



LaingBuisson  
EVENTS

# WEBINAR

# UK Healthcare Market Review

In partnership with

**AVISON  
YOUNG**

INTELLIGENCE + INSIGHT



**TURN2US**  
FIGHTING UK POVERTY

LaingBuisson

# Polling with **slido**

Active poll



Does NHS England's drive for integration create opportunities for the independent sector in health and social care 0 9 2

Response	Percentage
Only on the right terms	57%
Yes	42%
No	1%

Join at **slido.com**  
**#healthcare**





# Questions from the audience

## General

- How much is the Mental Health and Wellbeing of Staff being put to the fore
- How will the upcoming recession affect your predictions

## Healthcare

- How will the Covid pandemic, its ensuing economic crises and Brexit combine to alter the independent healthcare market
- What is your opinion on the effect of private cancer care provision in 3-6 months with the expected surge in new diagnosis
- What will the dynamics look like in 2021 as Mayo and Cleveland Clinic expand in London/UK

## Social Care

- What are the ranges of YP (Year Purchase) for modern elderly care homes these days
- Will the change in planning consent result in more high street medical 'shops' in main retail areas
- How long will it take, be specific, no waffle, for Social Care to become 100 % privately funded
- Clients funded by local authorities - will they even exist in future? Will a new funding stream be created, controlled by DHSC
- The government don't believe in the concept of nursing homes, based on their recent discharge policy. Do you agree

# UK Healthcare Market Review

- 32nd Edition
- Comprehensive market overview
  - Private Acute Medical Care
  - Health Cover
  - Care Homes for Older People
  - Adult Specialist Care
  - Homecare and Supported Living
  - Mental Health Hospitals
  - Children's Residential Care
  - Foster Care
  - Special Education
  - Dentistry
  - Primary Care
  - Community Health Services
  - Occupational Health
  - In Vitro Fertilisation
- Reflects impact of Covid
- Government policy and NHS strategy of moving towards integrated care



 Office for  
National Statistics

# UK Healthcare Market Review

☰ Active poll

LaingBuisson  
Healthcare intelligence

## What will be the biggest benefit of Covid

1 2 0

Real use of digital and data

39%

More system funding for the NHS AND social care

27%

Better discharge of patients into social care and health and social care coordination

