Quality matters
In a new series on leadership in healthcare, David Porter argues why quality is as vital as good returns

Making an entrance
Elysium CEO Joy Chamberlain talks about the firm's plans for expansion

A fine balance
NHSPN's David Hare looks at the funding crisis in the NHS

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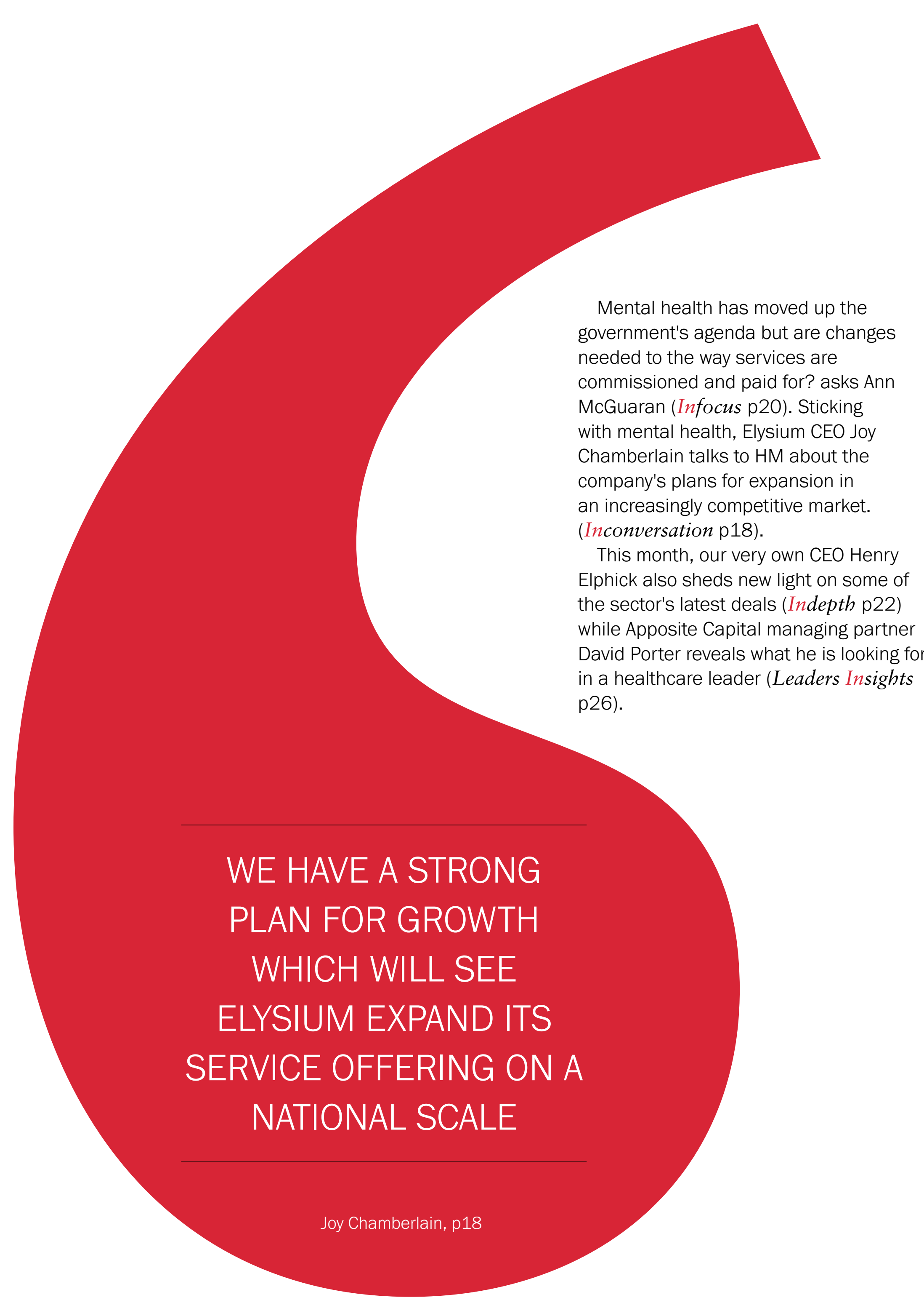

Mental health has moved up the government's agenda but are changes needed to the way services are commissioned and paid for? asks Ann McGuaran (*Infocus* p20). Sticking with mental health, Elysium CEO Joy Chamberlain talks to HM about the company's plans for expansion in an increasingly competitive market. (*Inconversation* p18).

