

The dependence of the multi-national private hospital sector on the NHS

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Over the past decade the multi-national private hospital companies which are operating in the UK have become increasingly dependent on the NHS for their income and revenue and receive substantial state subsidies in order to ensure their profitability and to cover debt repayments and payments to the landlords of the facilities from which they operate.

Various government policy initiatives – in particular the “choose and book” system – have led to large numbers of NHS patients being treated in the private hospital sector, to the extent that now 1 in 3 NHS funded hip operations in England takes place in private hospitals.

The state subsidies to the private hospital sector come in 2 forms: private hospitals are able to use NHS consultants to carry out almost all operations in private hospitals free of charge and they are also able to use free NHS ICU facilities in the event that their patients require urgent care after an operation.

The NHS bailout of the private hospital sector during Wave 1

Like most businesses the COVID 19 pandemic initially created a serious threat to the private hospital sector as lockdown measures and international travel restrictions reduced the number of privately funded patients they could treat.

During Wave 1 of the pandemic NHS



England and the Private Hospital Sector struck an agreement which meant that the NHS would cover all the operating costs of sector in return for access to their facilities to treat NHS patients.

This income allowed the private hospitals to cover the shortfall in their income caused by the lockdown restrictions and importantly to cover payments to their lenders and landlords (any default on payments to lenders and landlords could cause the companies significant financial difficulties).

To date, there is very little publicly available data on the number of patients which were treated in private hospitals under this agreement; however there are reports that a substantial proportion of private hospital facilities were unused.

There is also little reliable publicly available data on the amount paid to the private hospital in return for these services although estimates range from £850 million to £1 billion.

New opportunities for private hospitals – on terms set by the private hospital sector

Prior to Wave 2 of the pandemic, the NHS in England began tendering exercise to procure services from the private hospital sector at an estimated value of £10 billion over 4 years.

Before the pandemic, the NHS spent in the region of £1.5 billion each year, suggesting that the amount of annual NHS expenditure could potentially increase by 2/3s over the next 4 years.

The agreement struck between the NHS and the private hospital during the “second wave” did not provide the NHS with unrestricted access to private hospital facilities.

This was because the private hospital sector was concerned to use its facilities for privately funded individuals rather than for



Thousands of NHS beds have been closed or left empty – as private hospitals cash in on the pandemic

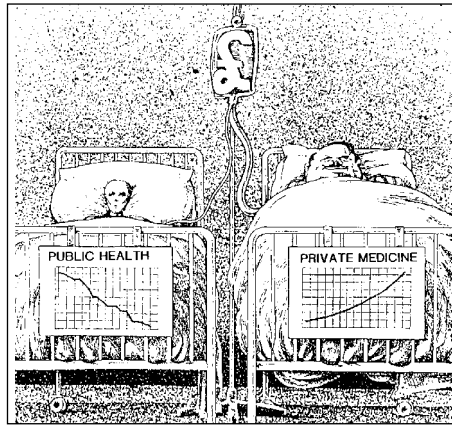
NHS funded patients because these are more profitable.

It was also keen to exploit the existence of large numbers of patients who had been unable to receive elective care (hip operations, cataracts, knee surgery etc) due to the fact that the NHS had become overwhelmed.

Priority given to treating more profitable private patients rather than urgent NHS cases

In order to deliver these services to private patients, the private hospital sector could only do so if it used NHS consultants who were needed to respond to the pandemic.

In addition, whilst the private hospital sector was being asked to treat urgent NHS



cancer patients there were reports that it was refusing to do so at the price being offered by the NHS, instead preferring to treat less urgent and less complicated fee paying patients.

This resulted in NHS leaders asking their consultants not to dedicate their time to undertaking non-essential private work and to ask the private hospital sector to instead focus on treating urgent NHS funded patients.

The lack of control over private hospital facilities by the state in the midst of a pandemic and the extent to which the private hospital sector has benefitted from NHS subsidies raises serious concerns about the extent to which the current relationship is either value for the taxpayer and in the best interests of patients.

Previous governments have purchased private hospital companies which are in financial distress and incorporating them into the NHS rather than bailing them out and renting their facilities at high cost.

■ **For more information on private hospitals and Covid 19 visit <https://chpi.org.uk>**

80%

the percentage of its annual revenue which Australian owned private hospital company Ramsay UK generates from undertaking NHS operations

1 in 3

the share of NHS funded hip operations which took place in the private sector pre pandemic

£70million

the annual cost to the NHS of treating patients following post operative complications in private hospitals

£1.5 billion

the expenditure by the NHS in the private hospital sector over 12 months (pre-COVID)

£1 billion

the estimated expenditure by the NHS in the private hospital sector over 5 months during Wave 1 of the pandemic

£10 billion

the value of the contracts between the NHS and the private hospital sector over the next 4 years