25%

Improvements to supply chain across the system

5%

Join at  
**slido.com**  
**#socialcare**

# Setting the scene

Despite Covid-19 deals have still been transacting

**SpaMedica**

**ICS** Independent  
Clinical Services

**ASPEN**  
HEALTHCARE

**NORDIC CAPITAL**

**ONEX**  
**TOWERBROOK**

**NORTHWEST**  
HEALTHCARE PROPERTIES

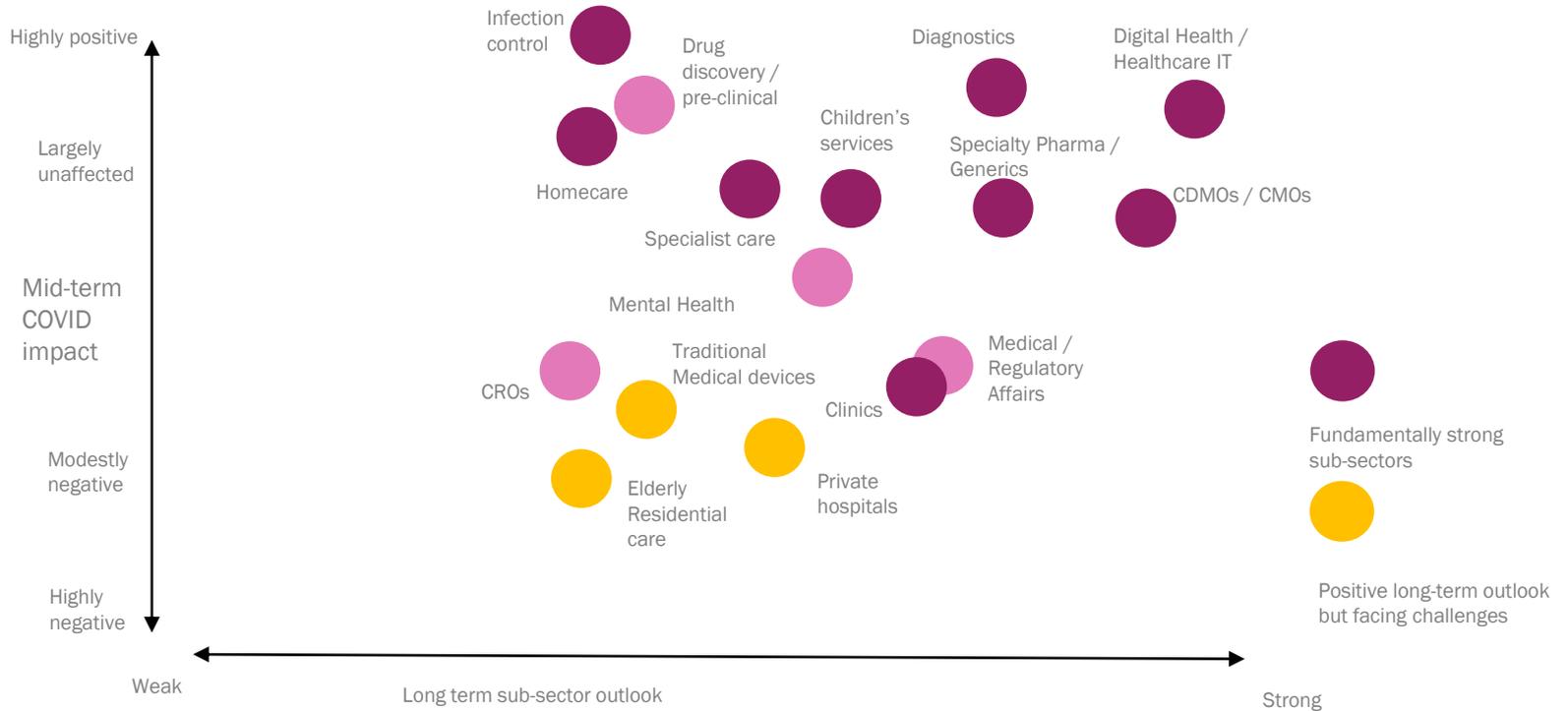
**Pipeline  
is  
Building**

**MARCH**  
Est £300m

**APRIL**  
£NA

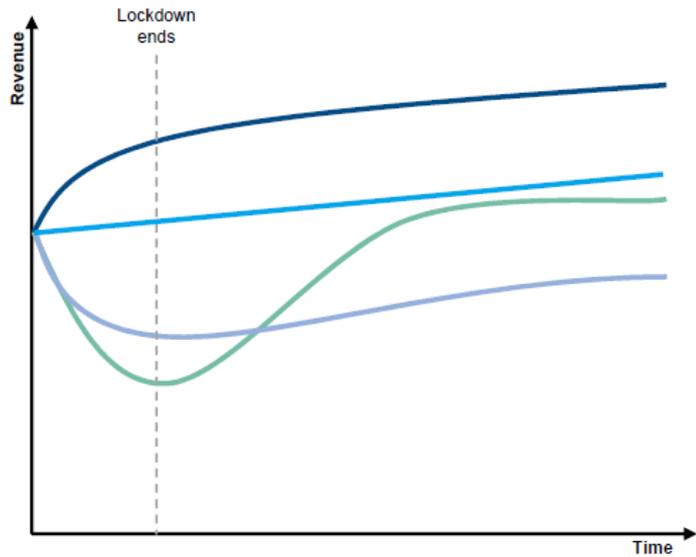
**AUGUST**  
£260m

# Covid sub sector impact



Source: Ernst & Young/Opssite

# Speed of recovery



Source: PwC analysis

- 1 **New normal:** demand surges during lockdown and persists afterwards

Telehealth	Online pharmacies
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- 2 **Limited impact:** resilient operational performance during COVID

Adult specialist	Children's services	Homecare
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- 3 **Rebound:** demand falls during lockdown then quickly recovers

Vets	IVF	Dentistry
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- 4 **Gradual recovery:** demand falls during lockdown then slowly recovers

Elderly care homes	Aesthetics	Electives
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# WEBINAR: UK Healthcare Market Review

*Video from*



Iain Lock  
Managing Director  
Avison Young



Chris Day  
Director of Engagement  
CQC



William Laing  
Chairman  
LaingBuisson

Submit your questions at [sli.do](https://sli.do)  
Event code: **healthcare**

In partnership with

**AVISON  
YOUNG**

# Iain Lock

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Managing Director  
Avison Young

Markets During A Period of  
Volatility

Submit questions  
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# Agenda

## Markets during a period of Volatility

Avison Young Healthcare Team UK

Transactions

Valuations

Development Consultancy

Planning

Closing remarks

# Avison Young Healthcare Team UK

## Our Team

Experienced multi-disciplinary team.

Based across the UK from each of our offices.

## Our areas of expertise

Residential Care Accommodation of all types.

Primary and secondary Care – private and public.

Dentists, Day Nurseries and Vets

## Our disciplines

Transactional, valuation, development consultancy, investment, planning, building surveying, facilities management, property & project management, rights of light/party wall, environmental, restructuring solutions, rating.

# Transactions

- Primary Care Remains Active and at Pre-COVID values.
- Residential Care is impacted by trading issues and due diligence requirements.
- Investment has been little impacted by non-payment of rent compared with other sectors.
- Development land acquisition has been cautious.
- Volumes have been down, demand is strong, opportunities will return, decisions will be made again.



Marston Green Health Centre, Birmingham



Herstmonceux Integrated Health Centre, East Sussex

# Valuations

- The volume of bank valuation work has slowed, but noticeably increasing now.
- Comparables are more difficult to identify.
- The withdrawal of the RICS Uncertainty Clause has been helpful.
- Primary Care valuations have held up well.
- Residential Care trading valuations will be impacted by short term trading difficulties such as reduced occupancy, and increased staffing and equipment cost.
- Extra care schemes need careful consideration of speed of sales.



Proposed Extra Care Scheme, NW England

## ~~Material valuation uncertainty~~

~~In respect of (x sector), as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements.~~

~~Our valuation of (x property) is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.~~

RICS Uncertainty Clause

# Development Consultancy

- Primary Care Development is on-going across the UK and receiving funding in specific locations.
- Residential Care – personal, nursing, specialist, extra care, all continue to be developed and property stock improves, high on the agenda are needs, health impact, design.
- Pressures relate to planning, build cost, estimating what the world will look like in 2 years plus.
- Design is high on the agenda for all healthcare assets



Proposed Care Home Development, Hindhead, Surrey



Ilford Shopping Centre

# Planning

- Wide advice to the sector across the UK.
- The performance of planning authorities has varied over this period.
- Healthcare should be considered infrastructure and treated with that importance.
- Government White Paper on planning doesn't offer the sector very much.