This month, our very own CEO Henry Elphick also sheds new light on some of the sector's latest deals (*Indepth* p22) while Apposite Capital managing partner David Porter reveals what he is looking for in a healthcare leader (*Leaders Insights* p26).

A better way to pay?

Could improvements in commissioning and fee setting lead to improved outcomes for mental health patients?

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This month…

*Editor, **Maria Davies** looks at this month's key issues*

The long road to the UK's departure from the EU may have only just begun with the triggering of Article 50, but figures complied by NHS Digital suggest that record numbers of EU workers are already journeying in the other direction.

Around 57,000 EU nationals work in the NHS, including an estimated 20,000 nurses and 10,000 doctors but roughly 17,200 left in 2016 - far more than in the preceding years. What is more, a poll conducted by *Channel Four's Dispatches* found that two fifths of the health service's EU workers are thinking of leaving in the next five years - which could mean the loss of 25,000 doctors and nurses.

Despite pressure from campaigners, the government is yet to give any assurances about the future of EU workers. In the meantime, Simon Stevens has announced a new nurse training programme, which he says could lead to 2,200 more nurses by 2019 when Britain is set to exit the EU. Welcome though this is, it means there is a long way to go before we fill the gap.

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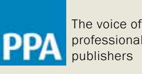

ISSN 2399-7044

HM is published ten times a year by LaingBuisson Ltd, 29 Angel Gate, City Road, EC1V 2PT. +44 (0)20 7923 5390 Printed by Rapidity, Citybridge House, 235-245 Goswell Road, London, EC1V 7JD

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Groundwork begins on London's first proton beam centre

Schedule subject to delays but Advanced Oncotherapy says there is no change in plans to deliver new LIGHT system

Excavation work is due to start on the site of Harley Street's first proton beam therapy centre later this month, but the company behind the scheme said revisions to its timetable mean the first patients won't be seen until 2020.

Advanced Oncotherapy will operate the centre under a joint venture partnership with Circle Health. Howard de Walden Estates, which is financing the £7m to £10m build costs, has appointed Deconstruct (UK) Limited as principal contractor and, following preparatory works, excavation is due to start on 27 March.

Based on initial quotes, on-site excavation and construction work at the two listed buildings (141 and 143 Harley Street) is now expected to last between 62 and 96 weeks, with up to another 52 weeks required for full fit-out. The result is that the first patient treatments are expected to take place in the second half of 2020 instead of 2019 as originally planned.

However, the project, which was called into question following the termination of Advanced Oncotherapy's Chinese distribution agreement with Sinophi in February, is another small step closer to completion. And despite the constraints associated with building in the Harley Street residential area, the company said build times compared favourably with the construction of multi-room proton beam facilities using 'legacy technologies'.

Advanced Oncotherapy is in the process of developing a new generation of proton beam treatment, which is much smaller and cheaper than existing models. Its Linac Image Guided Hadron Technology (LIGHT) system uses innovative accelerators which remove the need for a cyclotron or a synchrotron to accelerate the protons to the high energy levels needed. Effectively, this means its machines don't require the massive infrastructure or extensive shielding associated with older forms of the technology.

Once complete, the 15,000sqft centre will have two treatment rooms seeing around 500 patients a year. The idea is that Harley Street will be a flagship site, where Advanced Oncotherapy can showcase the possibilities of its new technology.

Unusually though, the technology itself is still being tested and is yet to receive regulatory approval - the first LIGHT system capable of treating superficial tumours won't be available until next year. The company's strategy is to establish a mass production facility in Thonon, France in partnership with its manufacturing partner Thales, which will be ready for production as soon as regulatory approval is granted.

