

PRIVATE PATIENT UNITS

Income down but potential remains

Our monthly analysis of how private patient units are faring turns its attention to the 17 NHS trusts delivering acute care services to the south-west counties of Dorset, Devon, Cornwall, Wiltshire, Somerset and Gloucestershire. **Philip Housden** reports

REGIONAL TOTAL private patient revenues in the South-west fell significantly last year after a static period of three years. Total revenues are estimated at £28.5m, down from £31m the year before.

The decline masks a wide range of individual trust performance (see Figure 2 on the following page) and represents 0.53% of these trusts' total revenues, down from 0.61% last year.

The combined national average outside of London is 0.5%.

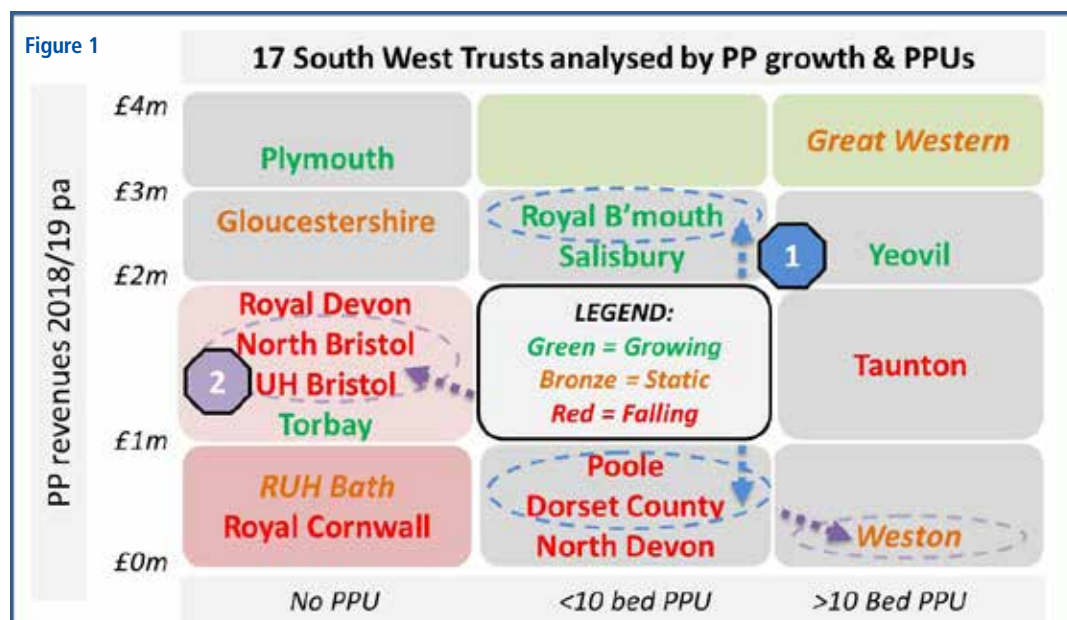
Updated accounts for 2018-19 were available for all but three trusts at the time of writing – Great Western, Weston Area and Royal United Hospital Bath – for which 2017-18 data has been used.

The two trusts that have revenues above £3m a year – Great Western, Swindon, and United Hospitals Plymouth – deliver private patient services through contrasting approaches.

Great Western operates a 20-bed dedicated PPU, branded Shalbourne Private Health Care. During the past year, changes of management and some weakening of ring-fencing of private bed capacity are expected to have impacted on revenues which were £3.4m in 2017-18.

At Plymouth, the trust grew private patient revenues by £274,000 (9.6%), 0.61% of turnover, without re-opening its previous ring-fenced capacity, The Meavy Clinic.

Offering specialist regional services, the trust catchment is for



complex activity, a market opportunity which may drive further growth.

Gloucestershire Hospitals remained unchanged at £2.97m revenues in 2018-19; an essentially unchanged position for several years.

Balanced solution

The trust offers limited bed access at Cheltenham General, but has no dedicated inpatient capacity for private patients on the Gloucester Royal site.

It continues to search for a balanced solution for delivering dedicated private inpatient capacity. The Cheltenham General site has

strong potential, which would be delivered if the 15-bed Knightsbridge Ward were still fully available for private patients.

Gloucester is not as strong a catchment area, but the Royal Infirmary has the surgical infrastructure to offer the high-quality patient safety back-up that clinicians most value.

Royal Bournemouth has moved forward in the past year with revenues up £146,000 and 5.3%, achieved after recruiting an experienced manager and opening the Bournemouth Private Clinic with five dedicated inpatient beds.