Proposed Extra Care Scheme, Solihull, Birmingham



Government White Paper, Planning, August 2020

# Closing Remarks

- We are following the markets closely and carefully.
- We are active across all healthcare sectors giving us real insight into what the markets will and won't do at present.
- Our professional advice is founded on real time market knowledge, which is more vital than ever.
- Much has yet to play out in the current environment, it is what it is. Working with consultants with real in depth knowledge is more vital than ever.
- The fundamentals remain strong. The world's economies were closed for healthcare reasons. At global level can there be any greater endorsement of the importance of healthcare than that.
- If sound investment principles attract you, if you wish to invest in infrastructure with a social conscience then the UK healthcare sector is a very sound direction in which to travel and current difficulties heighten the opportunity.

# Chris Day

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Director of Engagement  
CQC

The State of Care

Submit questions  
at Sli.do  
#healthcare

# State of Care Report 2018/19

## Summary

- The care given to people with a learning disability or autism is not acceptable
- Other types of care are under pressure
- More and better community care services are needed
- Care services and organisations must work more closely together
- More room and support need to be given for innovations in care





# William Laing

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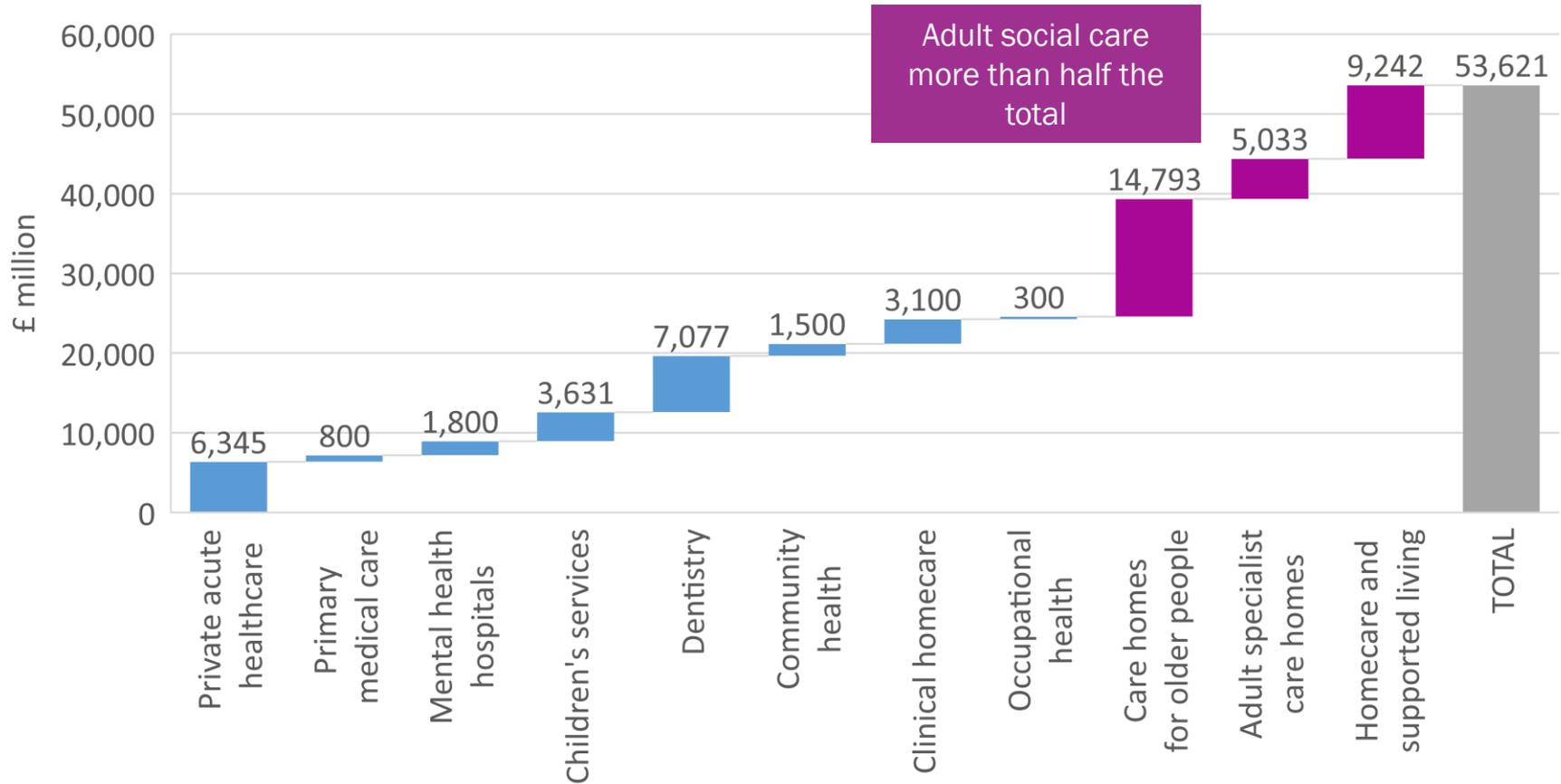


Chairman  
LaingBuisson

Adult Social Care Markets

Submit questions  
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#healthcare

# UK Independent healthcare services market value 2019



# Coronavirus

- Care homes for older people most severely affected because of:
  - age profile of residents
  - larger scale homes (more staff going in and out)
  - high levels of intimate personal care (especially dementia)
  - excess deaths during 1<sup>st</sup> wave represented 10% of customer base
- Other adult social care markets have been less severely affected
  - Adult specialist care homes and supported living  
(younger age profile, smaller scale settings, low levels of intimate personal care)
  - Home care (better shielded, aided by social isolation)

# Coronavirus – additional costs

- The additional costs are still being counted, largely with a view to seeking additional state support.
- Much of the information available to LaingBuisson is confidential, but what we can say is that there are three major additional cost lines:
  - Staffing
  - PPE and infection control
  - Lost revenue from empty beds / reduced occupancy, which is by far the largest item for care homes for older people
- For a clearer picture of the scale of additional costs to emerge, we will probably have to wait for publication of the statutory accounts of major care home groups, more than a year down the line.

