewing the NHS private patient unit (PPU) sector shifts its gaze to the West Midlands. Philip Housden analyses private patient revenue growth for 15 NHS acute trusts across Warwickshire, Worcestershire, Herefordshire, Shropshire, Staffordshire and the cities of the West Midlands conurbation



FOR THIS group of trusts, the accounts show that total private patient revenues declined in 2016-17 after a period of growth.

Total revenues were £17.95m in 2016-17, up 4.1% from £17.2m in 2014-15, but a drop of £0.4m and 2.2% on the previous year (Figure 1).\*

This now represents 0.32% of these trusts' total revenues, with an accelerating declining trend over the last few years, down from 0.37% four years ago. This is below the combined national average outside of London of 0.5%.

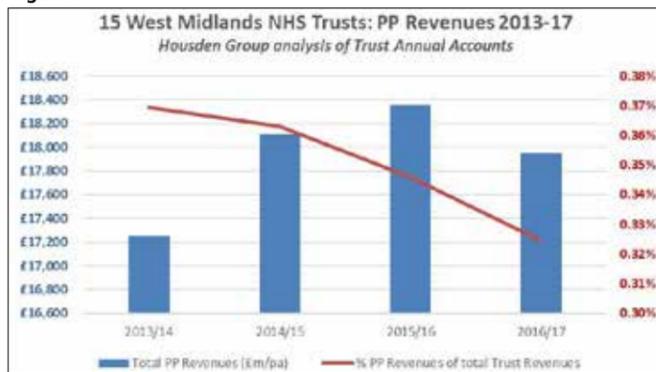
These 15 acute trusts vary significantly by turnover and private patient revenues (Figure 2).

In the city of Birmingham, there has been substantial consolidation of providers. University Hospitals Birmingham recently merged with Heart of England to form a £1.3bn turnover trust.

Taken together, private patient income for 2018-19 should be well in excess of £5m, with a significant contribution from The Mindelsohn Unit, a private radiotherapy service incorporating the regional CyberKnife unit plus multispecialty use of Ward 519, the 12-bed PPU.

The trust is now partnering with HCA to build a £65m 138-bed spe-

Figure 1



£500k revenues a year at 0.7% of turnover from the seven-bed Woodlands Suite.

By contrast, RJAHS Private Healthcare has access to 16 beds in the Ludlow Unit, used by 36 surgeons, increasingly difficult to deliver in the independent sector. The trust's PPU presently delivers over £4.3m revenues at 4.6% of trust turnover, the highest in the region.

**Wholly-owned subsidiary**

South Warwickshire delivers private healthcare services through a wholly-owned subsidiary company, SWFT Clinical Services, formed in 2011 and becoming a social enterprise in 2014. That year SWFT acquired The Stratford Clinic, formerly owned by Circle.

In 2016, the trust commenced private fertility services and opened 15 predominantly amenity beds in the Beauchamp Wing at Warwick Hospital.

This model is understood to be attracting interest from other trusts keen to find a partnership approach that provides commercial freedom with arms-length control and a potential vehicle for investment in private capacity.

The trust is also in a strategic partnership with Wye Valley NHS Trust, where in Hereford private

cialist hospital facility offering both NHS and private care on the Queen Elizabeth Hospital Birmingham campus.

Planned for 2020, this will treat patients over the age of 18 and will increase capacity for NHS patients providing 72 new beds, a new radiotherapy unit and access to new state-of-the-art operating theatres.

**Better than private**

The 14,000m<sup>2</sup> hospital will also include 66 private beds, owned and run by HCA Healthcare UK, which will deliver private care for the most complex surgical and medical procedures, a level of acute private healthcare not currently available to the 500,000

people in the region who have private health insurance or who want to self-pay for their care.

Birmingham Women's and Children's Hospital is also a merged trust and includes private maternity and paediatric services. The combined revenues of the new trust should exceed £2.5m in 2018-19 and be a platform for further growth.

