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EVENTS

UK Healthcare Market Review Launch

28 September 2021

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Report Overview

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William Laing



Founder and Executive
Chairman
LaingBuisson

UK Healthcare

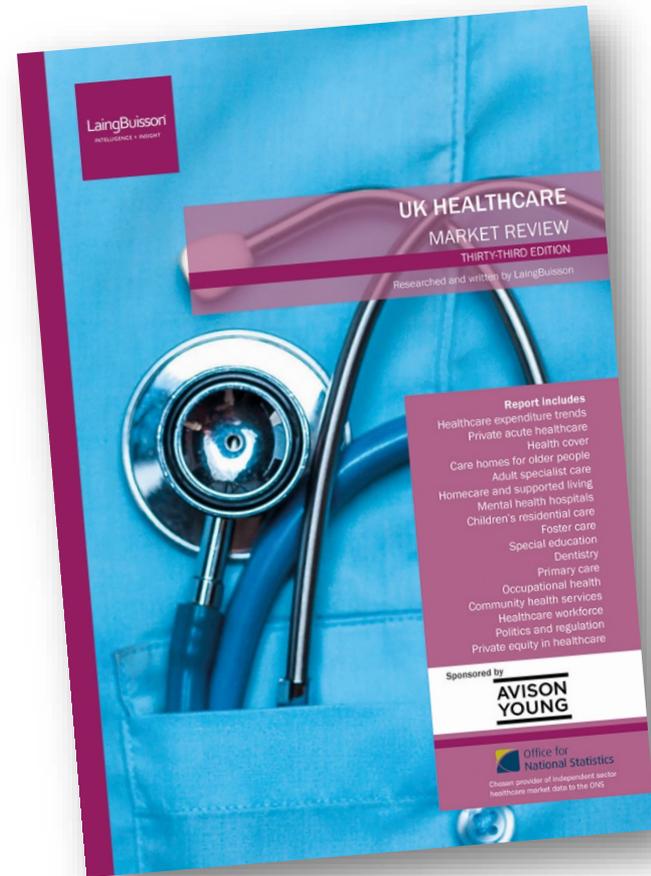
Market Review

33rd Edition

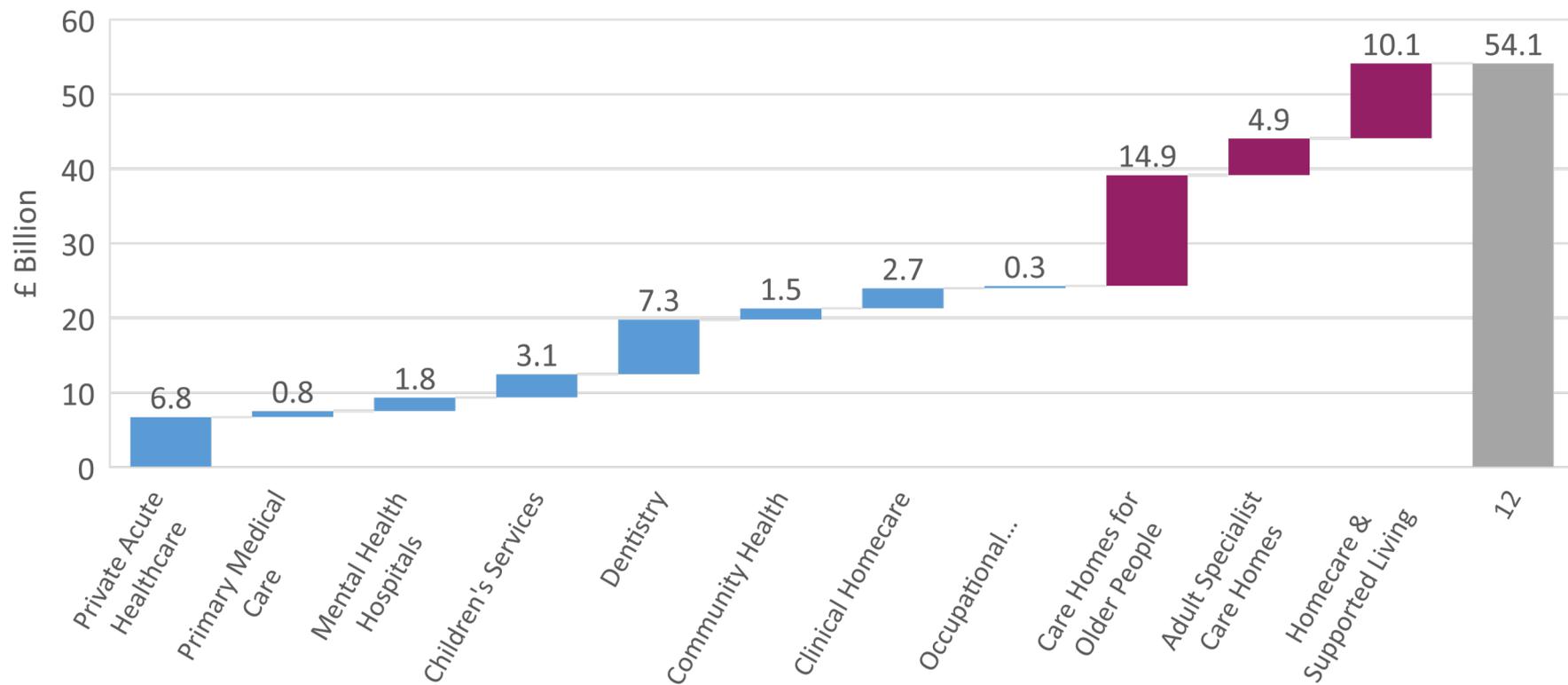
Researched and written by LaingBuisson

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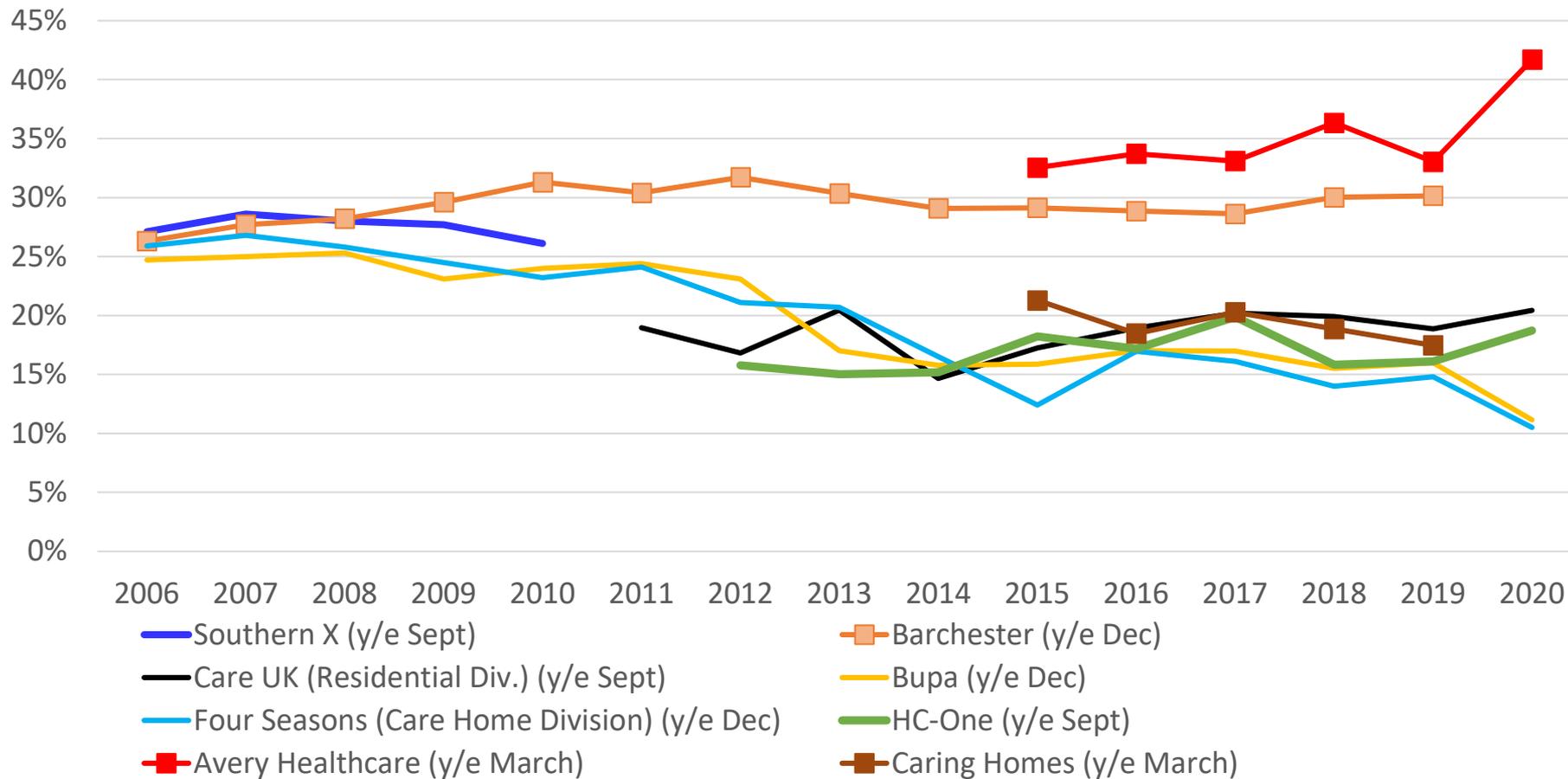
Independent healthcare services market value, UK 2019/20 £billion