# Coronavirus – impact of excess mortality on occupancy

- Analysis of ONS statistics shows that of the 59,000 excess deaths in England during the 1st wave , more than half (32,000) were care home residents. This represents about 10% of the entire older care home client base in England
- Occupancy has clearly taken a big hit, but exactly how it's tracking is difficult to gauge because:
  - the NHS 'Capacity Tracker' app gives clearly erroneous results, despite its 96% response rate; and
  - no other survey covers more than a fraction of care home capacity, so may not be representative

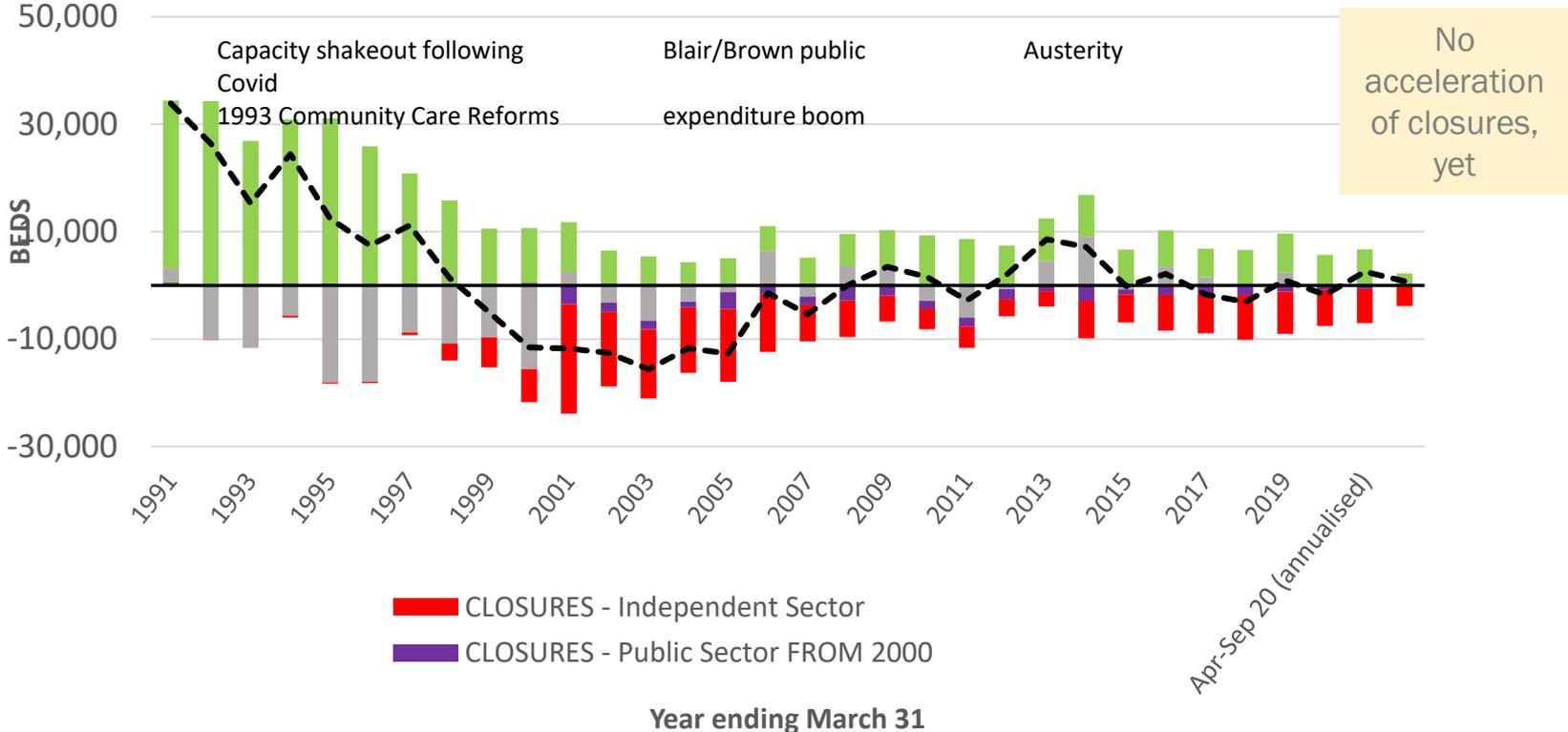
## Older peoples' care homes – post-Covid occupancy deficit

- LaingBuisson, from modelling and other sources, end June - 9%
- Knight Frank, survey data from 80,000 beds – mid August - 8%
- USA comparison – National Investment Center for Seniors Housing & Care - assisted Living facilities August 2020 -6%