The region boasts two specialist orthopaedic hospitals in the Royal Orthopaedic in Birmingham and Robert Jones and Agnes Hunt (RJAHS) at Oswestry, Shropshire.

Both have dedicated private beds, although the reported returns from private services differ significantly. In the city, the Royal Orthopaedic Hospital delivers

patient revenues are £0.5m a year, and this tie-up also presents a further opportunity for SWFT.

The neighbouring University Hospitals of Coventry and Warwickshire report private patient revenues of £942k (0.17% of total revenues) in their recently published 2017-18 annual accounts, representing a gradually declining trend. The trust has no in-house PPU but is understood to work closely with the onsite 52-bed BMI Meriden Hospital.

University Hospitals of North Midlands is growing private patient incomes through outpatient and ambulatory services, reaching over £1.6m in 2016-17, up from £1m in three years. The Royal Stoke campus is reported to be short of around 75 beds and last year experienced significant demand pressures through the winter.

The market is a relatively strong one for private healthcare and local independent sector providers have relative weaknesses, particularly for the complex surgery where the trust is strongest.

Some of this NHS demand is therefore from insured patients not able to receive treatment elsewhere. It remains to be seen whether long-standing local market analysis that has recom-

mended the development of an entry-level PPU will be incorporated within any bed capacity increases and demand management planning.

Shrewsbury and Telford earned £1.3m private patient income in 2016-17 (0.42% of total trust revenues) with onsite outpatients and diagnostic and ambulatory procedures accessed through the Apley Clinic.

**Declining trend**

The trust's earnings are showing a long-term declining trend from £2.3m and 0.84% in 2011-12, when the trust made use of a ten-bed private patient ward. The local NHS is working through a strategic review and considering an urgent care and elective care split between Shrewsbury and Telford supported by £312m capital investment.

There will remain opportunities to develop private patient income on both sites, whichever the outcome, as the patients with highest complexity of need will gravitate towards the critical care-backed infrastructure of the NHS.

The Royal Wolverhampton presently earns £1.1m a year private patient income – only 0.25%, but this is a rising trend.

As a regional services centre, the

patient safety focus should drive more high-complexity private activity out of the local independent sector towards the trust. The appetite of the trust to 'market make' is interesting: the trust leads the NHS in vertical integration of primary with secondary care. The trust has, over the past two years, become the operator of 17 out of 42 of the GP practices in its city.

**Unparalleled opportunity**

This offers an unparalleled opportunity to engage with GPs to ask if their patients have medical insurance and even to put the option of 'going private' before patients when referring.

The 'Black Country' trusts – Walsall Healthcare, The Dudley Group NHS Foundation trust, The Royal Wolverhampton NHS trust and Sandwell and West Birmingham Hospitals NHS trust – are presently working together to create a single pathology service.

This potentially is a model that could be extended to linking up their individually small private patient activity under a single brand and leadership team, which together would have viability. These three trusts, Sandwell, Dudley and Walsall, deliver presently very little revenues between

them, reporting an aggregate of less than £250k a year.

Neither of the two remaining trusts, Worcestershire Hospitals report and George Eliot in Nuneaton, have any dedicated private patient beds at present. The former reports £0.5m PPU earnings (0.15% of total revenues), while the latter has none.

West Midlands trusts presently split between the city of Birmingham and elsewhere, with the exception being RJAHS and South Warwick.

There remain several trusts where the absence of private patient capability results in insured patients falling back on the NHS for most complex treatments.

With the region-wide capacity pressures experienced in recent times, this private patient demand pressure could be alleviated in these geographies by a small entry-level PPU, likely to pay for itself within three years or so.

**Next month: Yorkshire**

Philip Housden is a director of Housden Group

\* The figures used here are predominantly from the 2016-17 annual accounts as only half have published the updated 2017-18 accounts at the time of writing

Figure 2

Total PP Revenues £m of 15 West Midlands NHS Trusts 2016/17 (adjusted for Trust mergers)  
Colour coded by growth last 3 years  
Housden Group analysis of Trust Annual Accounts