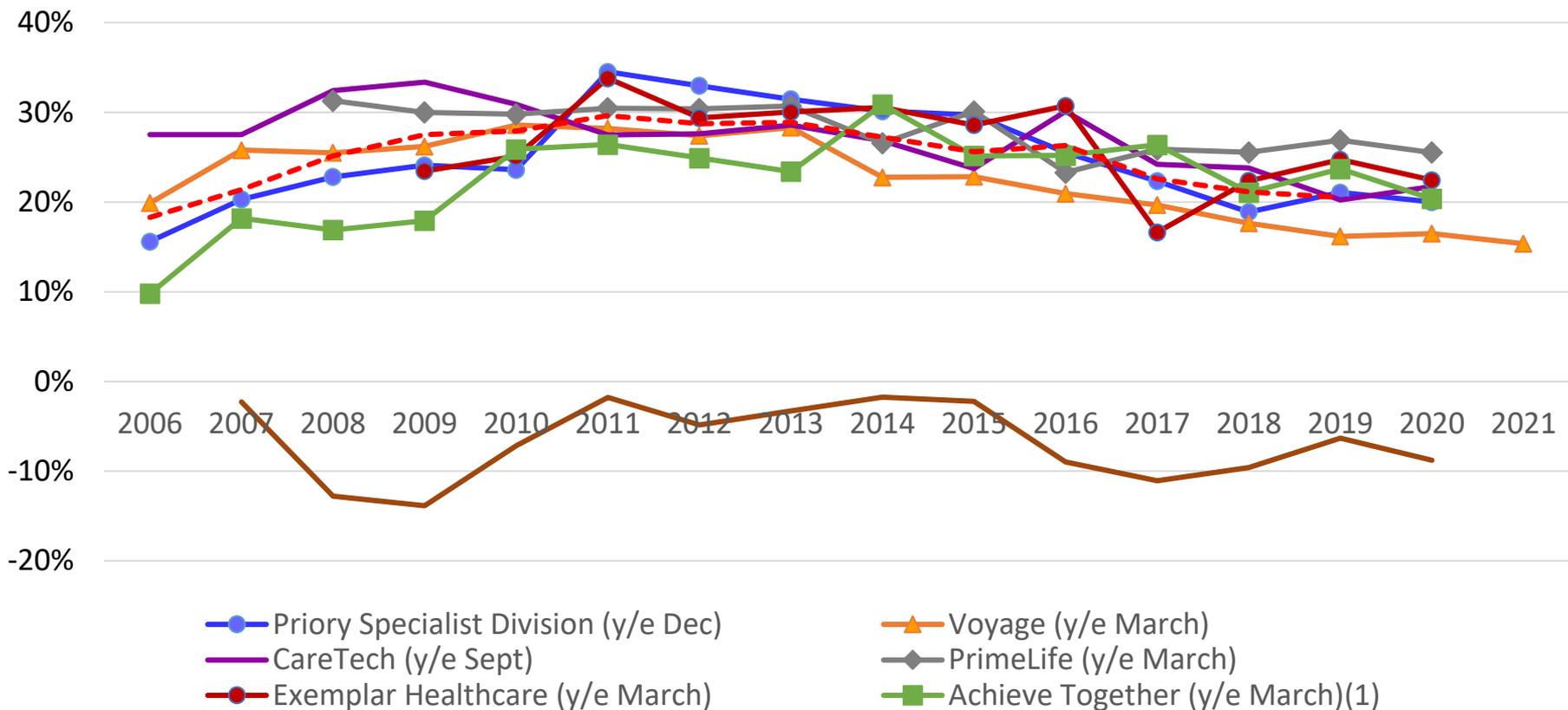
Covid – how did social care operators fare?

- Care homes for older people have seen significant financial detriment 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 1st 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)
 - Review of nearly 70 statutory accounts posted in 2021 show little or no net financial detriment

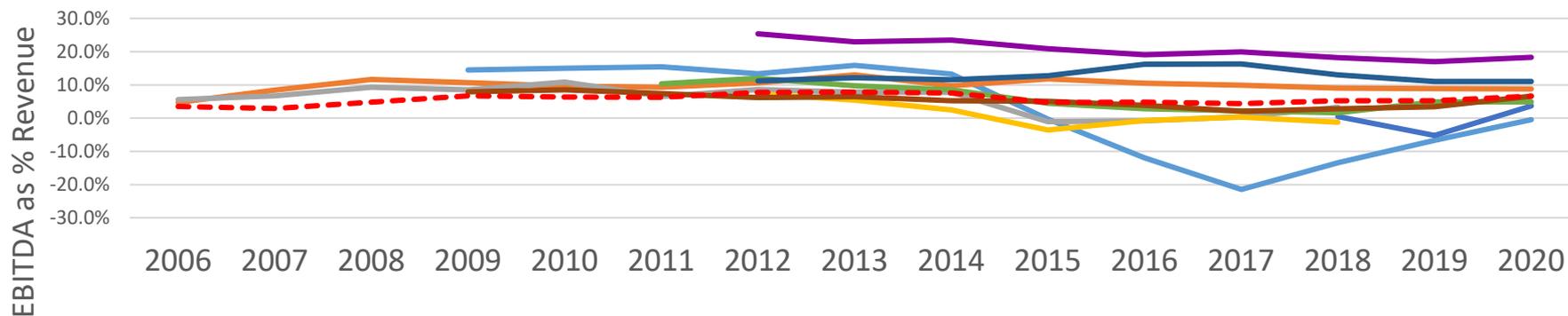
Profitability of major older people's care home groups, EBITDAR as % revenue



Profitability of adult specialist care home groups, EBITDAR as % revenue



Profitability of homecare groups, EBITDA as % revenue



- MiHomecare, formerly Enara (y/e March)
- City & County Healthcare (y/e March)
- Mears Group Care Division (y/e Dec)
- Allied Healthcare (y/e Jan)
- HCRG (Allied Health-Services Ltd + CRG Homecare Ltd)

Public funding for social care

- Social care generally has been short-changed in September's package. 'A step in the right direction' is a charitable description
- Out of the £36 billion over 3 years, only £5.8 billion has been earmarked for social care, only starting in 2023, and most of it will go to 'system reform', not to core services
- The 3-year spending review at the end of October will present another opportunity for injecting more money into core services, but the probability looks low
- Implementation of Clause 18 (3) of the Care Act, with a view to equalisation of public and private paid fees is potentially a massive threat to operators of care homes for older people