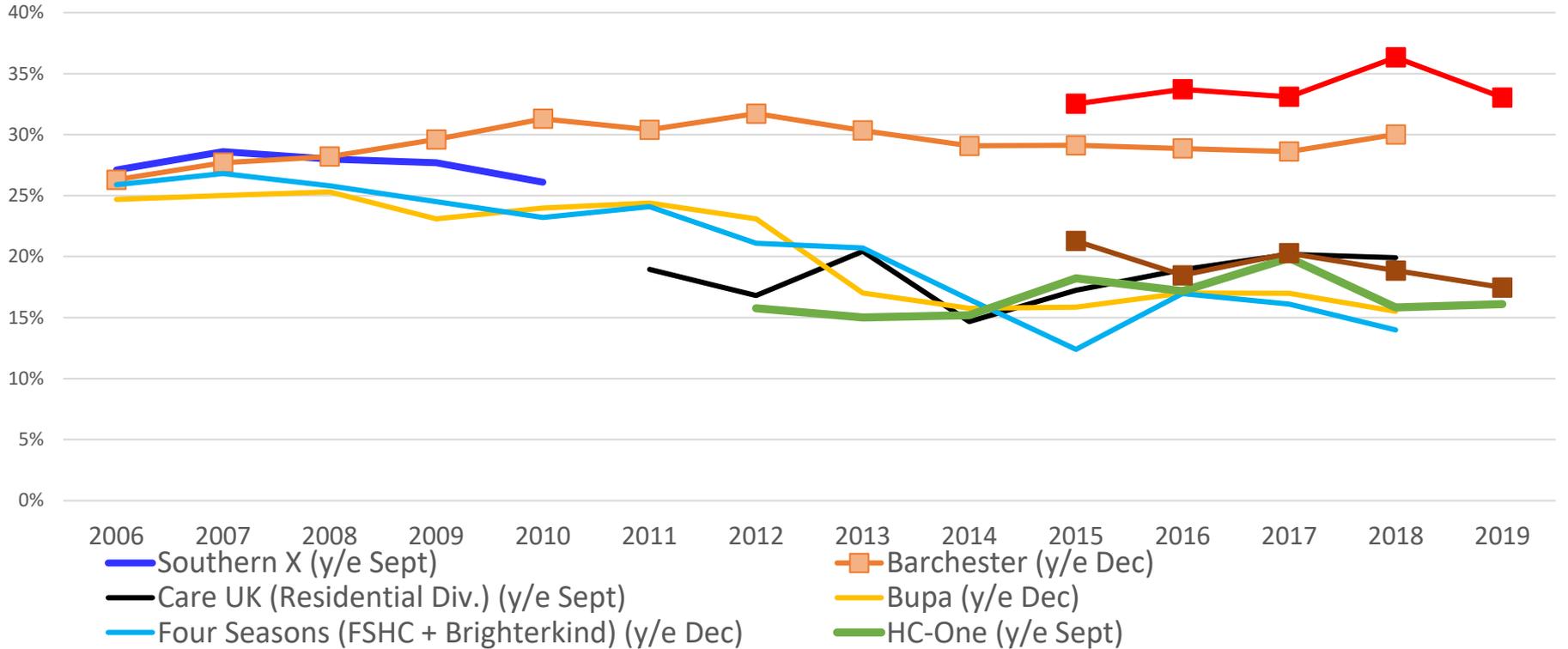
# Occupancy winners and losers

- Most care homes have seen reduced occupancy rates, and some have been very seriously affected
- But some are reporting stable or even higher occupancy rates, against the trend
- Those facilities which by good fortune or good management have avoided coronavirus infections are well placed to take whatever new admissions are available

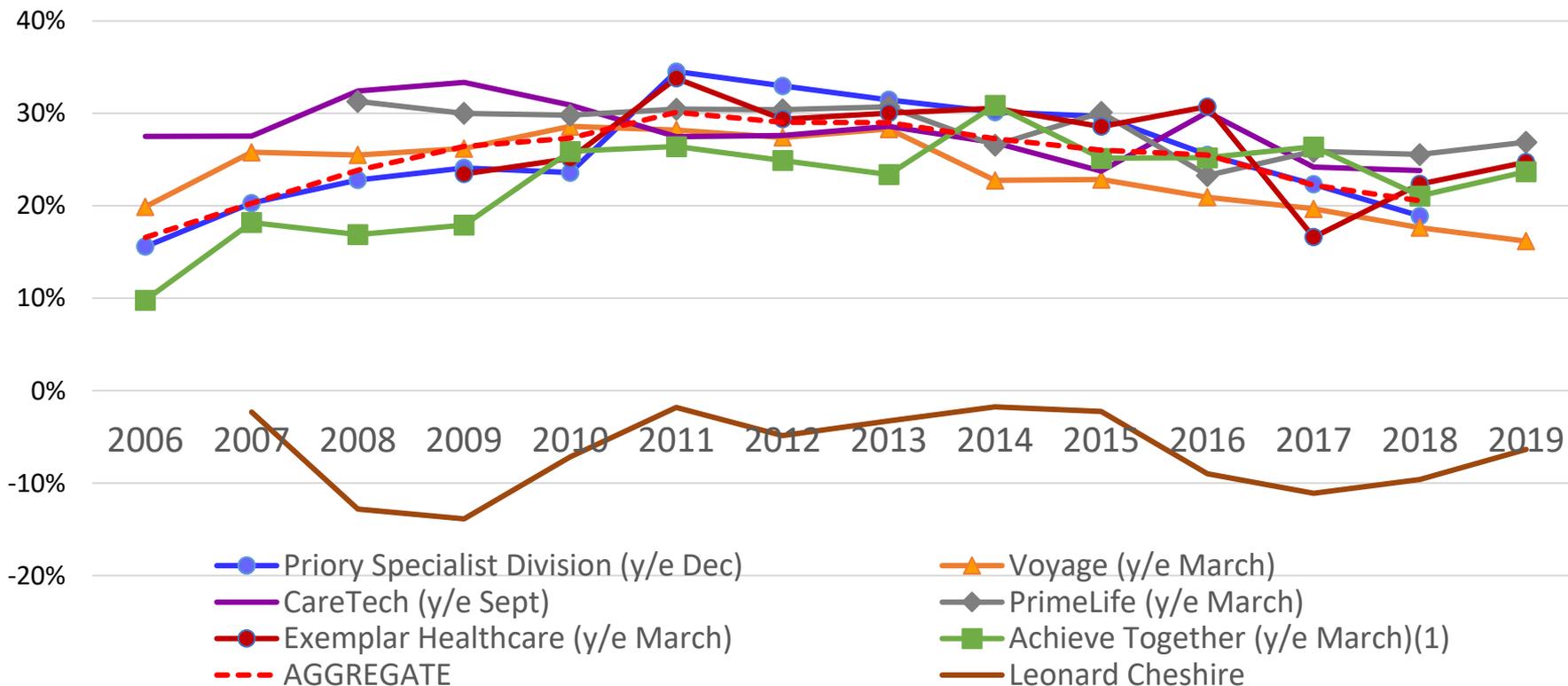
# Capacity change from openings & closures, UK care homes 65+



