PRIVATE PATIENT UNITS

A PPU market that's ripe for developing

The North-east is our stop-off this month in **Philip Housden's** tour of NHS private patient units (PPUs)

THIS MONTH, we review private patient revenue growth for eight – soon to be seven – NHS acute trusts across the North-east region covering the conurbations of Tyne and Wear and counties of Durham and Northumbria.

The figures used here are from the recently published 2017-18 annual accounts, although one trust has not included private patient revenues in that document at the time of writing, and so the prior year total has been used.

For this regional group, the accounts show total private patient revenues rose in 2017-18, making up around half of the significant reduction experienced the year before. Total revenues are recorded at £6.3m in 2017-18, up approximately 9.4% from £5.8m in 2016-17 (Figure 1).

This level of income represents an increase to 0.19% of these trusts total patient-related activity revenues, up from 0.17% in 2016-17 and still below the long-term regional average of 0.22%.

These figures are below the combined national average outside of London of 0.5%.

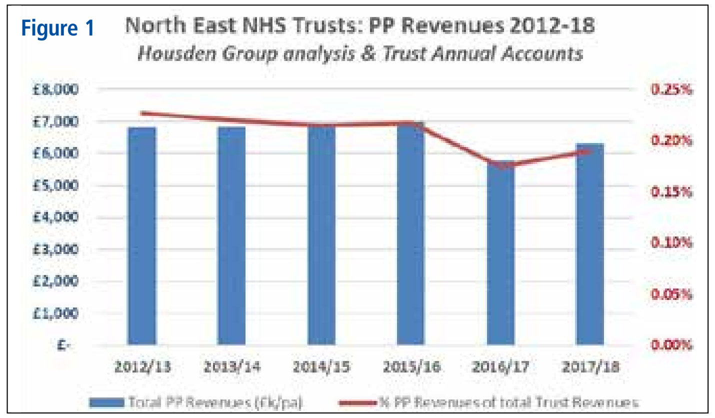
Vary significantly

These eight acute trusts vary significantly by private patient revenues (Figure 2, opposite).

The regional top earner is The Newcastle Upon Tyne Hospital at £3.9m, up £384k year on year (11%).

This is 0.43% of the trust's total patient revenues and the trust is

Figure 1



the only one in the North-east with a private patient inpatient ward: the newly opened five-bed Park Suite at the Royal Victoria Infirmary. The trust also has dedicated private outpatient consulting rooms located in The Lodge, also on the RVI site.

Across the river, Gateshead Health has also seen private patient income growth, rising to £610k last year from £538k in 2016-17. Cumulative growth has been over 50% in the past three years.

South Tees Hospitals is the other significant private patient earner in the North-east. Revenues last year totalled £1.15m, up 11%.

However, these totals are well down on the £1.7m to £1.8m achieved three to five years ago and represent a decline from 0.33% of trust revenues to circa 0.2%.

The trust offers private patient services from the Wensleydale Suite at Friarage Hospital in Northallerton through a four-room treatment and consultation outpatient area.

Also, at the James Cook University Hospital in Middlesborough, there are private patient fertility and therapy services and a commercial arrangement with Sk:n, the dermatology provider.

City Hospitals Sunderland have reported a flat circa £400k revenue in recent years, but their 2017-18 accounts is one of a handful in the NHS not to contain a specific private patient earnings figure.

Strategic alliance

This represents around 0.11% of total patient related revenues, well above the negligible 0.01% of South Tyneside, with whom it has been in a strategic alliance since 2016 as a precursor to merger.

To the north, neither North Tees and Hartlepool (£113k) nor Northumbria (£76k) are showing private patient growth. Northumbria, though, is developing links with both Ireland and with China to share expertise on providing high-quality health and, over time, this commercial approach may enable international patient services to develop.

To the south, County Durham and Darlington also has flat, and relatively low, revenues at £51k last year.

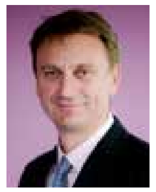
With the exception of Newcastle, the regional and supra-regional services centre, private patient earnings provide little in the way of significant additional income for these NHS trusts in the North-east.

The only PPU in the region is where the service is doing best, although it is clear that there are underlying levels of demand across the area. Given the complexities of opening, managing and growing a trust in-house private patient service, this may be a good market for trust collaboration.

A 'chain' approach, most likely led by Newcastle – where presently 61% of the region's private patient revenues are earned – could be the way forward.

Models of hub and spoke and back office-sharing or even co-branding would offer synergies, cost savings and a fresh market approach for the future.

■ **Next month: The annual review of NHS trusts across England**



Philip Housden (right) is a director of Housden Group

Figure 2