Prospects for social care operators

	Older care homes	Adult specialist care homes	Homecare & Supported Living
Recent demand	Declining	Declining	Growing
Future demand	Growing	Declining	Growing
Public pay prospects	Uncertain	Uncertain	Uncertain
Private pay prospects	Good?	NA	Good
Staffing prospects	Problematic	Problematic	Problematic

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INTELLIGENCE + INSIGHT

UK Healthcare Market Review

33rd Edition

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UK HEALTHCARE
MARKET REVIEW
THIRTY-THIRD EDITION
Researched and written by LaingBuisson

Report includes
Healthcare expenditure trends
Private acute healthcare
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
Occupational health
Community health services
Healthcare workforce
Politics and regulation
Private equity in healthcare

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Office for
National Statistics
Oftens provider of independent sector
healthcare market data to the ONS

Introducing

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Dr Victor Chua



Senior Partner
Mansfield Advisors



Laingbuisson Healthcare
Market Review

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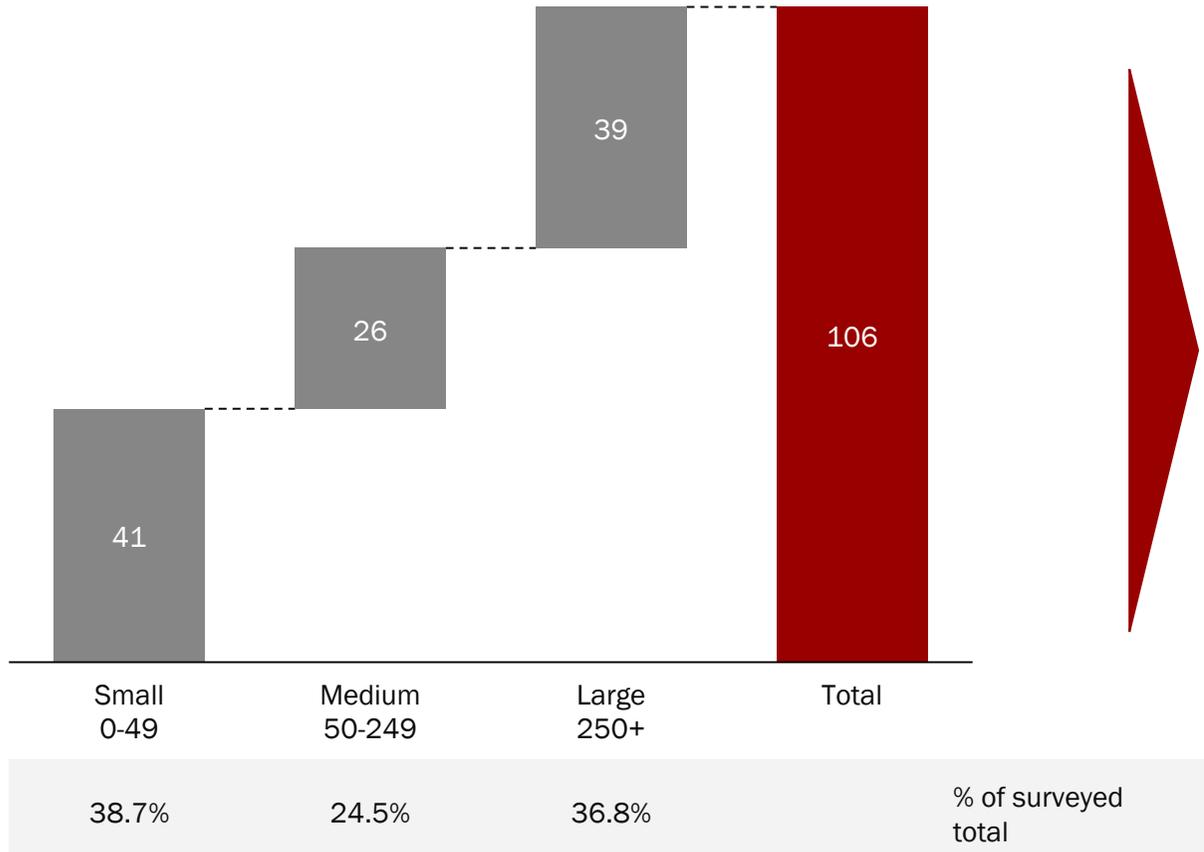
September 28, 2021

We surveyed 106 small, medium and large companies on their attitudes to private medical insurance in July 2020

NUMBER OF COMPANIES SURVEYED

Size by number of employees, N = 106

GENERAL FINDINGS



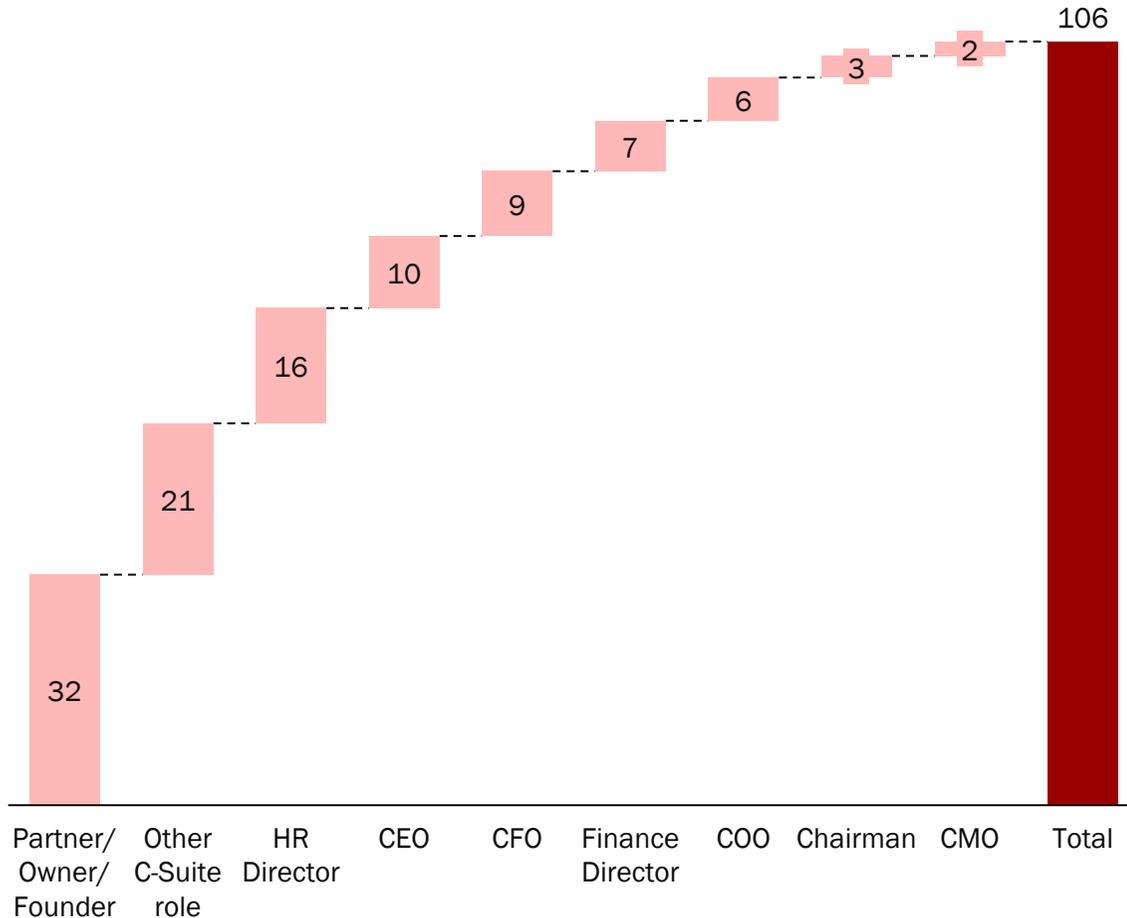
- Having surveyed 41 small businesses, this means we spoke to 0.002% of the national small category, 0.061% of the medium category, and 0.364% of the large category
- Our survey covered 0.004% of total UK enterprises

