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**Private Healthcare has shrunk relative to the NHS under Labour**

The proportion of elective hospital activity<sup>1</sup> which is privately funded has tumbled from 14.6% in 1997/98, at the outset of the Labour government, to 10.6% in 2008, according to new data published today in *Laing's Healthcare Market Review*.<sup>2</sup>

Based on information collected by Laing & Buisson on behalf of major independent hospital groups, an estimated 807,100 independent hospital inpatient and daycases were funded through medical insurance or by 'self-payers' out of their own pockets in the UK in 2008. To this can be added 105,200 private patients treated in NHS private pay beds to make a total of **912,300** privately funded inpatients and daycases. On the NHS funded side, there were an estimated 7,405,800 waiting list and planned inpatient and daycase admissions for elective surgery together with 314,700 cases treated in independent hospitals (151,000 in 'mainstream'<sup>3</sup> independent hospitals and another 163,700 in Independent Sector Treatment Centres commissioned by the Department of Health to supplement NHS capacity) to give a publicly funded total of 7,720,700 and a grand total of **8,632,800** publicly and privately funded cases combined in 2008.

**Elective hospital throughput (inpatients and daycases) UK estimate 2008**

	Privately funded	NHS funded	Grand total
Provided in independent hospitals	807,100	314,700	
Provided in the NHS	105,200	7,405,800	
Total all providers (number)	912,300	7,720,500	8,632,800
Total all providers (share)	<b>10.6%</b>	89.4%	100%

Past data, while not wholly comparable, show that the privately funded proportion of elective treatment was substantially higher at the beginning of the Labour administration:

	% of elective inpatients and day cases which were privately funded (see Chart, below)
1986	14.8%
1992/93	14.9%
1997/98	14.6%
2008	10.6%

William Laing, chief executive of Laing & Buisson commented:

*"This remarkable reduction in the privately funded share of elective surgery is not because private healthcare is in decline. It is true that an improved NHS service coupled with recession has taken a heavy toll on demand from 'self-payers' without medical*

<sup>1</sup> 'Elective' surgery is the main activity of private hospitals, consisting typically of routine procedures such as joint replacement, cataract operations and varicose vein removal, which are planned in advance, as distinct from emergency admissions and trauma.

<sup>2</sup> *Laing's Healthcare Market Review 2009/10* is available from Laing & Buisson, 29 Angel Gate, City Road, London EC1V 2PT. Tel 020 7833 9123. Email: info@laingbuisson.co.uk. Price £390 (hard copy), £505 (hard copy and electronic files). [www.laingbuisson.co.uk](http://www.laingbuisson.co.uk).

<sup>3</sup> 'Mainstream' independent hospitals are those which cater primarily for private patients, as distinct from Independent Sector Treatment Centres (ISTCs) which only treat NHS patients.

*insurance cover. But private medical insurance remains robust. The main reason for the falling private share is that NHS funded elective surgery has been growing so much faster, aided by the massive injection of public spending during the last decade.*

According to the *Review*, the last two years have also been remarkable for a dramatic shift in the funding profile of mainstream independent hospitals. While the volume of self-paying patients slumped from 171,500 in 2007 to 149,200 in calendar 2008, the number of cases paid for by the NHS surged from 53,500 in 2007 to 151,000 in 2008. As a result, total inpatient and daycase throughput in mainstream independent hospitals rose by 8% to 958,000, while the NHS paid share almost tripled from 6% to 16%.

William Laing said:

*“This is a big change in such a short space of time, and all the indications are that the surge in NHS-paid patients in mainstream independent hospitals has continued during 2009 as more English consumers have taken advantage of the government’s ‘choice’ initiative, under which they can choose to have their elective surgery in any private hospital that has signed up to the scheme.*

*The extra business, however, has been a mixed blessing for independent hospital operators since such work they take on at NHS tariff rates offers a lower profit margin than private work. If and when self-pay demand returns, and as medically insured activity grows in the future, existing independent hospitals will wish to return to their core private business.*

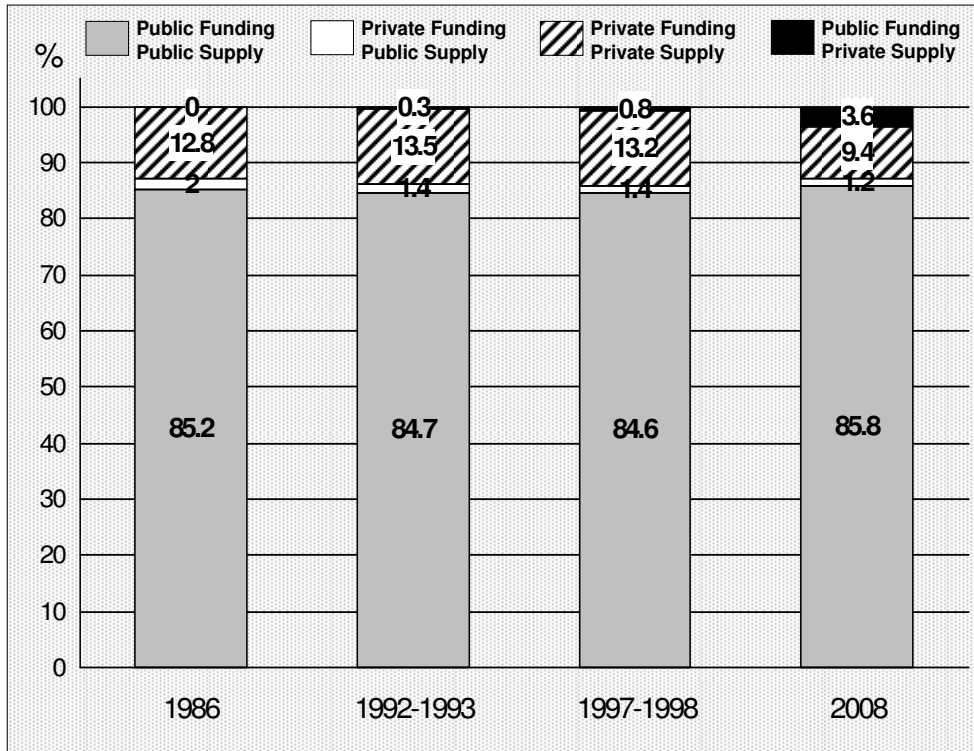
*The big question for the future is whether the independent sector will have an appetite for investment in additional, lower cost capacity aimed specifically at servicing the NHS market. Experience with the ISTC programme has dented providers’ confidence in the government’s long term intentions, but nevertheless the NHS is a massive market and the independent sector share of it is currently very small, at just 4%.*

**ENDS**

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**CHART**

**UK hospital (inpatient and daycase) elective activity breakdown by type of hospital supply (public NHS or private) and type of funding (public**



Source: 2008 - Laing & Buisson

Earlier years – a series of surveys carried out by Professor Brian Williams, latterly at the University of Nottingham's Department of Public Health Medicine and previously at the Medical Care Research Unit of the University of Sheffield.