

PRIVATE PATIENT UNITS

Feeling the force of tough competition

Our analysis of England's NHS trust private patient earnings by region continues with a look at progress in the northern Home Counties. **Philip Housden** reports



THIS MONTH, we continue our second annual round of reviewing the NHS PPU sector across all regions of England with a focus on the eight NHS trusts delivering acute care services to the northern home counties of Oxfordshire, Berkshire, Buckinghamshire, Bedfordshire and Hertfordshire.

Figures from the published 2017-18 annual accounts for this group of trusts, published in autumn 2018, shows that total private patient revenues fell by £1.45m (6.9%) to £19.7m (Figure 1).

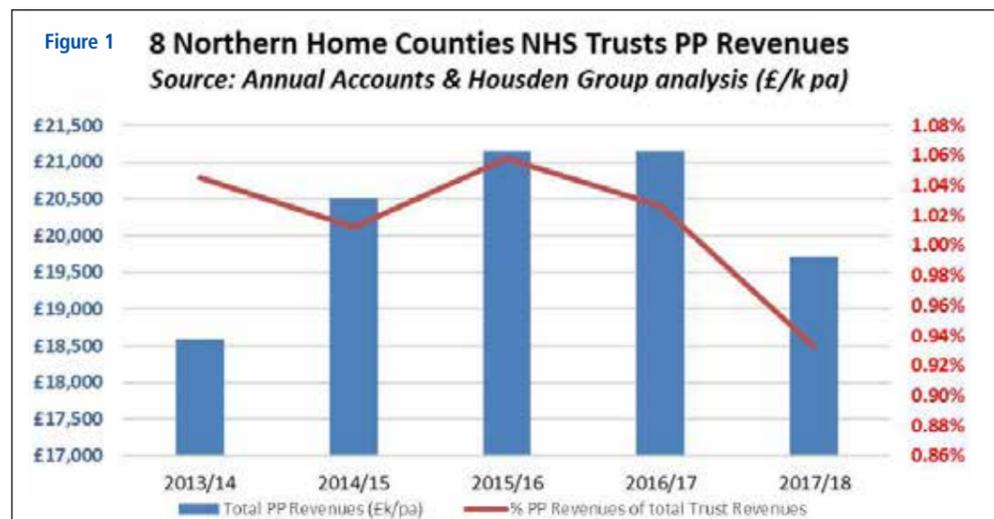
This represents 0.66% - down from 0.77% - of these trusts' total revenues. The combined national average outside of London is 0.5%.

The top trust in this group by both overall earnings and percentage of turnover remains Oxford University Hospitals. Oxford has developed local success through utilising specialty capacity across their four main hospital sites.

The trust's private patient revenues fell by £794,000 and 9.2% in 2017-18 to £7.8m. Despite this fall, Oxford hospitals are still ranked 13th highest private patient earners within the NHS and third outside London.

In 2017, it announced a partnership with the Mayo Clinic to open an outpatient and ambulatory London base, although the date of this summer's opening is not yet clear.

Royal Berkshire's private patient revenues also fell back in 2017-18 by £517,000 (23%), mainly due to



accounting treatment rather than underlying activity.

The trust operates in a crowded local independent hospital market and concentrates on complex surgery and niche services that the local competitors cannot provide, but remains as yet without designated private patient beds.

It has reconsidered updating previous plans to open PPU inpatient capacity, but these have not yet been approved.

Branded clinic

Bedford Hospital has produced private patient revenues growth in real terms annually since 2011-12, growing last year by £41,000 (2.8%) to £1.48m.

The trust reports further growth in 2018-19 with a forecast close to

£1.8m. All this is achieved through the capture of diagnostic and low-volume specialty activity through their branded outpatient offer, the Bridges Clinic.

This offers a range of medical specialties, including endoscopy, cosmetic procedures, diagnostic imaging and physiotherapy.

Luton and Dunstable is in merger talks with Bedford and does have an inpatient PPU, the Cobham Clinic, with 13 beds. The trust fell back by 3.9% last year to £2.07m, and is just under 0.8% of turnover.

Buckinghamshire Healthcare delivers a limited range of private patient services from both the High Wycombe and Stoke Mandeville sites.

At Wycombe Hospital, the trust

has worked with the on-campus BMI Shelburne Hospital. It remains to be seen whether this arrangement will change given the ongoing review of BMI's estate.