The survey covers a range of senior management, with all stating that they have 'decision-making' influence

RESPONDENT POSITION WITHIN THE BUSINESS

N = 106

GENERAL FINDINGS

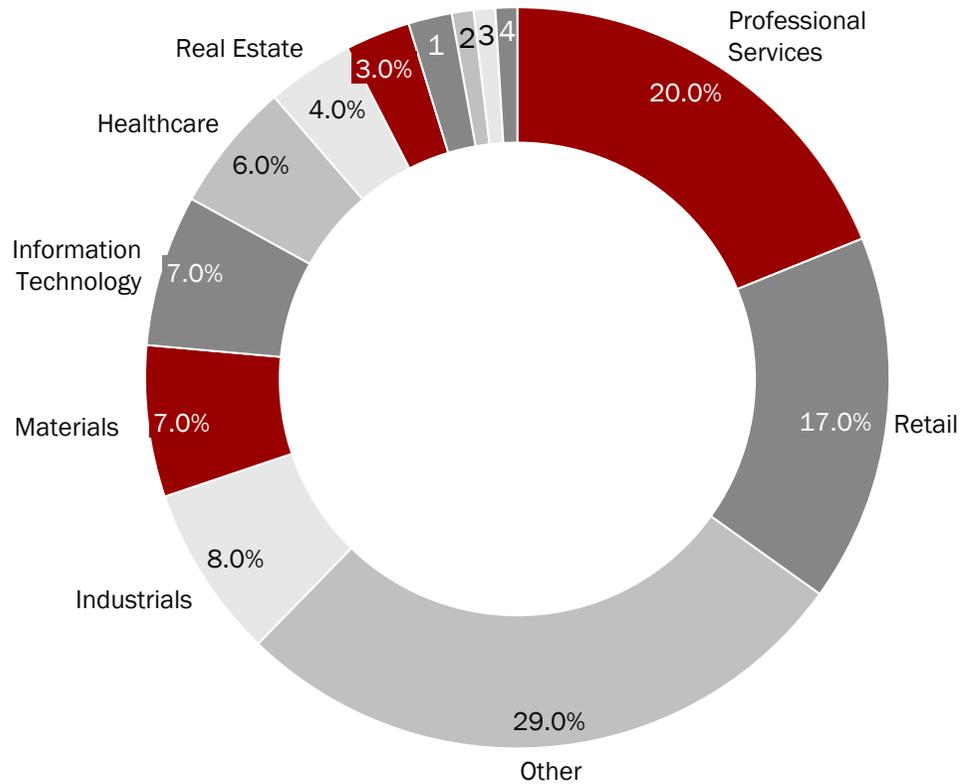


- The survey interviewed a wide range of senior management evenly split across small, medium and large companies
- 39.6% of respondents being either a Partner/Owner/Founder, or a CEO

SURVEY SECTORS

%

GENERAL FINDINGS



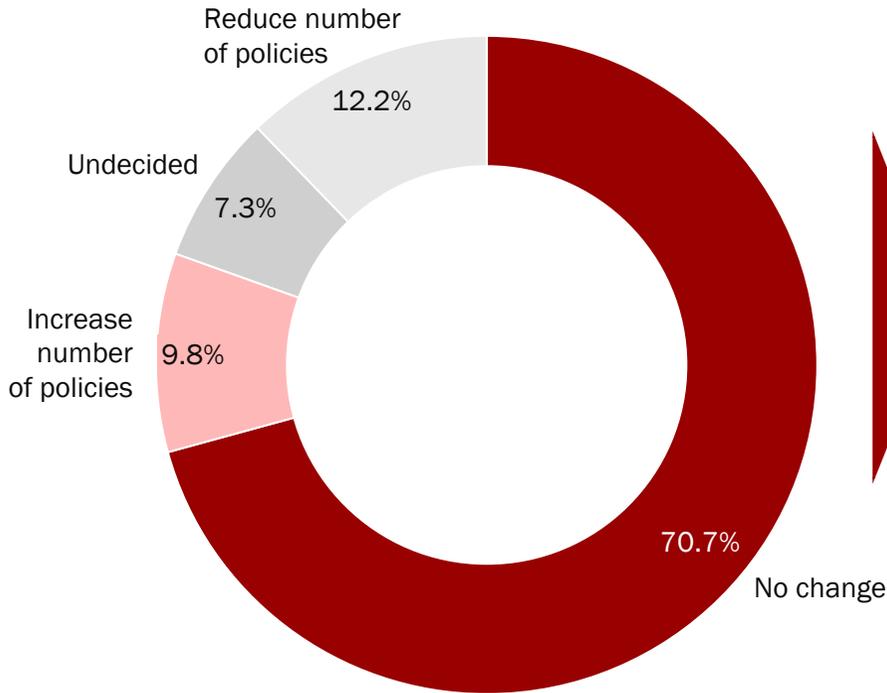
- The largest sectors covered are professional services, retail, industrials, and 'Other'
- 'Other' includes professions such as aviation, transport and education

1: Restaurant, 2: Leisure, 3: Telecommunication Services, 4: Utilities
Survey data, Mansfield analysis

PMI POLICY PLANS FOR EMPLOYEES NEXT YEAR

70.7% of respondents state there will be no change to insurance plans for employees next year...

N = 82



... but for those who will reduce policies, the main reasons are economic

N = 10

% of respondents who agree with the following statements as to why they will reduce their number of policies

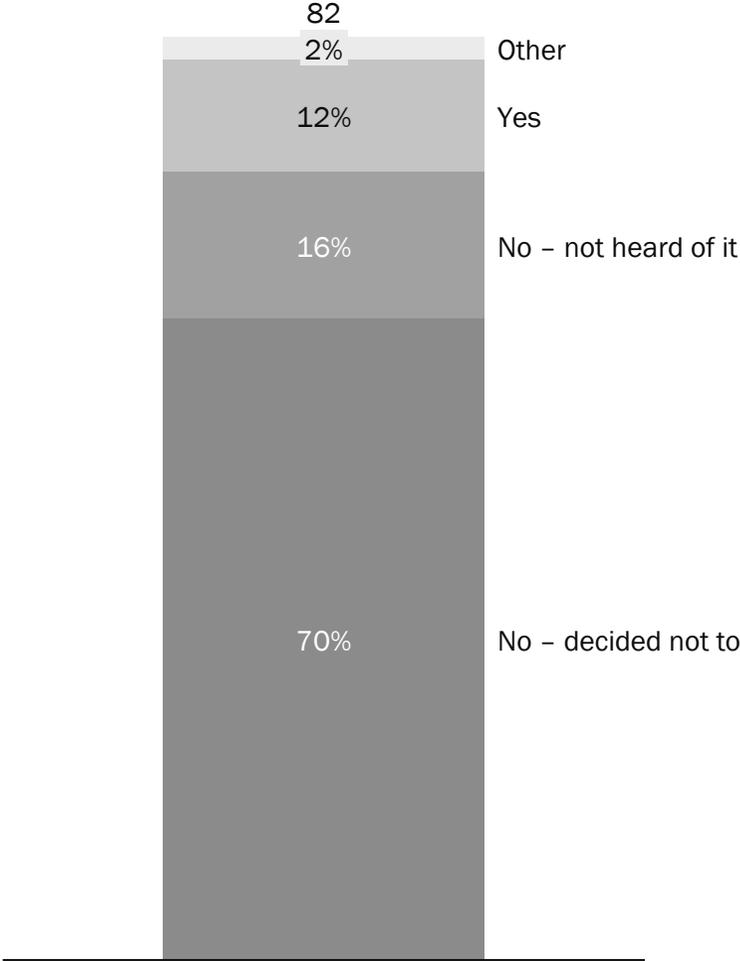
We will have less employees because of COVID	
COVID has reduced the availability of some private healthcare treatment, reducing value	
Even if we excluded the impact of COVID, we don't see the value of it anymore	
Our employees are less likely to seek any healthcare treatment and would rather delay, so we don't see sufficient value in having private healthcare insurance	
We see the value of it, but we need to reduce benefits spending	

