PRIVATE PATIENT UNITS

# Large income gaps means room to unite

This month's financial tour of private patient units (PPUs) by **Philip Housden** (right) analyses private patient revenue growth for ten NHS acute trusts across the East Midlands counties of Northamptonshire, Leicestershire, Nottinghamshire, Derbyshire and Lincolnshire

FIGURES FROM the most recently published annual accounts for this group of trusts show that total private patient revenues were flat in 2016-17 after a period of growth.

Total revenues were £11.9m in 2016-17, up from £10m in 2014-15, a growth of 18.6% (see Figure 1 opposite).

This now represents 0.31% of these trusts total revenues, essentially a flat figure for the last few years. This is below the combined national average outside of London of 0.5%.

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

- **Growing contribution:** Two trusts have each grown by over 25% in the past four years and also contribute in excess of 0.25% of total trust revenues and offer a multi-site 'chain' approach to PPU services. These are: Derby (now with Burton) and North Lincolnshire and Goole.
- **Teaching units:** Two trusts provide non-inpatient services while achieving revenues over £2m a year: Nottingham and University Hospitals of Leicester.
- **Lowest contribution:** The final group of five trusts are those that have very low present earnings; four below 0.15% of trust turnover.

These are United Lincolnshire, Chesterfield and Sherwood, all of which are also declining, and Kettering, which has grown in comparison to 2013-14 base year, but has declined since.

## Growing contribution

The rising star of the region is Derby, where the NHS PPU is branded Derby Private Health, which has delivered growth of 140% in the last four years, reaching £3.18m in 2016-17.

To support further growth, the trust is investing £2m to build and equip a new dedicated operating theatre for private patients at the Royal Derby Hospital using surpluses which locally have been declared as in excess of £1m in 2016-17.

The PPU houses 11 en-suite inpatient rooms, five consultation rooms, a private chemotherapy suite and minor procedures room. In addition to the investment of a dedicated theatre, Derby Private Health is launching a fully equipped ophthalmology outpatient clinic this year.

The recent trust merger to form University Hospitals of Derby and Burton enables the inhouse PPU team to expand further, incorporating into Derby Health the private patient activity in Burton, including the Burton Clinic PPU, worth approximately £1m a year.

This is one of the emerging PPU 'chains' that may develop expertise that can support other trusts looking to share expertise or link up in some other form.

Northern Lincolnshire and Goole also have found success with their own 'chain', branded Lindsey Private Patients, with a presence in Goole, Grimsby and Scunthorpe.

Over the past four years, the service has grown revenues by 29% to £1.03m to now be up from 0.28% to 0.34% of total turnover and rising. At Goole and District Hospital, the Lindsey Suite provides single-room accommodation, and services offered include those not routinely offered on the NHS, such as cosmetics and some ophthalmic procedures plus the expected range of fast access to imaging and self-pay admissions.

## Teaching trusts

Nottingham University Hospitals has also experienced growth, but without investing in a PPU. The local market is competitive with a long-standing treatment unit run by Circle now joined by a new £60m flagship hospital opened by Spire in 2017 and recently rated outstanding by the Care Quality Commission. The trust does not have a separate PPU, but houses private patients on NHS wards. Despite this, the trust had income of £2m in 2016-17, up 30% in four years.

University Hospitals of Leicester is a second regional teaching trust without dedicated inpatient private patient accommodation. Services are located between three main sites across the city, which also has both a Spire and Nuffield Hospital, each of which supports higher than average complexity case mix.

The trust achieved £2.86m revenues in 2016-17, a slight downturn in cash terms from £3m in previous years, but private patient earnings as a percentage of total turnover is on a declining trend, down from 0.45% in 2013-14 to 0.37% in 2016-17.

Both Leicester and Nottingham have advantages in the local market with regards to most complex care and a dedicated PPU looks to be worth considering, particularly in Leicester where service and site reconfiguration has recently been announced and private patients may be able to be incorporated within a future capital investment.





## Lowest contribution

We now turn to the group of five trusts with the lowest contribution from private patient revenues. Northampton General Hospital is the highest earner of these, earning £910k in 2016-17.

Northampton does not have a dedicated PPU. By contrast, Pilgrim Hospital, Boston, does have a dedicated private patient unit – the Bostonian Wing – with 18 beds.

The United Lincolnshire Hospitals trust, including Boston, Lincoln and Grantham sites, delivered £551k revenues in 2016-17; essentially flat over the past three years, but well down on the £1.1m in 2011-12 when this was 0.3% of total trust income (now 0.14%).

Perhaps there is potential to link up with Lindsey in the north of the county to help with branding, back office and leadership?

Kettering General and Chesterfield Royal Hospital trusts have a negligible level of private patient earnings (less than 0.1%) at £175 and £80k respectively in last published annual accounts. Neither are known to have plans for investment.

However, at Sherwood Forest Hospitals, plans are being drafted to extend the present limited private patients service at the King's Mill Hospital near Mansfield. The trust reported revenues of only £119k in 2016-17.

NHS trusts in the East Midlands have a mixed approach to private patient activity, as is shown through this analysis. There remain several trusts where the present absence of any private patient capability is likely to mean that complex treatments on local insured patients are defaulting to the NHS as a cost.

By contrast, other trusts are embracing the opportunity and are developing multi-site locations through which to develop branded services. The gap in contribution is clear from chart showing annual revenue for all ten regional trusts (Figure 3). Perhaps this is the region where those with current and growing expertise could link up with those not yet able to enter the market in a meaningful way.

■ **Next month: West Midlands**

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Figure 1

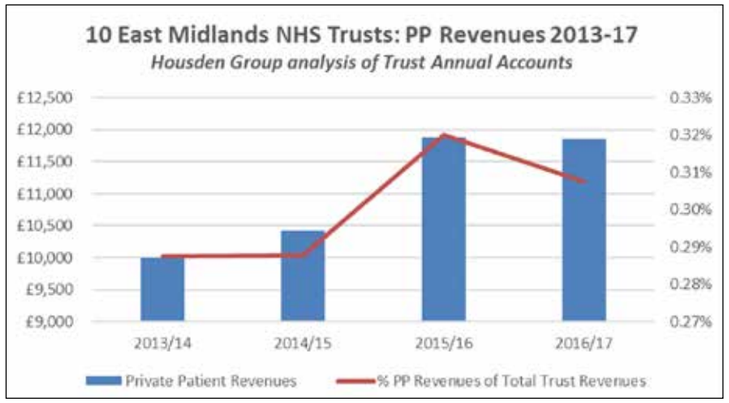


Figure 2

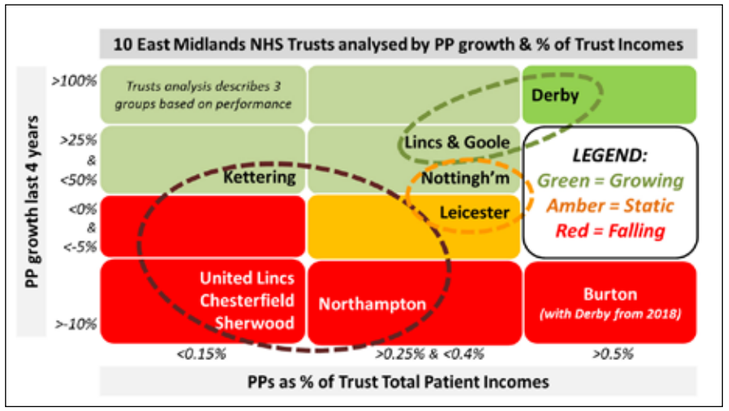


Figure 3