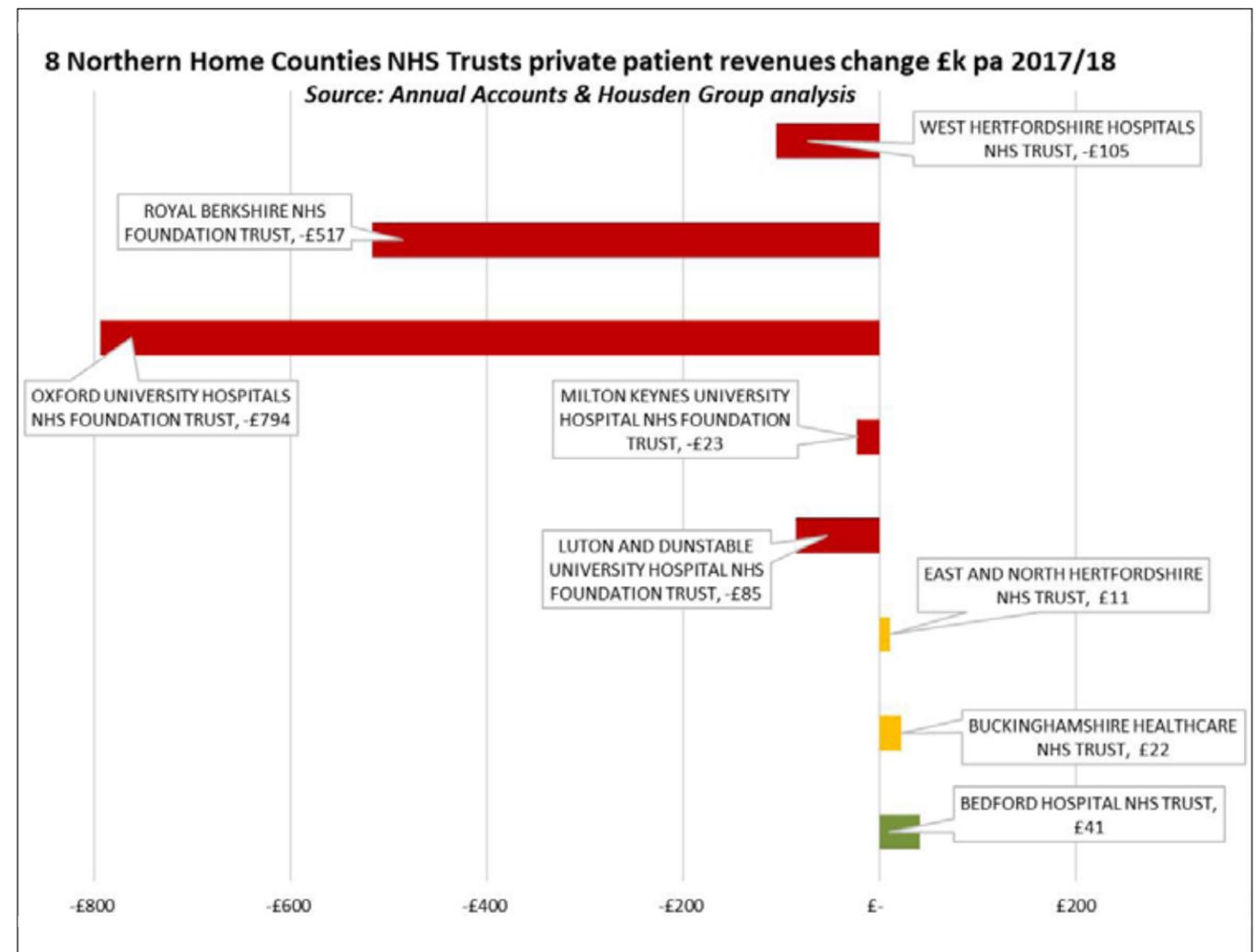
In 2017-18, the trust's private patient revenues were £2.35m, up 0.9% on the previous year and representing 0.61% of total revenues.

Expansion plans

East and North Hertfordshire Hospitals offer a range of private outpatients, day case and a small range of inpatient services across the Lister Hospital in Stevenage, Mount Vernon in Northwood and the new QEII Hospital, Welwyn.

The earnings of the trust remained flat at just under £3.5m in 2017-18, just under 1.0% of total revenues. The trust also has a co-

Figure 2



located BMI hospital, Bishop's Wood, on the Mount Vernon site.

It is investing in private patient expansion and has recently advertised for a business manager to drive growth.

The West Hertfordshire Trust Hospitals in Watford, St Alban's and Hemel Hempstead sit in an attractive market for private patients, but, as a result, they face competition from Spire Hospitals at Bushey, near Watford, and Harpenden and a range of other providers.

The financial impact has been an ongoing decline, with a drop of £105,000 to only £303,000 revenues in 2017-18 representing a new low of 0.1% of turnover.

In early 2019, the trust launched a physiotherapy service for private patients at the West Hertfordshire Therapy Unit in Abbots Langley, which will provide specialist treatment including women's health,

muscular treatments and care for sports injuries.

Milton Keynes similarly has not yet invested into the PPU market. Earnings are stuck at £0.5m turnover, dropping by 4.5% and £23,000 last year to a new low of 0.25% of total trust revenues.

However, the potential to break into the attractive growing market has re-opened due to the cancelling of Spire's ambitions to open a private hospital in the city.

Attractive market

The northern home counties remain an attractive market for private patients, but as they are also a key market for the independent hospital provider groups, competition is strong.

Present trust earnings have recently slipped back and this is both a function of that competition - local and from London - but

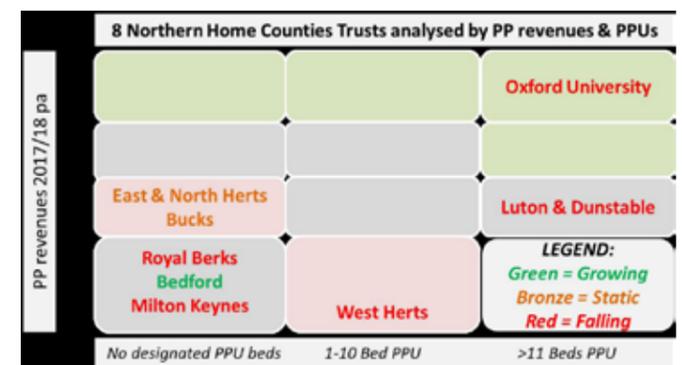


Figure 3

also a function of the lack of investment in capacity and capability by NHS trusts in recent years.

Opportunities remain to develop new private patient services in this area, as the underlying demand factors are expected to remain strong.

In particular, the ageing population, increasing patient safety

agenda and the limits on range of services delivered by private hospitals are all driving complex insured activity into NHS trust sites throughout the country.

Next month: East Anglia

Philip Housden is a director of Housden Group