70% of respondents stated that they decided not to take a payment holiday or to defer any payments

PAYMENT HOLIDAY OR DEFERRED PAYMENTS PMI

N = 82

GENERAL FINDINGS

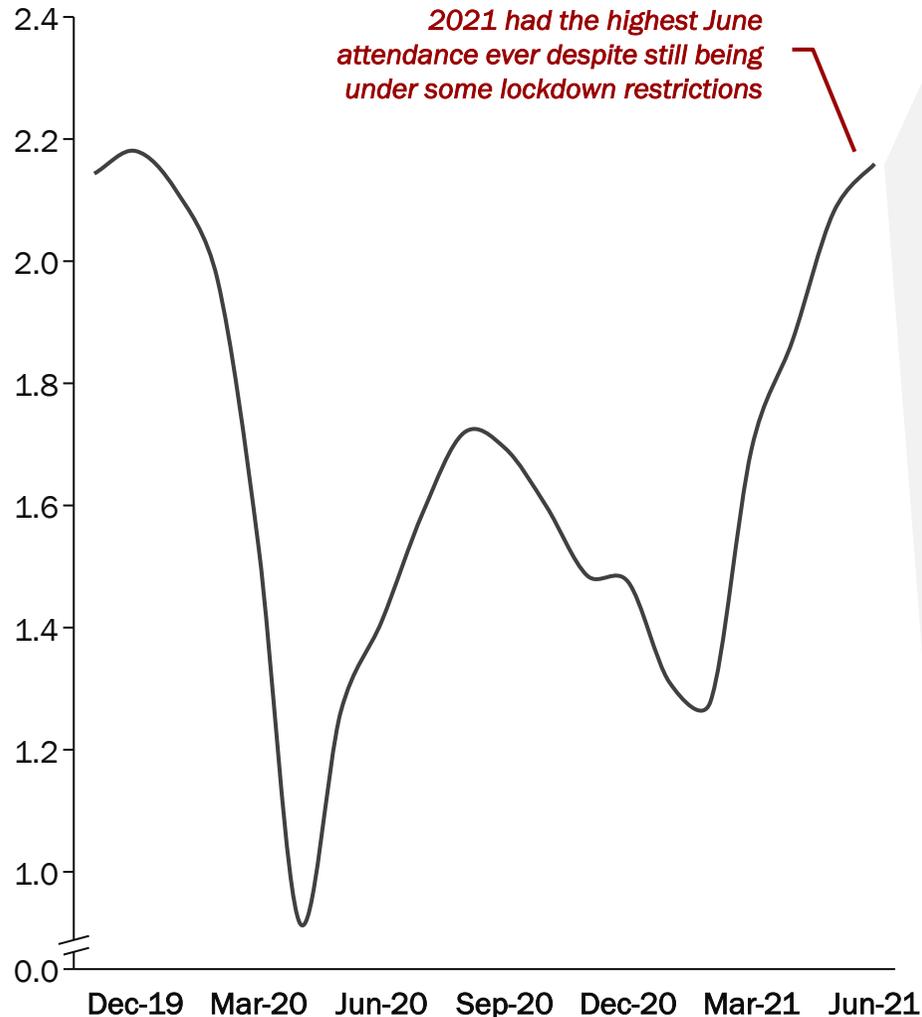


- Surprisingly, out of 82 respondents, only 16% stated that they did not take a payment holiday or deferred payments because they had not heard of it
- A 70% majority state they decided not to
- And 12% said they had

A&E attendances collapsed during the two lockdowns – we expect some ‘missing’ people to present in the coming months

A&E ATTENDANCE UPLIFT

m, total monthly A&E attendance



The previous peak will likely be exceeded this July as patients presenting later after COVID-related delays become medical emergencies

Trusts are already experiencing pressure due to uplift in medical emergencies

“Most Trusts are seeing winter levels of pressure in the peak of summer. Most **emergency departments are breaking their records** of maximum people they see.

As trauma cases are remaining unaffected, the mix of A&E cases is shifting towards medical emergencies

Of urgent scans, 70% are in A&E and 30% are inpatient crashes. [In A&E] trauma/accident vs medical emergency will depend on the Trust, if it's a level three trauma centre then you get mostly trauma, that might be 50% of the 70%. But with COVID delayed patients becoming emergencies the **share of Trauma will decrease as medical emergencies increase**. The trauma patients never stop coming, but what might change is if someone has waited on cancer symptoms because of COVID, that then goes into emergency.

Increased medical emergency rates due to later patient presentation could last years, increasing A&E departments' reliance on teleradiology

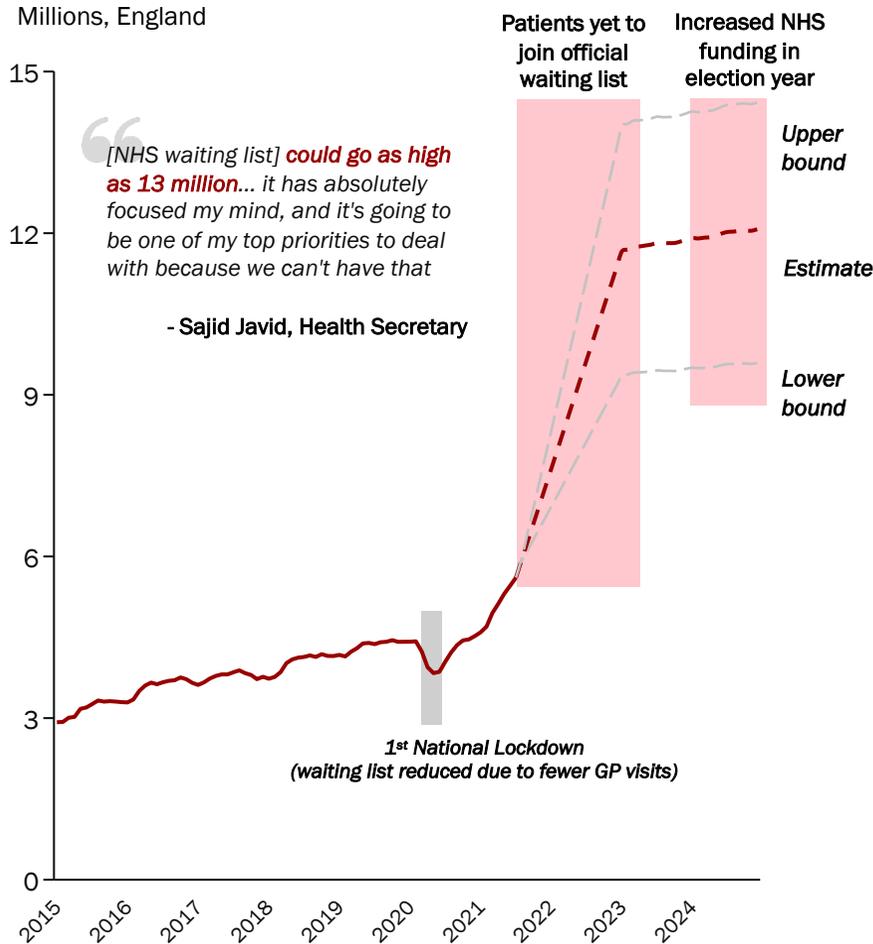
I think it will be a **few years at least for us to catch up** on routine work...it will be the same amount of time for people that would have been routine that are now urgent. **Teleradiology volumes could increase by 50% or 100%!**

