

**PRESS RELEASE**

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**INDEPENDENT MENTAL HEALTH SECTOR GROWS TO RECORD SIZE  
BUT  
SLOWDOWN EXPECTED IN AFTERMATH OF THE GLOBAL CREDIT CRISIS**

Revenues of independent sector mental health hospitals in the UK rose to a record £1 billion in 2008 according to *Mental Health and Specialist Care Services UK Market Report 2009/10*<sup>1</sup>, the annual report on the sector from health care market intelligence specialists Laing & Buisson.

Meanwhile, independent sector bed capacity reached just over 9,000 places by mid-2009, and now makes up 25% of bed capacity across the public and independent sectors combined<sup>2</sup>.

An estimated 85% of independent mental health hospital revenues (£860 million) are paid by the NHS, making it the largest single recipient of NHS spending on independently provided healthcare services.

Editor of the report William Laing said:

*"The underlying reason why the NHS pays for the independent sector to provide such a high proportion of mental health hospital services, rather than providing them in-house, is because independent hospitals are better placed to serve groups of patients with specialised needs. Demand for these patient groups is typically regional or even national and it makes sense to pass the risk of running hospitals of an economic scale – which need to attract 'out of area' patients – to the independent sector. NHS mental health trusts, for their part, have focused their investment on new community based services (such as assertive outreach and crisis resolution) and relatively undifferentiated in-patient services to meet local needs".*

Independent sector expansion, however, is projected to level off in the medium term in the aftermath of the global credit crisis and the ensuing recession. One reason is the continuing shortage of capital for new developments on acceptable terms to developers / investors, who continue to be cautious about taking on new commitments in times of uncertainty. This is resulting in a slowdown in new capacity in the pipeline as projects started before the credit crunch come on stream. A second reason for slowdown is the expected downturn in NHS spending from 2011/12. It is unlikely that the independent sector will emerge unscathed from a general tightening of budgets, though the report does point out that new opportunities may also be created.

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<sup>1</sup> *Mental Health and Specialist Care Services: UK Market Report 2009/10*, sponsored by Partnerships in Care.

<sup>2</sup> The remaining 75% (some 26,900 short stay and secure mental health hospital beds, excluding long stay beds for dementia) are owned and operated by NHS Trusts.

William Laing commented:

*“An innovative private sector can be one of the solutions that the government is seeking, given the new imperative to achieve efficiencies in the massive cost of health and social care. In order for the independent sector to play its full role, it will be necessary for the government to address the remaining barriers to a level playing field between public and independent providers”.*

A similar story emerges in other sectors covered in the report, including care homes and supported living for learning disabled and mentally ill people, children’s services and special education. Shortages of capital on acceptable terms, together from the impending threat of public sector budget cuts, are the principal factors holding up new developments and the re-provision of outdated stock.

The report contains latest estimates of the value of each of the specialist care sectors and the proportion supplied by the independent sector.

**Value of independent sector supply, mental health and other specialist sectors**

<b>Sector</b>	<b>Annual value of independent sector supply</b>	<b>Independent sector supply as % of total independent and public sector supply</b>
Mental Health Hospitals	£1,007m (UK 2008)	25% <sup>1</sup>
Care homes for learning disabled and mentally ill adults	£2,862m (UK 2009)	78%
Non-residential care for learning disabled and mentally ill adults	£1,355m (England only, 2007/08)	53%
Children’s homes	£585m (England only 2008/09)	59%
Fostering services	£443m (England only 2007/08)	39%
Special education	£903m (England only 2008/09)	34%
<b>TOTAL, SECTORS COVERED</b>	<b>£7,155m</b>	<b>48%</b>

<sup>1</sup> Based on mental health hospital bed numbers

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**MORE INFORMATION**

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