PRIVATE PATIENT UNITS

Capital feat for London's PPUs

Our analysis of England's NHS trust private patient earnings by region has completed its ten-region cycle, so **Philip Housden** returns to the capital for updated data from the latest published trust annual accounts, and market news

An analysis of their accounts shows London trusts' PPUs continue to surge ahead of the rest of the country

THE LONG-TERM trend for London to be the engine of growth for the whole NHS PPU sector has continued, if not accelerated, over the past year.

Revenues for 22 trusts within greater London climbed to £402m, up 8.4% from £371m in 2016-17. The extent to which growth continues to be skewed between London and the rest of England is shown in figures 1 and 2 overleaf.

London now represents 65% of total revenues, an increase from 59% over five years. During that time, overall private patient revenues outside London have remained static, albeit that there have been significant movements by region and by trust: themes to be explored in future articles.

The concentration of private patient activity within the largest ten trusts has continued, reaching 61% in 2017-18 (Figure 3, overleaf). All these top-ten-earning trusts are in London.

They have driven the market as much as responded to it. In recent years, their private patient services have become largely synonymous with the overall NHS trust brand.

As market analysts LaingBuisson have recently stated, earnings have largely grown from overseas patients attracted to the highest-quality infrastructure that the super-specialised London NHS trust tertiary centres provide.

Last year's analysis proposed the division of the 22 acute trusts in Greater London into four distinct groups, split by private patient revenue growth and by percentage of overall trust patient incomes (Figures 4, 5 and 6 on page 53).

This grouping was useful and has again been used to highlight trends:

1 The big four of Royal Marsden, Great Ormond Street, Royal Brompton and Imperial, each with earnings of £35m a year or more, enjoying significant year on year growth and with private patients now accounting for between 11% and 33% of overall incomes and an average of £62m a year each.

2 The next six significant earners of Moorfields, Royal Free, Guy's and St Thomas', King's College, UCL and Chelsea and Westminster. This group's earnings are growing at nearly 10% a year and are presently between £27m and £16m a year.

3 The Royal National Orthopaedic Hospital, St George's, Bart's and London North West are

⇨ p52

four trusts that comprise a potential group of next movers, each with significant infrastructure on which to grow their present earnings which range from £3.5m to £6.7m a year.

4 The final group is made up of the eight lowest earners, for whom private patients account for not more than £850k a year and 0.3% of trust revenues, significantly below the London average of 3.4%.

The Big Four have expressed ambitions to invest to grow further and so this trend is expected to continue. Royal Marsden achieved its stated ambition of exceeding £100m a year from private patients, growing more than 50% in the past three years and the closest trust in England to a fully mixed public-private model of care.

It is understood that the growth trend has continued into 2018-19, with an outturn around £115m likely, representing another annual increase of 10% and a private patient income level that will then be 34% of total trust patient income.

Great Ormond Street has cultivated the international market and continued to grow strongly and the 2017-18 growth of £2m revenues is set to rise significantly into 2018-19 accounts when an outturn of £62m may be achieved, roughly an 8% increase.

Royal Brompton invested in both a diagnostic and outpatient centre in Wimpole Street and improved facilities at Harefield to support the expansion for the private market. The trust is also active in the Middle East market.

Reported revenues, however, remain flat at £38m in 2017-18.

Imperial enjoyed a significant annual increase in revenue of 10% (£4.5m) in 2017-18 to over £50m for the first time, although this momentum does not seem to have been fully carried forward into 2018-19.

Significant earners

The next group of significant earners are similarly following a strategy of investing to grow.

Moorfields is arguably already among the biggest hitters, with £27.2m revenues in 2017-18. Of this, around half is now achieved through Dubai in the United Arab Emirates (UAE). The trust is investing around £3m capital in a private patient theatre and admission suite facilities.

> **The Big Four have expressed ambitions to invest to grow further and so this trend is expected to continue**

The Royal Free's investment in a new facility at Hadley Wood, Barnet, which extends capacity and referral catchment, is part of an ambitious growth plan. Private patient revenues grew £874k (4%) to £22.4m in 2017-18, but is reported as behind planned levels of contribution for 2018-19 in recent board reports.

Guy's and St Thomas' £100m integrated partnership cancer centre with HCA on the Guy's campus is expected to deliver a further boost to revenues growth in 2018-19 that improved by more than £3m in 2017-18 to £21.5m.

King's College has facilities in Camberwell and Orpington in south London and has expanded its private patient services through a footprint overseas, in the UAE's capital Abu Dhabi, to cater for international demand.