- Consultant Radiologist;
Dartford And Gravesham NHS Foundation Trust

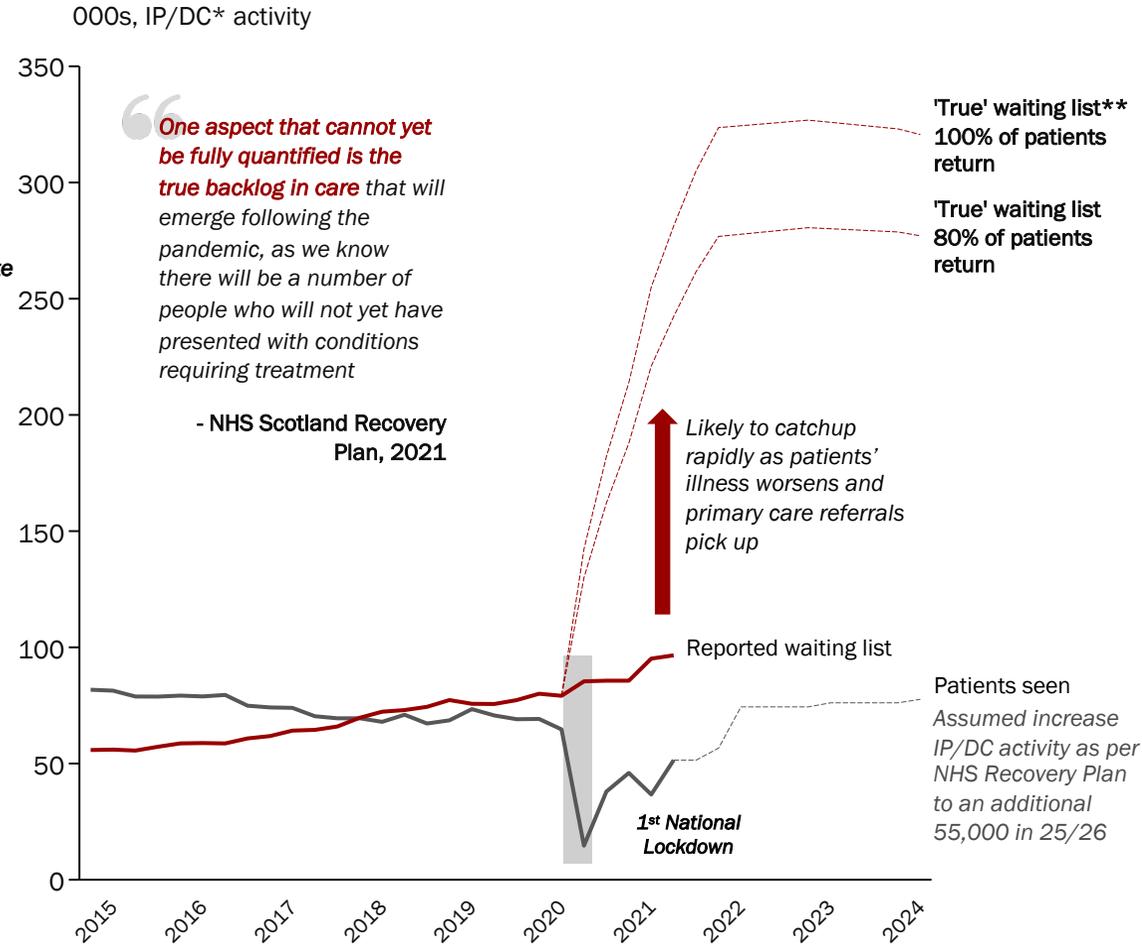
Both England's and Scotland's waiting lists are projected to grow rapidly, putting pressure on NHS Trusts to insource

COVID BACKLOG

The England waiting list could hit 13 million



And the Scotland waiting list is likely to follow a similar trajectory



*Data quality for Scotland is lower so only IP/DC shown - total waiting list is ~6x higher

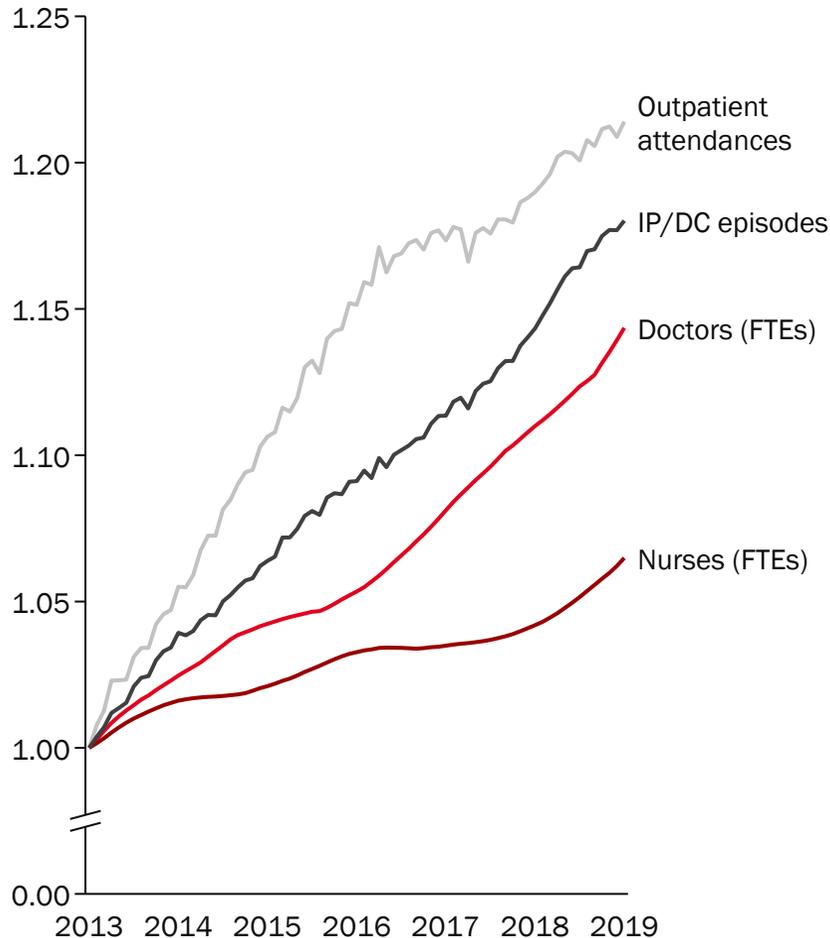
**This forecast takes into account the people who have not yet joined the waiting list, but are expected to do so according to pre-pandemic patterns

Hospital Episode Statistics, NHS Digital, Mansfield analysis

Demand for healthcare has outstripped the supply of doctors and nurses in the NHS

NHS STAFFING SUPPLY/DEMAND MISMATCH

Indexed to December 2013, LTM rolling average



CAGR '13-'19	Absolute numbers	
	2013	2019
3.3%	6,685k	8,115k
2.8%	1,496k	1,765k
2.3%	100k	114k
Shortfall: ~3.5-7k doctors (compared to 2013)		
1.1%	266k	284k
Shortfall: ~30-40k nurses (compared to 2013)		

