PRIVATE PATIENT UNITS: THE LAST FOUR YEARS

Figures tell a story

Philip Housden steps back from his monthly detailed analysis of PPUs' performance around the regions, notes the changes over the past four years since he began his *Independent Practitioner Today* series and warns there are important lessons to learn

THE MAIN changes over the last 48 months have been a reduction in the number of trusts through mergers, a continuation of structural trends and, of course, the disruption caused by Covid-19.

In 2017-18, there were 153 NHS acute services trusts in England, between them reporting £618.1m revenues. This represented 1.09% of total trust incomes.

Since then, the number of NHS trusts has declined to 141. Famous names to go include the Birmingham Women's, Aintree, Poole and Royal Brompton and Harefield.

By 2019-20, total revenues had risen by 9.1% to £674.2m, although the impact of Covid was such that revenues fell back by 44% to only £380m in 2020-21.

The number of trusts has not impacted significantly on the structural trends within the sector. The first of these is that most private patient services and income are concentrated in London and the South-east and, beyond that, disproportionately from specialist trusts in other regions.

The proportion of NHS income in England from the Top Ten trusts has risen year on year (see Figure 2 opposite). This rate has grown from 61.3% in 2017-18 to 65.5% in 2020-21.

It shows that the 'winners keep on winning' and is largely a result of the focus that these trusts give to the service once it becomes a material proportion of total trust revenues.

And it is also true for several years that these Top Ten trusts have all been in London. That was until 2020-21 when the impact of Covid seems to have had a differential effect across the NHS with London and the other main conurbations hardest hit.

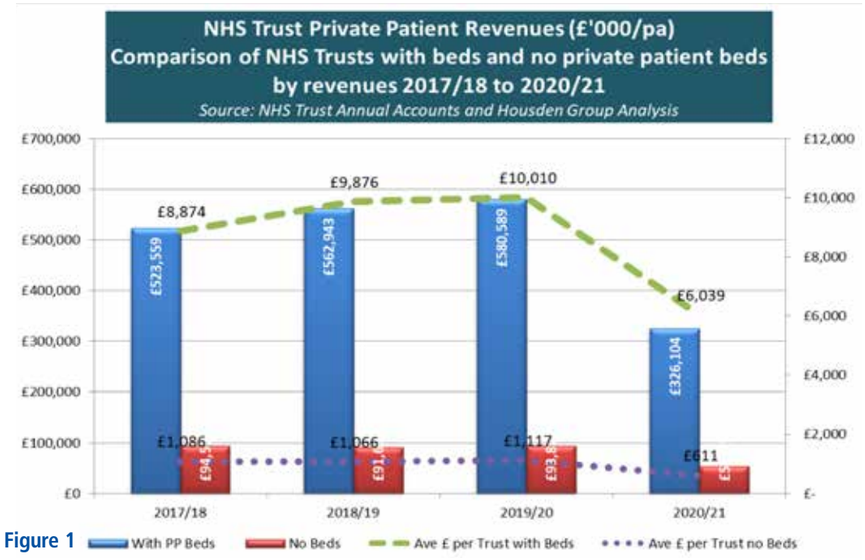

Figure 1

For 2020-21, University College Hospitals and Royal Free London Trusts dropped out of the Top Ten to be replaced by Cambridge University Hospitals at eighth and Oxford University Hospitals at ninth.

The long-standing number-one is The Royal Marsden, where incomes rose from £104.3m in 2017-18 to £132.6m in 2019-20 before falling back to £102.3m last year.

This trust enjoyed 36.3% of total incomes from private patients before Covid, the highest in the NHS, up from 33.3% three years ago.

To put that in context, the next highest proportion of total incomes from private patients is 11.1% at Moorfields Trust, and only 14 trusts report private patient incomes in excess of 2% of total revenues before the pandemic in 2019-20.

This spread has remained largely unchanged, with the average earnings for all trusts only varying between 1.0% and 1.1% over the recent years before falling back to 0.52% last year.

Recovery underway

The impact of Covid has been significant and is ongoing, although, as I write, there is recovery underway, principally in London.

As my 2020 NHS PPU Barometer predicted, total private patient income declined by up to 75% in some high-earning trusts in 2019-20 as staff, capacity and facilities were directed to the NHS-wide effort to combat the pandemic.

The Barometer forecasts for the present year 2021-22 are, in the main, optimistic for a return to growth, dependent of course on the effects of the Omicron variant this winter and any future waves of the disease.

There are approximately 54 trusts that have inpatient facilities and capacity dedicated to private patients and, unsurprisingly, they fare considerably better than those who do not.

The proportion of total incomes for these trusts with a PPU or designated beds from private patients averages nine to ten times that of other trusts: being 2.23% in 2019-20 (1.16% last year) and 0.24% that same year (0.12% last year) for trusts without a private patient unit.

My crude estimate for the annual income achieved per NHS private bed was just over £300,000 last year, with a high of £530,000 in 2019-20 (see Figure 1 above).