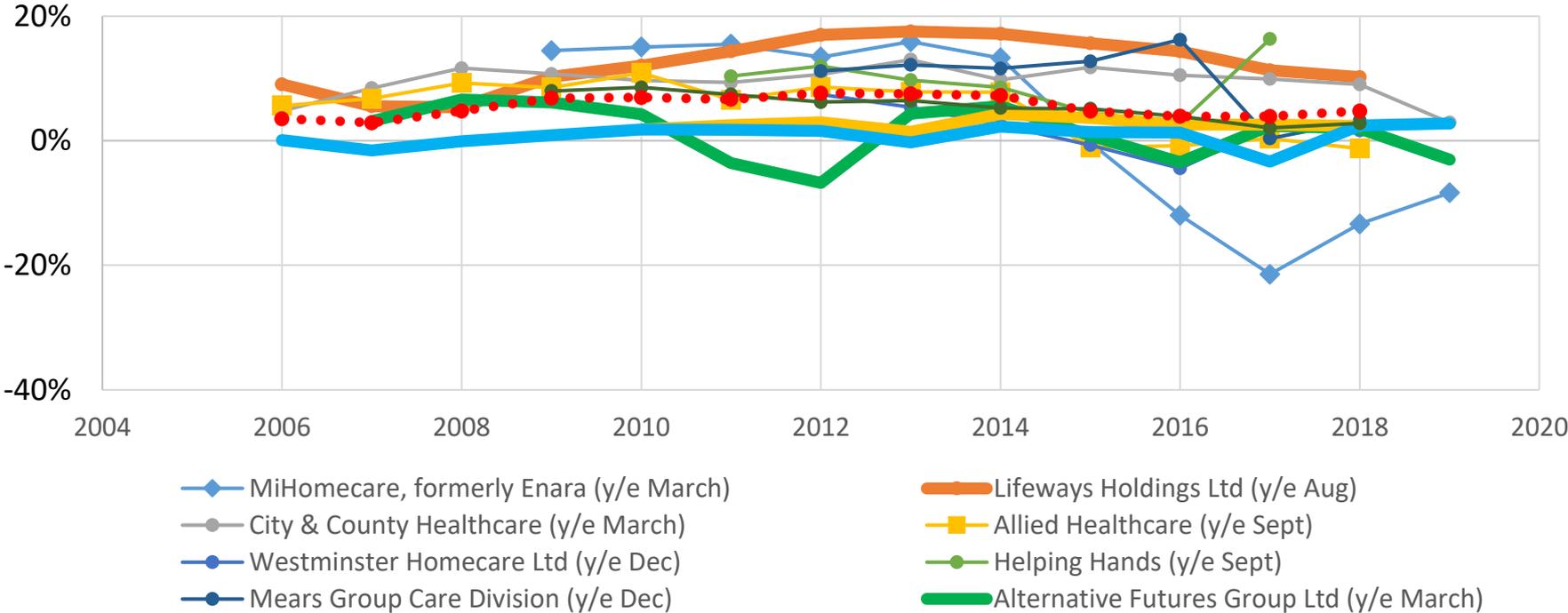
# Profitability of major older people's care home groups, EBITDAR margin



# Profitability of major adult specialist care home groups, EBITDAR margin



# Profitability of major homecare and supported living groups, EBITDA margin



# Looking forward - social care market drivers

- Demographics (still positive for both older and adult specialist care)
- Older private pay market looks solid for 2-3 decades, bar an economic catastrophe; prospects look fairly positive for publicly funded specialist care
- Wider economy (uncertain...Covid + Brexit)
- Government policy (still distracted ... Covid + Brexit)
- Regulation (improving?)
- Labour markets (still negative but with positive aspects)
- Covid- accelerated changes (Digital, integration, etc)

# UK Healthcare Market Review

Healthcare Markets News

## Waiting lists continue to spiral as NHS braces itself for second peak

By Maria Davies - 10th September 2020

**Figures released today by NHS England and NHS Improvement indicate that over 4 million patients were waiting to begin NHS treatment at the end of July.**

The latest NHS referral-to-treatment waiting times data for England shows that just 46.8% of patients were treated within 18 weeks of referral in July as the health service emerged from the Covid-19 lockdown.