Demand

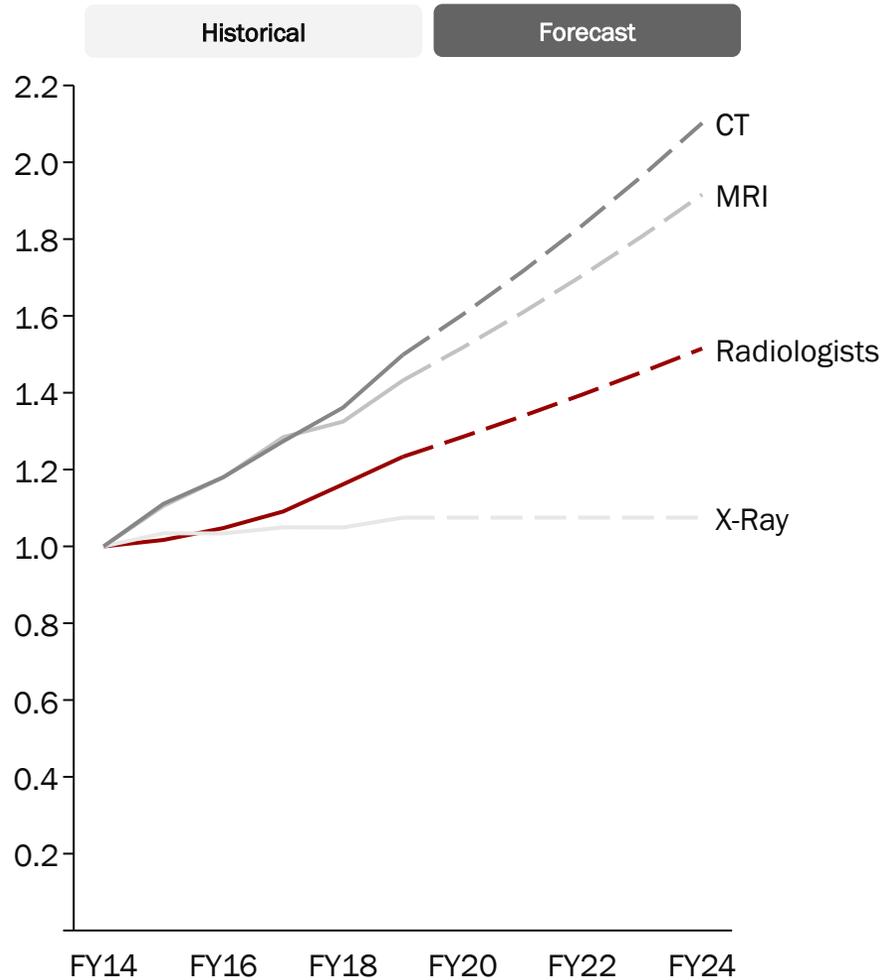
Supply

- Demand has increased at ~3% CAGR since 2013, owing to ageing population and more screening
- Nurse supply shortfall is particularly pronounced, largely owing to a sharp decline in EEA joiners
- Recent nurse recruiting drives in FY20 appear to have led to only a slight increase in FTEs

In radiology, demand for CTs and MRIs outpace the number of radiologists to report them

ENGLAND SUPPLY VS DEMAND GROWTH

Total scans and working radiologists per financial year, indexed to 1 in FY14



CAGR %	
FY14-FY19	FY19-FY24
7.0%	c.7.0%
6.2%	c.6.0%
3.6%	c.4.0%
1.1%	c.0.0%

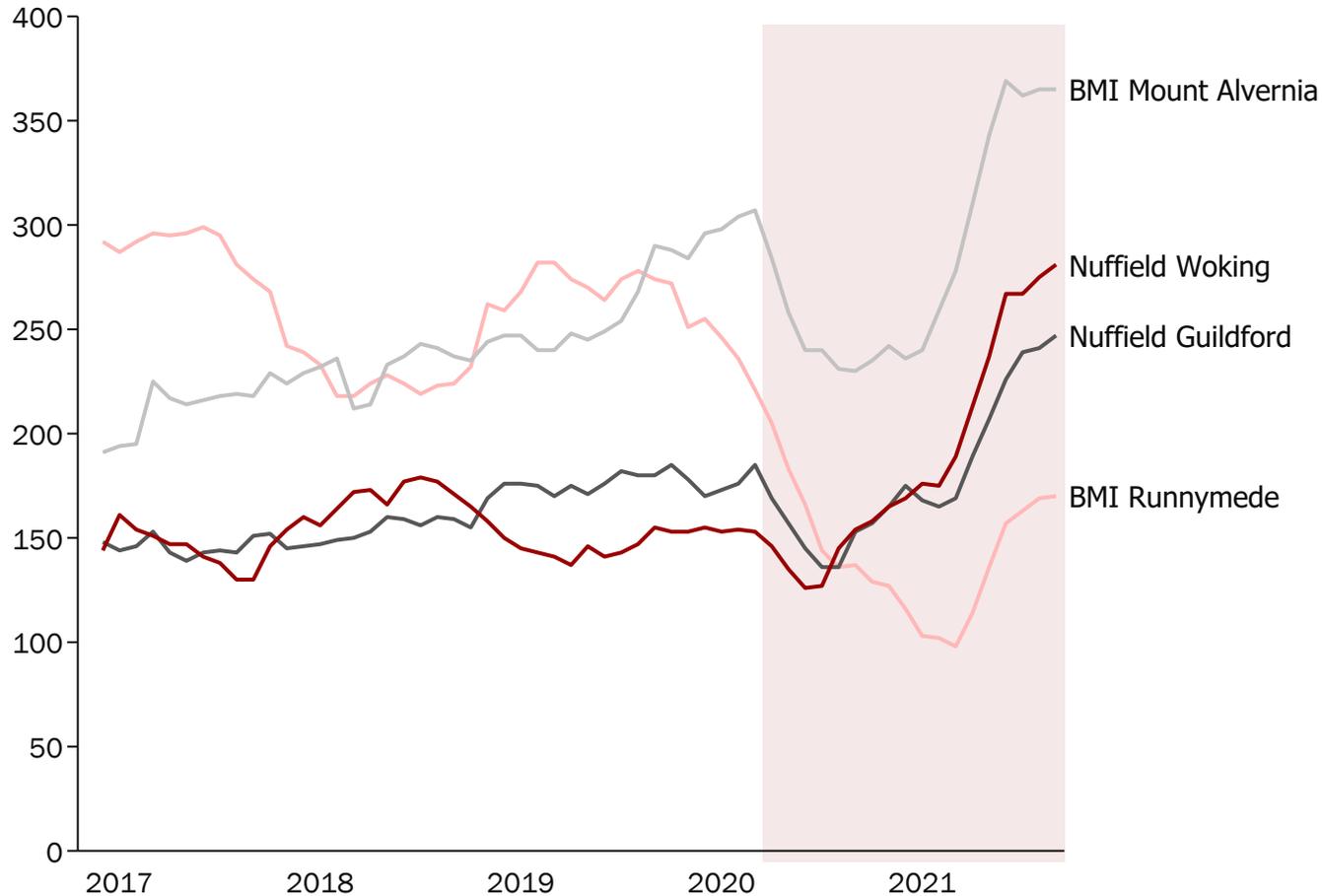
“There will be more and more use of scans. Younger generations are trained up and don't have experience of diagnosis without a scan, so it's going to become more of a reliance