And despite the inherent uncertainty investors appear confident. At the end of last year, Advanced Oncotherapy raised £13.4m via a subscription and open offer of new ordinary shares at 100p per share. The management team and directors took a significant part of the subscription, which also saw MK Trust, a financial institution focused on Asian-related investments, become a major investor with 6.7% of the enlarged share capital. MK Trust owner Miky Kambara has become an advisor to the company on developing the business in Asia – something which has become more important since the end of the Sinophi agreement.

> WHILE HARLEY STREET IS THE FIRST 'LIGHT' SYSTEM - DISCUSSIONS ARE ONGOING WITH CIRCLE BIRMINGHAM

In February, the company entered into a financing arrangement with Dubai-based investment company Bracknor to raise up to £26m of unsecured convertible notes issued in 20 tranches over two years. A minimum of ten tranches of £1.3m of convertible loan will be drawn down with a possible ten additional tranches over the two-year period at Advanced Oncotherapy's discretion.

In a statement to investors, the company said: 'The Harley Street site remains the first site where the LIGHT system will be installed. Discussions are also ongoing surrounding an agreement to supply a LIGHT alongside Circle Health's planned new-build hospital in Birmingham.

'The company is in negotiations with a handful of sites in the USA as well as other operators in Europe, Asia and the Middle East. The company remains confident that demand for its next-generation proton therapy system will be strong and that additional commercial sales will be secured in due course.

'In addition, a number of meetings have been held with regulatory bodies in Europe, US and China, which provides the company with confidence that they are pursuing a valid path to ensure future regulatory approvals.'

Nicolas Serandour, CEO, Advanced Oncotherapy

GenesisCare in first UK joint venture partnership with oncologists

Berkshire's new oncology treatment development site

GenesisCare has entered into a joint venture with the Berkshire Oncology Partnership to develop its 11th cancer treatment centre in the UK.

Based in the centre of Windsor, the 19,900 sq ft centre is set to be the company's largest facility to date and will provide a range of diagnostic and treatment options spread over three floors.

It is common practice in Australia for oncologists to influence the design and delivery of new services but the deal marks the first time Australian-owned GenesisCare has partnered with oncologists in the UK.

Berkshire Oncology is a group of ten oncologists based in Reading. The group's Dr James Gildersleve said: 'Getting to this point in our collaboration has been rewarding and refreshing. It is a genuine partnership and we have had input every step of the way, from deciding on the location and property design, through to agreeing our diagnostic partners and the services to be provided.'

John Allen, executive manager for the international operations at GenesisCare said: 'Through this new joint venture, our close alignment ensures that patients will receive the very best clinical care in a first class environment. We will be looking to implement this model at all our new centres going forward and potentially to offer the same opportunity at some of our existing centres where we seek to have a close interaction with our consulting physicians.'

The centre, which is due to open in October, will include a Versa HD Linac from Elekta and a large diagnostic suite with four dimensional CT and MRI. The centre will also house a number of consulting rooms and offer access on site to a supervised gymnasium.

Proton Partners to build fourth centre

Proton beam therapy suite

Proton Partners International has announced plans to build its fourth cancer treatment centre in the UK.

The £35m centre will be built in the new £1bn Paddington Village in Liverpool's Knowledge Quarter and will offer traditional cancer treatments including radiotherapy, chemotherapy and imaging from 2018, with proton beam therapy available at the site in 2019.

Earlier this year, the company announced that its network of oncology clinics would be branded The Rutherford Cancer Centres, after renowned scientist Ernest Rutherford, who contributed to identifying and naming the proton in 1911.

Three of the sites – in Newport, Northumberland and Reading – are already under construction and the addition of a fourth will make the company the world's largest developer of proton beam therapy centres.

Proton Partners International chief executive Mike Moran said: 'I am delighted to announce that our fourth UK centre is to be in my home city of Liverpool.

'Not only will we be bringing the top cancer technology to the North West, but we will be located at the heart of what will be a world-class destination for science, innovation, education and technology.

'This investment will not only enhance the level of cancer treatment available to patients, but will also bring skilled jobs to the area.'

It is expected The Rutherford Cancer Centres will each be able to treat up to 500 patients a year with treatment available to insured, self-pay and NHS patients.

The company is also building a genomics research centre at the Life Sciences Accelerator building in Liverpool, which will be the first part of a health campus set to surround the £335m new Royal Liverpool Hospital.