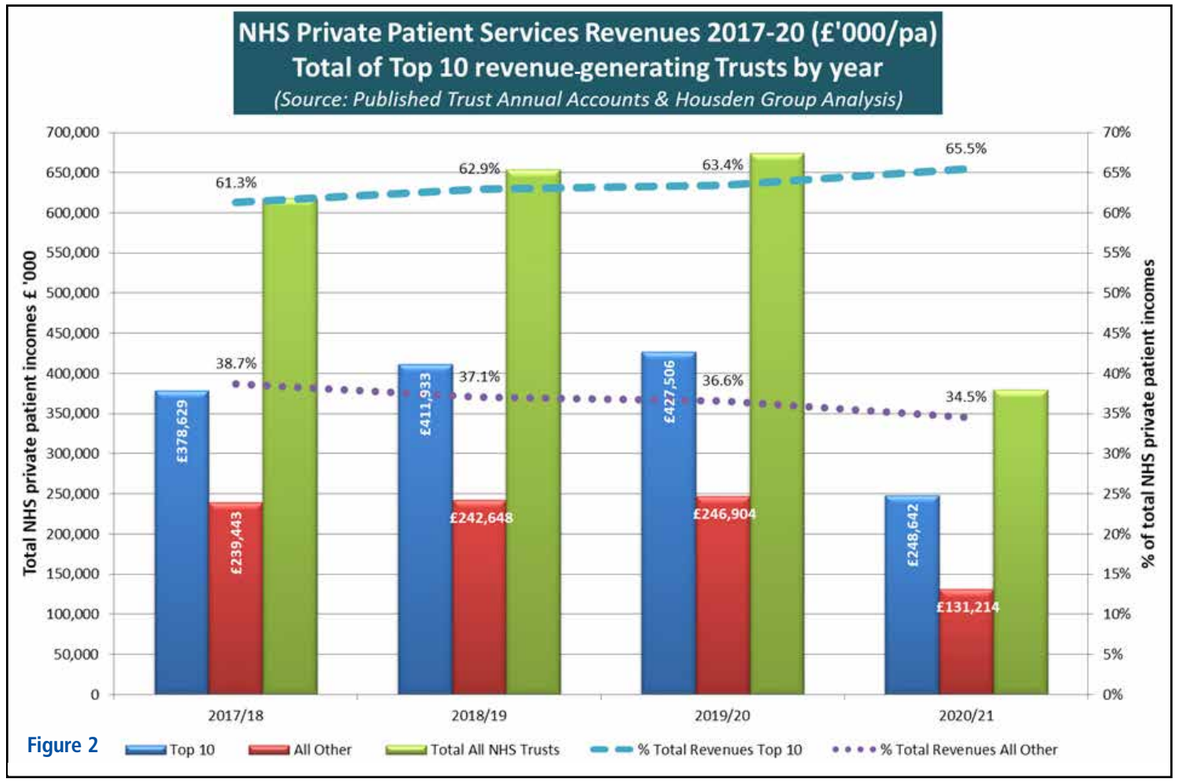

Figure 2

Important lessons to be learned

WHAT ARE some of the lessons that can be gleaned from this analysis of the sector?

Here are three to consider:

1. Trusts are not successful without top management support

Trusts rarely collaborate and share best practice and there is a major opportunity for growth that is largely being ignored.

Time and again, surveys undertaken of the opinions of trust consultants regarding in-house private practice has identified the weight that many put on visible and consistent trust board support.

Without such support, trust consultants are often wary of changing their practice, as most, if not all, have a choice regarding where to practise, with the typical experience being that there are two or more independent hospitals vying for their business.

This leaves many consultants with nowhere to take their most complex patients.

And many other consultants that would have a small private practice, perhaps based on these fewer but higher-value cases, are unwilling to join the sector and set up a private practice at all.

An on-site PPU offers several advantages to both these groups of consultants, built as it is on the twin advantages of convenience – for the consultant and the trust employer, of course – and the compelling governance and patient safety drivers underpinned by 24/7 infrastructure

These advantages include critical care, specialist nursing and extensive diagnostic imaging and more – important for the consultant, the patient and also insurers.

2. Trusts rarely collaborate

Few trusts engage meaningfully with their neighbours to either ask for or to offer help regarding private patient services management or business development.

Despite the constraints of competition law and, of course, the significant day-to-day operational demands of the service, there is a lot of room for such partnership activity.

Only in the South-west have trusts maintained their regional network of peer-group support to share best practice.

Several London trusts have from time-to-time made contact, but no meaningful grouping has been in place for several years. This lack of contact is to the detriment of the sector and means valuable knowledge gets lost.

Lessons have to be re-learned and relationships with the private medical insurers are not based on mutually recognised value. That is, most trusts are just not able to negotiate from a position of any strength in relation to contracts and tariffs.

3. The sector is undervalued

What this amounts to is that the sector is significantly undervalued across the NHS and underplayed to the market in general.

Outside of central London, few private hospitals have critical care capability and this leads to many trusts admitting insured patients as NHS cases for complex high-value procedures and tests.

The true value of this missing potential income stream is not known, but estimates certainly put the opportunity at perhaps £1bn a year.

■ Part two next month considers the key challenges and opportunities facing the sector

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