PRESS INFORMATION

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HOSPITALS COMPETING FOR A STATIC PRIVATE HEALTHCARE POT

Hospitals delivering private acute healthcare services must meet the challenges of a static market going forward following an absence of real spending growth in 2010. This is the conclusion of the latest analysis from healthcare market intelligence provider **Laing & Buisson**.

Published today, the 2011-2012 edition of Laing's Healthcare Market *Review* claims that revenues generated by independent hospitals providing medical treatments in the UK remained unchanged in real terms over the year at £3.84bn.

This year of stasis follows a period of 'fair' growth during the economic downturn, suggesting that the sector could now have to brace itself for a further period of economic sloth, and the fallout of public spending austerity.

The main funding source for the country's independently run hospitals are patients with private medical cover. However, the proportion of business accounted for by this audience has slipped consistently over the past five years, accounting for just 59% (£2.3bn) of revenues generated in 2010 – compared to 65% in 2005. Helping to make up some of this fall, NHS patients using private facilities now account for a quarter of hospital income (compared to 14% in 2005) generating £957m. Latest analysis, though, suggest that this source - which has bolstered market fortunes in recent years - may be reaching a cyclical high. Pay-as-you-go patients provided 14% of revenues (£534m) for independent medical hospitals, encouragingly up by 0.5 percentage point post-recession. Other sources contribute the remaining 2.5% (£104m).

What's more, in addition to static income, data presented in the report shows that this private healthcare pot is being shared by an increased supply of capacity. Laing and Buisson reported a record 515 independent medical hospitals at mid 2011, compared with 454 in mid-2010. Of these, 211 offer 9,545 inpatient beds and 304 provide only day surgery. In addition, 73 private patient units (PPUs) within NHS hospitals also compete for a slice of the private healthcare market.

Such growth among independent providers means that they face growing competition, report co-author Philip Blackburn said. Launching Laing's Healthcare Market *Review*, he commented:

> 'There are certainly near term challenges for service providers of private acute healthcare under current market conditions, but also opportunities in the longer term. Delivery efficiencies from providers are being solicited, not least from medical insurers which are seeking savings to pass on to their customers, and the recent OFT report, which found evidence of potential competition limiters in the provision of private healthcare by hospitals and consultants.'

In further statistics on the country's acute care provision, Laing & Buisson's *Review* showed that NHS income from treating private patients in its hospitals was flat at £445m in 2010/11 - down 1.6% in real terms from a year earlier. This comes despite a growing appetite from NHS providers to boost their incomes from this business source.

With the government's proposed increase in the private patient income cap to 49% for the NHS, independent hospitals also look to face competing interest from this area, though there is certainly limited scope for increased private healthcare capacity at this time, all other things being equal.

Looking more closely at NHS spending on acute medical treatments with independent healthcare providers – at a time when the government continues to push through with its major policy revamp – of this latest figure of £957m, 58% (£559m) is estimated to be local spending by hospital Trusts, including £356m through the Extended and Free [Patient] Choice Networks. An estimated 37% (£357m) is national

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contract spending through the ISTC programme and the remaining 4% (£41m) was generated from central procurement of diagnostics.

The independent acute sector is estimated to have treated around 425,000 NHS (overnight and day case) patients in calendar 2010 in the UK.

Centrally procured ISTC activity decreased only marginally in the year to £357m (2009: £365m) with Care UK, Circle and UK Specialist Hospitals the largest scheme providers during 2010, accounting for 35%, 18% and 16% respectively of the total centrally procured services. During the period 15 schemes came to the end of their initial contracts, while two new large scale facilities carried out their first full year of activity. Revenues from centrally procured schemes are expected to dip more significantly in 2011 as a further 13 schemes are due to expire.

Driving NHS activity for independent hospitals is patient choice (now through Choose and Book), which is projected to rise to at least £500m in 2011 based on monthly activity in June 2011, though monthly trends confirmed that growth through patient choice started to flatten out towards the end of 2010.

Looking to the future, Mr Blackburn added:

> 'In the longer term, NHS work carried out by the independent sector will be determined by the level of demand from NHS patient choice, and the amount of capacity that independent sector providers are willing to dedicate to NHS patients. The Coalition government believes there is significant scope for patient choice to grow well above its current levels and its policy strategy is to significantly raise patient awareness of choice, increase the number of treatments that can be referred through patient choice, and increase the coverage of independent sector providers accepting NHS patients through 'Choose and Book'. However, the addition of a number of market controls to the government's NHS policy reforms, which are able to manage competition for NHS patients, suggests unfettered patient choice of independent sector hospitals for NHS patients may be longer in the making than first pledged.'