Ramsay stands down management team at 'inadequate' hospital

Ramsay Health Care has taken immediate action to 'stand down' the management team at its Oaklands Hospital in Salford following a damning report by the CQC, which gave the hospital an overall 'inadequate' rating.

The regulator criticised the hospital for putting patient safety at risk after its inspection last October revealed that standard operating processes and procedures were not being followed. It said safety had not been a 'sufficient priority' and that patients were at risk of avoidable harm during surgery because anaesthetists did not always provide them with the expected level of care. Over-reliance on bank and agency staff also put patients at risk, said the CQC, with low rates of mandatory training and inadequate systems in place to check the skills and competencies of temporary staff.

In particular, concern was raised over the conduct of some anaesthetists, who staff at the hospital claimed regularly left the operating theatre for up to 20 minutes at a time to eat meals and watch television in the break room. Anaesthetist assessments were also poorly documented and in nine of the ten assessments reviewed by the regulator, key information was missing.

In its report, the CQC said: 'There was a culture of fear within theatres, which resulted in staff not challenging unsafe behaviours'.

Other concerns highlighted by the CQC included lack of staff and public engagement, issues around the correct storage of medicines and other substances and the handling of complaints.

Ramsay said the report was 'very disappointing' given its reputation in providing excellent patient care and that a new team had been 'specifically selected' to fix all the issues identified in the report.

CEO Mark Page said: 'We have made fixing all issues identified by the CQC an absolute priority and have been implementing these changes, with the assistance of the CQC, since October last year when they were first identified.

'I am confident that the new hospital management team and the staff of Oaklands, together with clinical governance support from Ramsay UK has implemented significant improvements since this time. While there can be no denying the seriousness of the issues which need to be fixed, we were pleased that the CQC report rated Oaklands Hospital 'good' in the area of caring and highlighted that our staff treated patients with kindness and respect.

'Patients can be assured that we are totally committed to ensuring a safe environment for patients and that our next report achieves the standard that is expected of us.'

Elysium expands Wrexham facility

Elysium Healthcare has announced plans to develop a 34-bed hospital in north Wales.

Based in Wrexham, the new facility will provide locked and step-down residential rehabilitation and will open in early 2018.

This is the latest expansion from the BC Partners owned mental health provider and follows its acquisition of Raphael Healthcare earlier this year.

Chief executive Joy Chamberlain said: 'I am excited by the development of this new facility. The state-of-the-art building will be an exceptional setting for patients to continue their journey of recovery. The development is in line with our commitment to offer a full pathway of care for Welsh patients.'

Elysium's Wrexham facility plans

Popularity of health cash plans

Health cash plans have overtaken PMI to become the second most popular benefit behind contributory pensions, according to the 2017 Willis Towers Watson Employee Benefits and Wellbeing Index.

The annual index, which explores worker attitudes to employee benefits, found that 12% of respondents valued health cash plans the most, putting them ahead of both life and health insurance in the rankings. Contributory pension schemes remain top with 32% of the vote while health and life insurance took joint third place with 11%.

"They can prove to be of particular value to lower wage earners and the newly defined JAM population"

'The great value of cash plans, unlike most other insurance products, is that they're designed to be used regularly to recover essential, everyday, healthcare expenses such as optical costs or dental treatment,' said Willis Towers Watson health & benefits director Mike Blake. 'As a consequence, they can prove to be of particular value to lower wage earners and the newly-defined JAM (Just About Managing) population.'

According to the Index, the fourth most popular benefit was health screening with 9%. Despite efforts to promote mental health in the workplace, counselling and EAP benefits received just 3% of the vote.

Slowdown in NHS funding impacting patients

Cases of rationing by CCGs have hit the headlines in recent months as finance pressure mounts in the NHS. But according to research by the King's Fund, away from the headlines, the slowdown in NHS funding is also affecting patients in ways that are going unseen.

In its report, *Understanding NHS financial pressures*, the organisation looked at the impact of funding constraints on four areas, district nursing; hip replacements, neonatal care and genital urinary medicine. It said that although it had taken time to filter down to the frontline, the funding crisis was beginning to have an impact on patient care.