The trust also hosts a cardiology joint venture with Regent's Park,

called the Dorset Heart Clinic, and has plans to extend inpatient bed capacity.

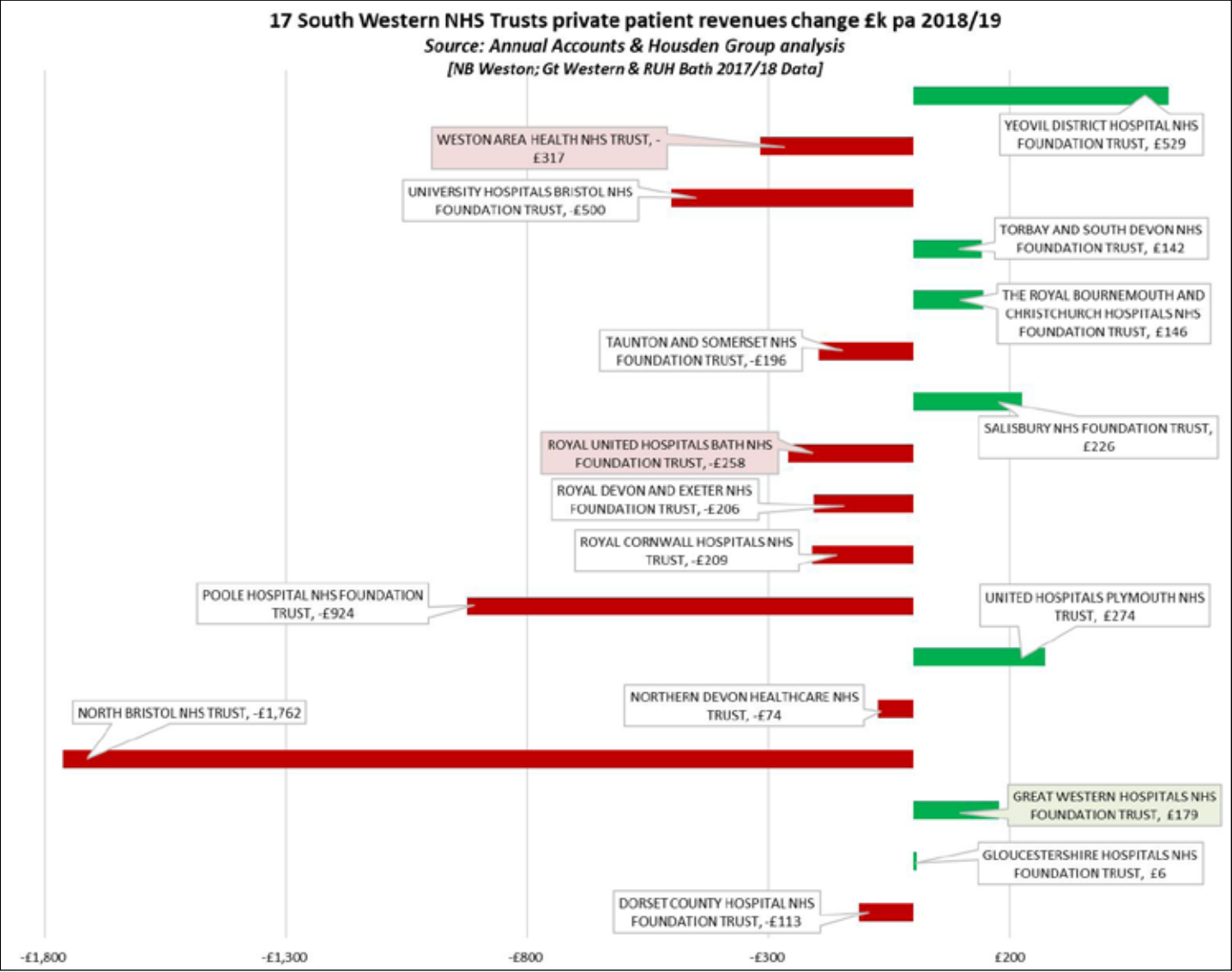
Planned merger

Bournemouth and Poole are two trusts working towards merger – now delayed until at least October 2020 – and joint work before then may lead to a reverse of the steep decline in private patient revenues on the Poole site, down £924,000 and 49% last year, to under £1m a year for the first time.

This was the consequence of ending the ring-fencing of the Cornelia Suite in Poole, a dedicated six-bed PPU opened in 2013.

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Figure 2



However, a change in trust leadership followed and the unit has not enjoyed the same support in recent years.