The trust achieved revenues of £20.4m in 2017-18, a significant rise of 39%. UCL's revenues remained flat at £19.8m.

Chelsea and Westminster has plans for growth on the West Middlesex campus and increased revenues by more than £1m to nearly £17m in 2018-19.

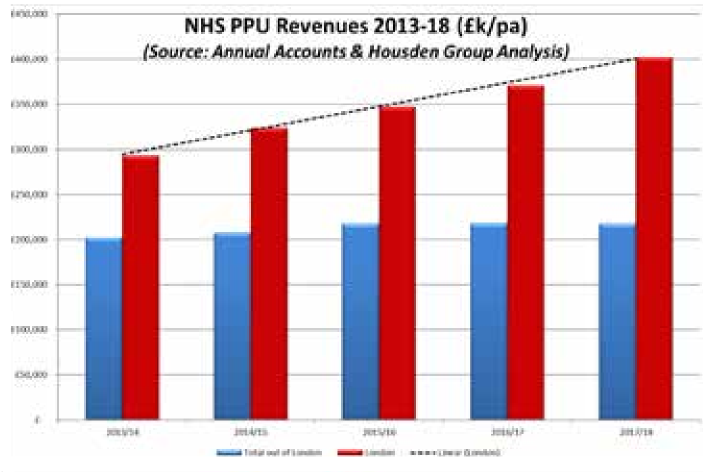

Figure 1

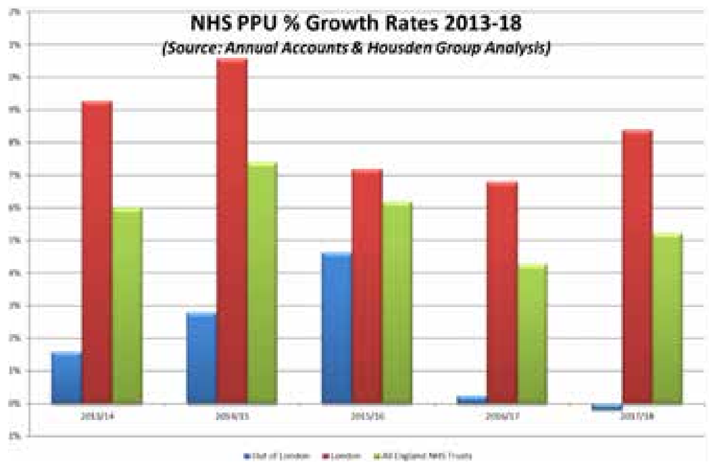

Figure 2

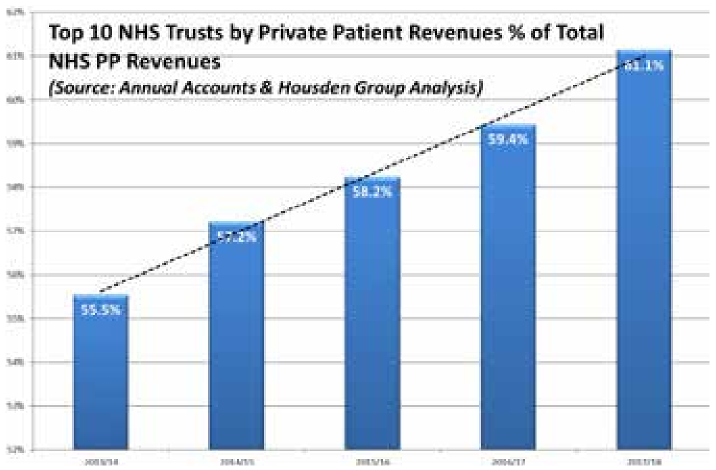

Figure 3

> **The third group is made up of four trusts with ambitions to grow private patient activity. These trusts have perhaps relatively under-performed when benchmarked alongside other central London trusts, but are taking steps to be the next movers**

Ambitions to grow

The third group is made up of four trusts with ambitions to grow private patient activity. These trusts have perhaps relatively under-performed when benchmarked alongside other central London trusts, but are taking steps to be the next movers. They averaged over 10% growth in 2017-18 to aggregate over £21m.

Bart's Health grew 53% – nearly £2m – in the 12 months to end of March 2018, achieved by a thorough review of present tariffs leading to renegotiated prices with major insurers and a drive to capture and charge for all activity.