- END OF RELEASE –

TOP FIVE INDEPENDENT HOSPITAL PROVIDERS BY ACUTE MEDICAL/SURGICAL REVENUE, 2010

Provider and Rank	2010 £m	2010 share %
1 General Healthcare Group[1]	836.2[2]	21.5
Netcare Healthcare UK	19.0[2]	0.5
2 Spire Healthcare[3]	643.0	16.6
3 HCA	490.3	12.6
4 Nuffield Health[4]	391.6	10.1
5 Ramsay Health Care UK[5]	350.0[e]	9.0
Top 5 providers	**2730.1**	**70.3**
ALL INDEPENDENT ACUTE PROVIDERS*	**3883.0**	**100**

[e] Estimated for calendar year. * Laing & Buisson estimates. Excludes termination of pregnancy revenues, and adjustments for non-acute provision. Includes diagnostic services commissioned by NHS. [1] Acquired by Network Healthcare Holdings (Netcare) in April 2006. [2] Revenues for the 12 months ending 30 September. [3] Bupa Hospitals prior to its acquisition in August 2007 and subsequent rebranding to Spire Healthcare. [4] Revenue of Nuffield Health excludes revenue from its 'Health & Wellbeing' division (£160.6m in 2010). [5] Ramsay Health Care acquired Capio Healthcare UK in September 2007.

Source: Laing's Healthcare Market *Review* 2011-2012, Laing & Buisson. Figures taken from audited accounts and annual reports

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FOR FURTHER INFORMATION:

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NOTES TO EDITORS:

Founded by William Laing in 1986, Laing & Buisson is the UK's leading provider of information and market intelligence on the independent health, community care and childcare sectors.

Laing & Buisson offers a uniquely focused range of expert services to providers, purchasers and investors in the health and community care markets. Information about the range of products and services provided is summarised below.

Conferences & Awards
In addition to one-off conferences on subjects selected for their special interest or topicality, Laing & Buisson's annual programme features a series of conferences - definitive events covering key developments and leading edge practice in specific areas including homecare, supported living, extra care housing, long term care for the older people, learning disabilities and mental health sectors, acute healthcare, private healthcare insurance, investing in healthcare and children's nurseries. The Independent Healthcare Forum consists of two major conferences: the acute healthcare conference and the mental health conference and a workshop for private patient units and smaller providers, with an exhibition area representing a selection of providers to the sector. The Independent Specialist Care Awards and the Independent Healthcare Awards take place in March and September, highlighting the range of achievements and recognising best practice within the sectors, and paying tribute to those who have demonstrated excellence in their particular fields.

Market Reports & Annual Directories
Laing & Buisson publishes a series of special market reports and directories on the health and community care sectors. Annual publications include Laing's Healthcare Market Review, Long Term Care: Directory of Major Providers, and the Care of Elderly People Market Survey. The research and conclusions within the reports are frequently cited in parliamentary questions and answers, official documents and company prospectuses, and are regularly drawn upon by the national media.

Newsletters
Laing & Buisson publishes two authoritative monthly newsletters - *Community Care Market News*, which covers the long-term care sector and *Healthcare Market News*, which covers the acute healthcare sector. Subscribers receive ten issues per year covering the latest events in those sectors alongside detailed analysis, special features and in-depth interviews. They can also access these stories in an online archive of news coverage which dates back well over ten years.

CareSearch and Health & Care Data
Care*Search* is Laing & Buisson's flagship data product, a 'one stop shop' with extremely flexible search facilities for those needing detailed, reliable and up-to-date information on care homes, care home groups, independent healthcare establishments, care commissioners, PCTs and inspection and registration agencies for the whole of the UK. Further to this, details of group operators, their holdings and financial information from statutory accounts offer subscribers an invaluable resource. Alternatively, individual data sets are available to supply as csv files by email. In addition to the data included on Care*Search* being available to purchase separately, home care agencies and groups can also be supplied.

Consultancy & Market Intelligence
Market intelligence and consultancy work, focusing on non-clinical aspects of health and social care markets, is tailor-made for companies with an active interest in the sector. Examples of recent work include a report on the future of the independent healthcare sector for the Healthcare Commission, the seminal work conducted by Laing & Buisson on *A Fair Price for Care* for the Joseph Rowntree Foundation and *Improving Lives – Improving Life*, a report on the key strategic issues facing the long term care sector. Laing & Buisson also frequently assists investors in market due diligence work in the health and care sectors.