Figure 1 on the previous page highlights the future links between Bournemouth and Poole, but also suggests the potential for a county-wide approach given that Dorset County in Dorchester is keen to develop private patient services.

But Dorset County has again lost ground to record revenues of £783,000 last year, down 14.4% and £113,000 on 2017-18, the third consecutive year of declining revenues.

Big winners

Salisbury and Yeovil are the other big winners. Although Salisbury's four dedicated beds in the Clarendon Suite is small by PPU standards, the trust has achieved 10.6%

growth (£226,000) through diagnostic and other earnings on top of inpatient growth.

Yeovil is a small trust with a track record of successful commercial developments, including the 14-bed Kingston Wing.

The trust still enjoys the highest percentage of trust revenues in the South-west, now at 1.61% of turnover, and grew 27.3% and £529k in 2018-19, reversing the previous year's decline.

Neighbouring Taunton fell back 8.1% and £196,000 last year, reversing previous gains through the trust's 12-bed Parkside Unit PPU at Musgrove Park Hospital.

Private patient services within NHS trusts in Bristol are a broad outlier in the region, particularly when compared with many other specialist care centres.

Although the city and catchment

are well provided for by independent hospitals, many other large trusts across England are growing private activity essentially because of the increasing focus on patient safety and risk for complex patients and procedures (see Note 2 on Figure 1 on the previous page).

Slow decline

North Bristol was previously the highest-earning trust by revenues in the region, but a slow decline was evident in terms of percentage of trust incomes even before last year's 55% fall of £1.76m to £1.44m.

The trust has had turnover in private patient services operational management and there are no published plans for investment in a dedicated PPU and, without this focus, future growth is likely to be limited.

Across the city, private patient revenue at University Hospitals Bristol also declined steeply last year. Revenues fell 29% from £1.7m to £1.2m. Again, the trust has no dedicated PPU.

Opportunity for growth

It will merge with Weston Area in April 2020, providing an opportunity for a re-think and opportunities to invest for growth. Although small, Weston's 12-bed Waterside Suite could be the focus for a new city-wide approach with the three trusts jointly developing a stronger private patient 'chain' together.

Royal United Hospitals Bath operates in one of the most competitive private hospital markets outside London. The trust is growing revenues, but from a low base. Local market potential remains

“Across the region, most of the NHS trusts are in a good position to exploit the important market niches for services that the independent hospital provider groups cannot provide”

due to the relative affluence and size of the drive-time catchment.

But I understand that, despite this potential, the trust presently has no plans to invest in dedicated private patient capacity.

In Devon, the Royal Devon and Exeter has firm plans to invest in dedicated new capacity, albeit the work programme has been delayed.

The trust announced last year investment of £1.8m to open a

new 12-bed PPU inpatient ward, but this will not be open until perhaps early 2020.

It has ambitions to at least double present revenues through this investment, although in 2018-19 revenues fell £206,000 (11.4%) to £1.6m.

Along the coast, Torbay and South Devon was previously the lowest revenue earner in the region by percentage of trust income but grew 15.1% last year and £142,000 to achieve income of £1.1m.

Weak competition

The trust faces relatively weak local independent sector competition and faces opportunities for growth. Across the county, Northern Devon fell 11.7% and £74,000 to £560,000 (0.3% of turnover).

It once had a PPU, but has for some time used the capacity for NHS activity and, despite local consultant support, the market seems too small and geographi-

cally isolated to achieve anything easily on its own.

Perhaps there is room for a future county-wide link between the new service in Exeter and the other Devon trusts.

Across the Tamar, Royal Cornwall has the lowest private patient earnings of any trust in the region by turnover, at 0.09%. Revenues fell in 2018-19 by £209,000 to £361,000 (37%).

Ramsay's Duchy Hospital is situated adjacent to the trust's main site at Truro, so is well placed to exploit NHS capacity constraints. There are no presently declared plans by the trust to develop a local private patient service.

So there was a mixed performance for the region in 2018-19. The South-west is not the strongest market for private patients, but, across the region, most of the NHS trusts are in a good position to exploit the important market niches for services that the inde-

pendent hospital provider groups cannot provide.

Where trusts have invested in capacity and protect it, earnings are stronger.

Looking to the future, the ageing population, increasing patient safety agenda and increasing restrictions on NHS access and lengthening waiting times means that there remain opportunities for all these trusts to consider the benefits of private patient services.

The region is the home of the only surviving regional group of NHS PPU managers and this supportive network provides a base for strengthening city- and county-wide networks/groups/chains of NHS PPUs to exploit these market opportunities.

Next month: West Midlands

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