Further medium-term growth is expected now that Barts will have access to the partnership private patient facility being built by Nuffield Health in former surgeons' accommodation and pathology buildings.

The Royal National Orthopaedic Hospital at Stanmore has already made a move and invested in growth. An expansion from 18 to 28 beds has been made possible by moving the PPU into the new Stanmore Wing that opened in December 2018.

A brand refresh and the new capacity gives optimism that the trust will make a jump from the present revenues of £6.8m a year that grew 5% last year.

St George's has still not yet moved forward with long standing plans to invest in a PPU and private patient revenues declined by £1.1m (25%) to £3.5m in 2017-18.

By contrast, London North West enjoyed growth of 18% to £5.1m in 2017-18 and the trust is considering investing in additional capacity at St Mark's, Harrow.

Missing out

Finally, a word about the eight other trusts presently missing out on this growth – depicted in the bottom left of figure 6, below right).

Each are physically located further away from central London and cannot therefore enjoy the same access to the international patient market, but it is striking that they are performing less well than a high number of similarly-sized trusts outside the capital.

Of the eight, there are two that have worked in partnership with independent healthcare providers and both have chosen to end these arrangements.

Kingston Hospital has tendered for the management of its Coombe Wing PPU, having ended a long-term contract with BMI, with the new arrangements to commence from April 2019.

Barking, Havering and Redbridge's partnership with HCA at Queen's ended in early 2018, and the trust is reviewing options for a replacement arrangement that brings control and earnings back in-house.

The remaining six trusts aggregate only £1.6m between them and these all remain opportunities for further private patient investment and growth.

■ Next month: the southern home counties

Philip Housden (below) is a director of Housden Group www.housden-group.co.uk

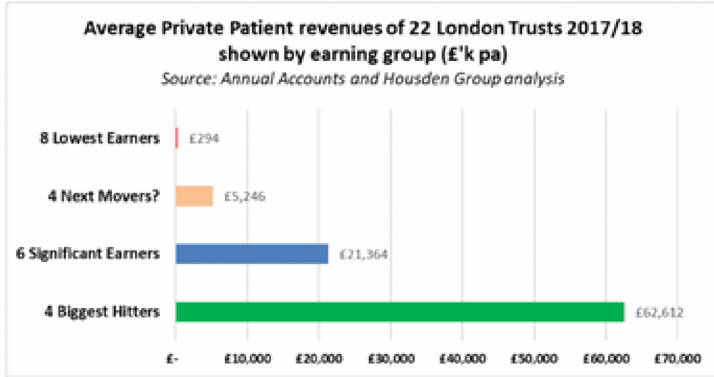

Figure 4

22 Trusts by 4 groups	2016/17	2017/18	Growth	%	Average
4 Biggest Hitters	£ 232,851	£ 250,448	£ 17,597	7.6%	£ 62,612
6 Significant Earners	£ 117,027	£ 128,181	£ 11,154	9.5%	£ 21,364
4 Next Movers?	£ 19,055	£ 20,984	£ 1,929	10.1%	£ 5,246
8 Lowest Earners	£ 1,925	£ 2,350	£ 425	22.1%	£ 294
All figs £'m pa	£ 370,858	£ 401,963	£ 31,105	8.4%	£ 18,271

Figure 5

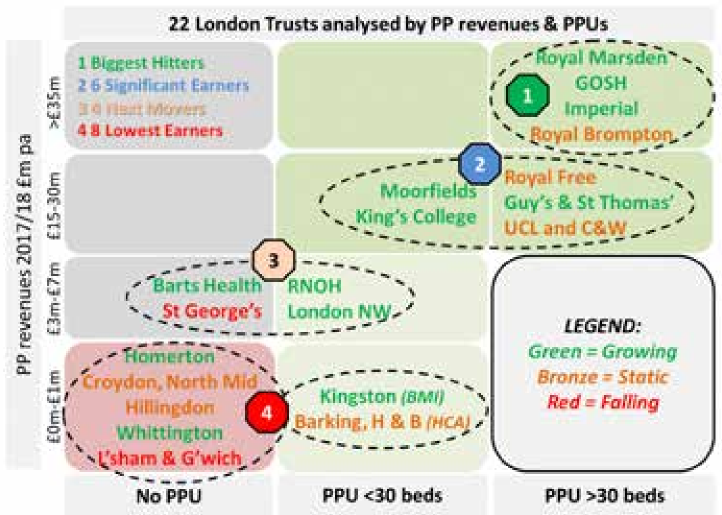

Figure 6