- **Junior Doctor,**
West Hertfordshire Hospitals NHS Trust

Orthopaedic volumes have rebounded strongly in private hospitals

JOINT SURGERY VOLUMES

12 months rolling basis, as at August 2021

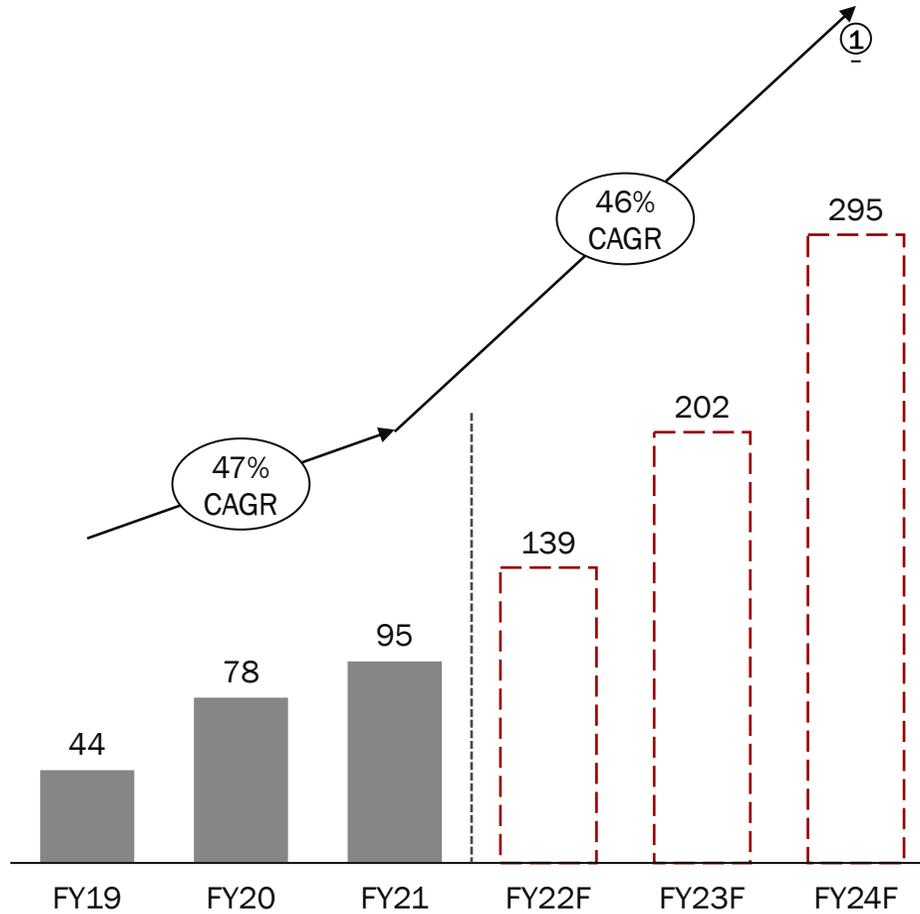


- The sharp decline in joint operations at the start of the COVID-19 pandemic quickly recovered at the start of 2021
- Nevertheless, this is decreasing as fewer operations are scheduled for July and August 2021

The 'NHS insourcing' market is one of the fastest growing markets in private healthcare

MARKET FORECAST TRIANGULATION

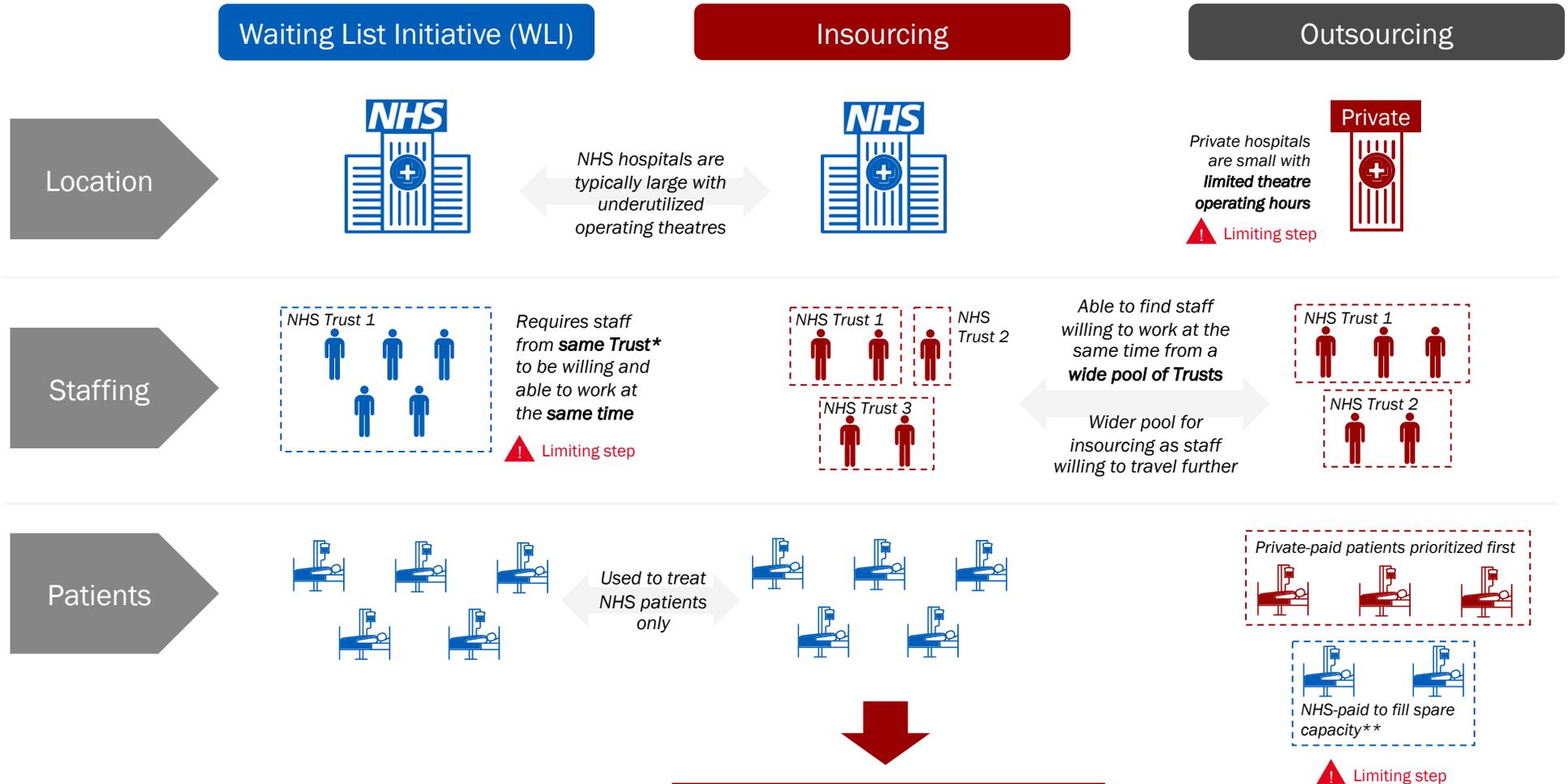
£m, total insourcing market size, UK



APPENDIX

Insourcing is best placed to efficiently reallocate staffing resource to treat NHS patients

CAPACITY INCREASE POTENTIAL



Best positioned to distribute resource effectively to meet demand and engage underutilized capacity

*In some cases, staff from neighbouring Trusts can be pooled
 **For most private hospital/clinic providers
 Mansfield interviews and analysis

Increased funding for the NHS is prioritised to reduce waiting lists

NHS INCREASED FUNDING

Remainder of FY22	FY22-23	FY23-25
£5.4bn cash injection to NHS	Health and Social Care Levy Year one	Health and Social care levy Year two and three
<ul style="list-style-type: none">• NHS Elective Recovery Fund (see next page) - £1.5bn for elective recovery, including £500 million capital funding• £2.8bn for COVID-19 costs including infection control measures• £600m for day-to-day costs• £478m for enhanced hospital discharge	<ul style="list-style-type: none">• ~£12bn extra funding (~9% increase) to the NHS per year• Temporary 1.25% increase for National Insurance contributions for the 2022/23 tax year• Revenue raised will go directly to support the NHS and equivalent bodies across the UK and not social care	<ul style="list-style-type: none">• ~£12bn extra to NHS per year• National Insurance contribution rates will revert to 2021/22 tax year levels to be replaced by a new 1.25% Health and Social Care Levy• Revenue will be ringfenced to support both health and social care bodies in the UK

“Today’s additional £5.4 billion funding over the next 6 months is critical to ensuring the health service has what it needs to manage the ongoing pandemic and **helping to tackle waiting lists**

– Health and Social Care Secretary

“**This levy will enable the government to tackle the backlog in the NHS**, it will provide a new permanent way to pay for the government's reforms to social care and it will allow the government to fund its vision for the future of health and social care in this country over the longer term

– Jesse Norman, Treasury minister

“**We will continue to make sure our NHS has what it needs to bust the COVID backlogs** and help the health service build back better from the worst pandemic in a century

– Boris Johnson, UK Prime Minister