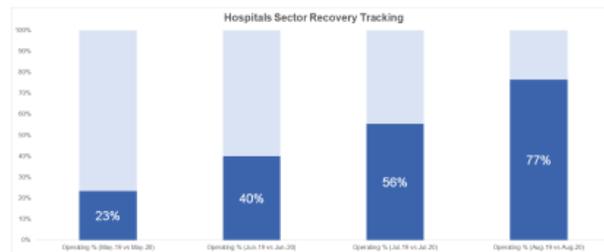
Healthcare Markets News

## Private hospital activity continues recovery towards pre-pandemic levels

By Maria Davies - 15th September 2020

**Activity in some parts of the private healthcare sector has returned to pre-pandemic levels, according to the latest figures from Healthcode.**

Insurer funded activity continued to rise in August, reaching almost three quarters of 2019 levels. This represents the third consecutive month of growth, with an average monthly increase of 15% from a low in May when private sector hospital activity stood at just 29% of the previous year.



# UK Healthcare Market Review

Jefferies

EQUITY RESEARCH

Spire Healthcare Group PLC (SPI LN)

Spire Healthcare Group

1H Results: First Thoughts

17 September 2020

**Key Takeaway**

1HEBIT of £14.9m was in line with the £13-18m range provided at the Aug 13 trading statement. We expect the market to focus on the outlook and pace of recovery provided. Equivalent 2H EBIT implies a FY EBIT of c.£30m (JFe -£9m), which assumes the variation of the NHS contract and increasing private work. There is also an expectation trading returns to 2019 levels in 2021. 11am analyst meeting.

FLASH NOTE

UK | Healthcare Services

RATING **UNDERPERFORM**

TICKER **SPI LN**

PRICE **95.00p\***

PRICE TARGET (PT) **67.00p**

MARKET CAP **£386.9M / \$497.2M**

\*Prior trading day's closing price unless otherwise noted.

Healthcare Markets News

## Independent hospitals set to bid for up to £10bn worth of NHS contracts

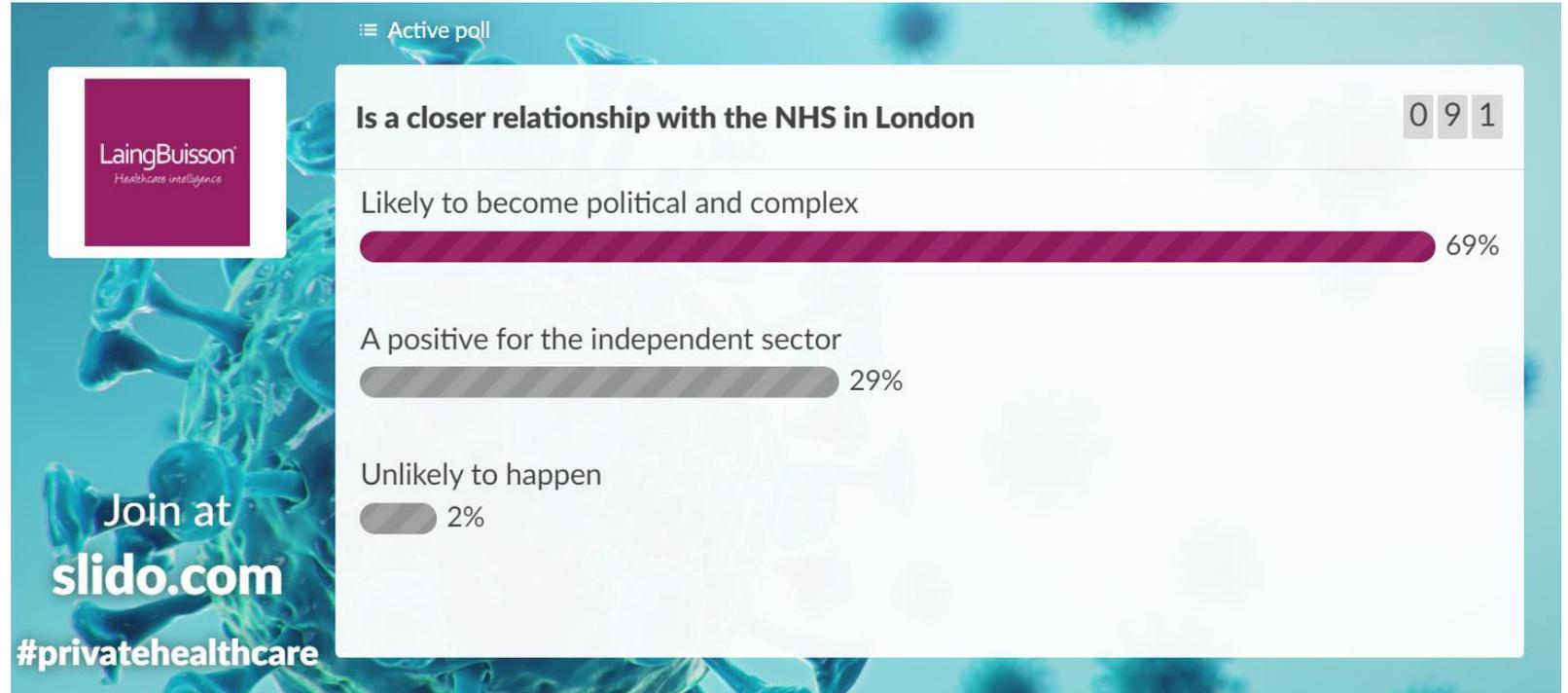
By Maria Davies - 18th August 2020

Independent hospital providers are gearing up to bid for £10bn worth of NHS contracts designed to help tackle the waiting list backlog caused by Covid-19 as the national deal between the sector and NHS England (NHSE) comes to an end.

