South Tees Hospitals NHS
NHS Foundation Trust

DIRECTORATE OF PLANNING

BRIEFING ON THE DEVELOPMENT OF PRIVATE PATIENT UNITS

AND IMPLICATIONS FOR LOCAL NHS SERVICES

FOR

MIDDLESBROUGH HEALTH SCRUTINY PANEL, 1 AUGUST 2012

1 Introduction

The debate precipitated by the NHS White Paper "Equity & Excellence: Liberating the NHS" and the resulting Health & Social Care Act 2012 has included a strong theme on competition and privatisation in the NHS, and a debate about NHS hospitals ability to treat private patients. As a result South Tees Hospitals NHS Foundation Trust (the Trust) has been asked to brief the Tees Valley Health Scrutiny Panel on our view of the changes to the rules on provision of private healthcare services and any plans we may have to increase private healthcare activity. Specifically, we were asked the following questions, which are answered in the rest of the paper below:

- What does the Health & Social Care Act allow the Trust to do, that it couldn't do previously, with regard to private patient income?
- What proportion of its activity at JCUH is currently non-nhs/privately financed?
- Does the trust have any intelligence on the size of the private healthcare economy/market across Tees?
- If so, what proportion of the local private healthcare economy does JCUH currently capture?
- What would the trust like to grow its private activity to, if at all?
- What are the clinical areas the Trust would expect to see most private activity?
- What, in the Trust's view, would be the most significant impact on NHS services and access to them should there be an increase in private activity?
- Does JCUH have bed capacity to cope with additional private patients?

  What sort of financial contribution would the Trust expect Private activity to make to the Trust's accounts?

2 Private Healthcare Market

In 2009, £5bn was spent on private healthcare in the UK. Of this £2.8bn was paid to private healthcare providers, £1.7bn to consultants and other clinicians, but only £0.5bn to NHS private patient units. Regionally, the North East has the lowest level of private medical insurance in the UK at 9.7%, compared to a UK average of 16% and the highest level, in the South East, of 22.3%[1].

More detailed information on local markets for private healthcare is very hard to come by since data is not collected nationally in the same way as it is for NHS services. As a result

[1] OFT, Dec 11, *Private Healthcare Market Study*

we do not have information on the size of the Tees Valley private healthcare market. Within 25 miles of the James Cook University Hospital there are 7 facilities offering private health services, in addition to other NHS hospitals offering private services and not including private mental health providers[2]. These include the Nuffield Hospital in Stockton on Tees, the BMI Woodlands hospital in Darlington and the Tees Valley Treatment Centre provided by Ramsay Healthcare at the One Life Centre in Middlesbrough. Given the lack of information on the private healthcare market in the area, we do not know what proportion the Trust currently captures. Our initial deduction, however, is that we only capture a small proportion of the local market since we have not focused on private patients and do not provide any dedicated or differentiated facilities for them. In contrast, BMI Woodlands in Darlington, has 38 beds and 3 theatres focused on providing services for private patients (although under the NHS "choice" agenda it does also provide some NHS funded treatment)

3 Current Private Patient Activity

Currently the Trust does a minimal amount of private patient activity in comparison to our NHS work. In 2010/11 the Trust earned income of £1.63m from private patients and £1.48m in 2011/12 compared to the Trust's total income of £450.44m and £509.76m[3] respectively. As a proportion, therefore, private patient income was only 0.36% and 0.29% of our income. In terms of patient numbers, the Trust delivered 5368 outpatient appointments and 375 in patient spells in 2010/11. In 2011/12 we delivered 5671 outpatient appointments and 355 in patient spells.

Unlike many Trusts, for instance Newcastle or Harrogate, we do not have a dedicated private patient unit, or even any dedicated private patient beds or operating theatres. Private activity is performed around the margins of our NHS activity for instance by adding a private patient to the end of an existing operating theatre list and utilizing a "spare" bed on a ward. At the Friarage Hospital in Northallerton we do have a small outpatient area, the Wensleydale Suite, for private patients, and, at the James Cook University Hospital, we provide facilities, on a commercial basis, to a privately provided skin service, Skin@lasercare.

While there is some private patient activity in many of the Trust's specialties, most of the Trust's current private patient activity is in cardiothoracic services, radiology and women and children's services. Although general surgery and orthopaedics are major areas of private activity nationally, these are not major private services for the Trust currently. Private cosmetic surgery which is one of the other big areas of private activity nationally is not provided by the Trust at all.

4 Future Development

The Health & Social Care Act 2012 effectively removes the cap on private patient activity for Foundation Trusts. Strictly it states that:

> "the principal purpose of a foundation trust is not fulfilled unless, in each financial year, its total income from the provision of goods and services for the purposes of the health service in England is greater than its total income from the provision of goods and services for any other purposes"

[2] Source: CQC website, http://www.cqc.org.uk, accessed on 16 Jul 12.

[3] The Trust's income increased significantly in 2011/12 due to the integration of community services for Middlesbrough, Redcar & Cleveland, and Hambleton & Richmondshire from 1 April 2011.

In other words, no more than 49% of a foundation trust's income can come from outside the NHS in England. If a trust wants to increase the proportion of its total income earned from outside the NHS in England by more than 5% it must include this in its forward plan which must be approved by the trust's governors. For us, this would mean increasing our private patient activity to more than 5% of our total income or more than £25m.

At present the Trust is actively investigating the potential to increase our private patient income and the resources that would be required since, given our current minimal level of activity, we believe there is a significant opportunity for us to do so. We see the potential to offer the more complex services which private hospitals are not able to provide and also to build on the quality of our NHS services, the strength and breadth of expertise in our medical staff, and the colocation of all specialties and diagnostics on one site. We believe there are opportunities in most specialties but in particular to expand our current general surgery and orthopaedic services, and to develop private cosmetic surgery services.

Since our principal purpose, as laid down in legislation and recognized in our mission, is the provision of NHS funded healthcare services, we see private patient activity purely as a business opportunity which can offer high quality services for private patients and generate a significant and much needed financial profit to be ploughed back into the Trust to the benefit of our NHS services. At the moment, we are still investigating the potential for private patient activity so it is not possible to state the level of income or profit we intend to achieve, but our research so far has shown that profit margins of 20% or more are achieved elsewhere.

Any resources used to deliver private activity, whether beds, operating theatre time or staff time will be in addition to resources required to deliver NHS activity and will be funded out of our private income. Currently finding space for additional beds or finding unused theatre time which could be allocated to private patients at the James Cook University Hospital would be very challenging due to the level of NHS activity we are seeing. Working within the Trust and with our local commissioners, however, we have an ambitious transformation programme aiming to make us more efficient, remove waste, improve patient pathways and manage demand which should free capacity, either to reduce costs or to reuse for other services, including private patient services.

5 Implications for NHS services

As described above, we see increasing private activity as a business opportunity to support our mission as an NHS healthcare provider. We would not pursue private patient business unless we can demonstrate a significant financial benefit which can be ploughed back for the benefit of NHS services and unless we can be sure that it will not impact on delivery of NHS services.

We are confident that we can meet both these criteria and, therefore, that the impact of increasing private activity on NHS services will be positive since it will generate money which we can invest in improving the services we offer all our patients.

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17 July 2012