### Description of the procurement:

The procurement is expected to launch by the end of September and be awarded by the end of November 2020. The lot structure will be finalised following feedback from potential service providers who respond to this PIN and feedback from NHS organisations which may call off services under the framework agreement and who will be engaged in parallel. The agreement term is expected to be 2 years with the option to extend for a further 2 years. The estimated value is based on a potential upper value over a 4 year period actual value will depend on actual demand.

# UK Healthcare Market Review

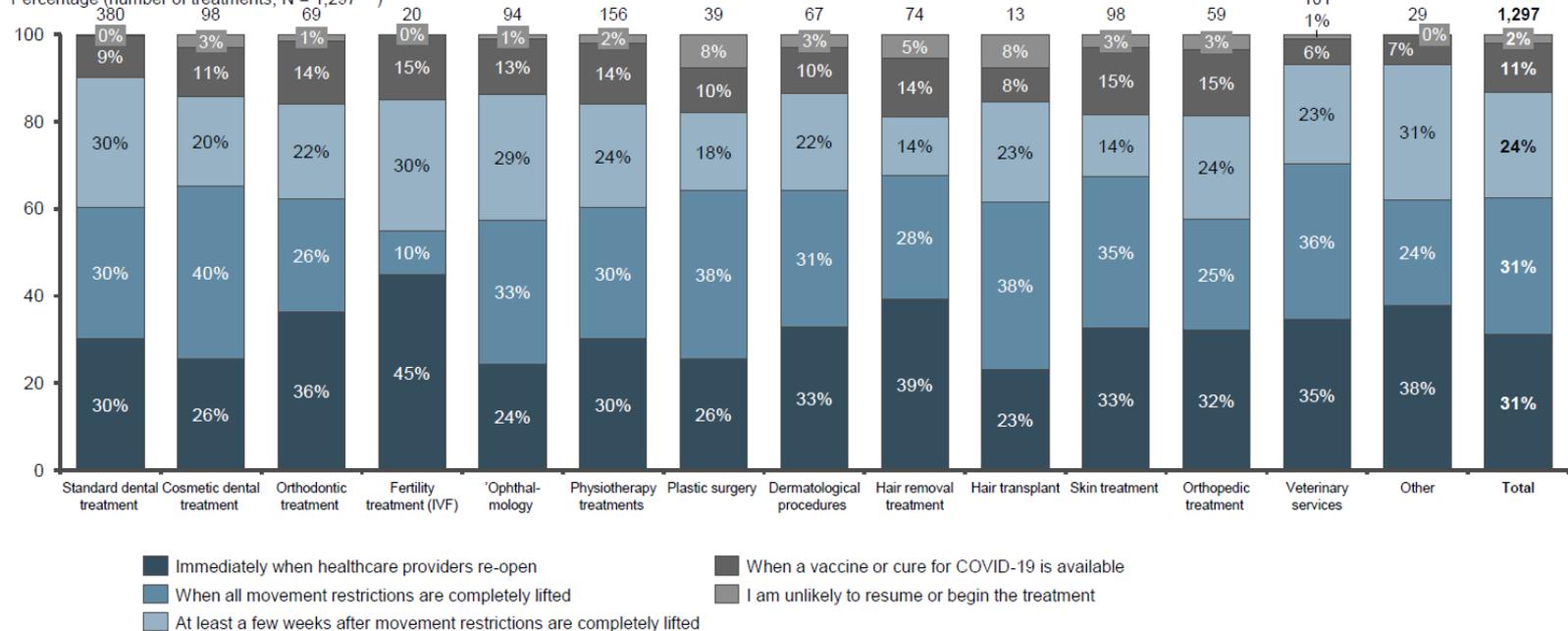


# UK Healthcare Market Review

**30% of private patients would like to return to treatment immediately after providers re-open, with another 30% following when all movement restrictions are lifted**

## Impact of COVID-19 on return to treatment by treatment type\*,\*\*

Percentage (number of treatments, N = 1,297\*\*\*)



Notes: \*How soon would you like to resume or begin treatment once healthcare service providers re-open and are able to accept patients? Only patients who had their meeting postponed or cancelled answered the question \*\*Results are fairly consistent across employment type \*\*\*Patient can undergo more than one treatment

Source: Consumer survey; L.E.K. analysis

# Short term - what does the future hold

## Short term (end of 2020)

- PMI backlog – soon back to normal
- Self-pay – will probably lag; can providers convert enquiries?
- International – recovery should start later this year
- PPU's vulnerable

## Medium term (next 2 years)

- Macro-economic outlook – more downside than upside?
  - World recovery – global trade war (China, US), oil prices
  - UK recovery + Brexit impact
    - trade, 'PMI-included' jobs e.g. head office, City finance, legal, accounting, etc.
    - Stock market, house prices, unemployment, inflation

## Assumptions

- Patient confidence; no second wave; no bad winter flu season; no Covid outbreak in a private hospital

# Long term - what does the future hold

## Long term

- PMI - even more pressure for pathway management to contain costs
- Self-pay – consumer confidence as important as NHS waiting lists; .
- International – reasonable prospects – ongoing need, lack of local doctors, oil price recovery, although volatile with risks involved (e.g. debt)
- NHS – will the NHS become a key customer in the Central London market?
- PPU – vulnerability – high acuity, bread and butter
- Hospital profitability
  - Governance, Covid-related costs, wages, over-capacity, new business models

## Longer term

- Reduction in IPT?
- Home working => Remote consultation => Outer London diagnostics => Outer London treatment?
  - vs. expand the market beyond the M25 for central London hospitals
- Consultants more interested in employment due to lower risk to income?

# MATT

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*'When the Covid-19 second wave comes we'll look back on these as the good old days'*

*Daily Telegraph 15 July 2020*

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