Community and public health services have been hit the hardest and while acute and specialist services have been relatively protected up until now, the King's Fund said there was evidence that these too were beginning to suffer.

Although hip replacement activity has grown at a faster rate than the population over the last six years, the number of hip replacements recorded in 2015/16 was slightly lower than the previous year. Moreover, the King's Fund said waiting list data from October showed that average waiting times for hip replacements were around a week longer than the previous year.

The report concluded that financial pressures were affecting all four areas to different degrees with commissioners changing how services are contracted and looking for ways to restrict access. In GUM and hip replacements, it said, there were examples of commissioners moving from tariff to block contracts in a bid to control costs.

'While it is easier to control commissioner costs when paying by block contract, there are risks that quality suffers as patient demand increases (if the block budget does not) and resources are spread more thinly. This is what is happening in district nursing services, where we have seen quality of care diluted in this way' said the report.

Commenting on the report, NHS Partners Network chief executive David Hare said: 'NHS hospitals are currently working flat out to cope with the pressures in A&E. However, as the King's Fund report rightly highlights, it is important that the millions of people requiring vital elective treatment such as hip operations are not forgotten. We therefore echo the report's concerns that the rise in block contracts for elective procedures is having an adverse impact on patient care as demand is rising, and call for a greater focus on ensuring patients are allowed to choose their care provider with the funding following their decision.

'The report is also right in saying that far too little attention is currently paid to community health services which are vital if the NHS is to move to a more preventative model. The independent sector, which plays a significant role in providing NHS community services, should be used more extensively to invest in new and remodelled NHS community services which help keep patients out of hospital and are also there for them after they have been discharged.'

Budget surprise for STPs

There were few surprises for health and social care in Chancellor Philip Hammond's Spring Budget.

Additional funding for social care - £2bn over three years - was widely anticipated as were extra resources aimed at alleviating pressure on A&E.

More of a surprise was the £325m of new capital funding, spread over three years, to support the 'strongest' STPs.

Details of how the new money will be spent is yet to emerge but Jill DeBene, chief executive, Institute Of Healthcare Management, said it would be a 'travesty' if they simply end up delivering more of the same.

'Through the STPs, however slowly and imperfectly, the NHS, local government and their partners are beginning to rebuild the health and care system around the needs of patients and communities, rather than institutions and bureaucracies. An unexpected £325m to accelerate their progress, along with a promised Green Paper on the future funding of social care are positive steps,' she said.

Philip Hammond MP, Chancellor of the Exchequer

Virgin in legal challenge against commissioners

Virgin Care has mounted a legal challenge against commissioners after losing its £82m contract to provide children's health services in Surrey.

The company has started High Court proceedings against NHS England, Surrey County Council and six CCGs after the three-year contract was awarded to Surrey Healthy Children and Families Services Limited Liability Partnership at the end of last year.

A spokesperson for the company said it was 'concerned there may have been serious flaws in the procurement process leading to an outcome that we strongly feel is not in the best interests of either the children and families we support or our valued colleagues.'

Virgin Care currently provides children and adult community care services in the county alongside CSH Surrey and First Community Health Care. However, commissioners want to introduce a single contract for services for children and young people across the whole county. And the new contract, which includes occupational and speech therapy, school nurses and health visitors, went live on 1 April.

The commissioners are expected to defend their decision. Guildford and Waverley CCG said: 'Despite the commissioning organisation's confidence in the process and despite us sharing information to assure Virgin Care Services Limited regarding the procurement process, Virgin Care Services Limited issued court proceedings...in the High Court.'

Circle signs Greenwich MSK contract

Circle Health has signed a five-year deal for the provision of MSK services in Greenwich after making a number of concessions to the local NHS trust.

According to *HSJ*, a leaked document has revealed that a tripartite agreement signed by Circle, Lewisham and Greenwich NHS Trust and Greenwich CCG guarantees the Trust a 'minimum activity level' and contains a termination clause should planned activity at the trust falls below a certain level.

The move comes after an impact assessment on the £84.7m contract carried out by PwC found the Trust, which is forecasting a deficit of £34.6m in 2017, stood to lose as much as £6.6m over the term of the contract unless Circle contracted it to deliver some of the activity.

'Should the financial position of the Trust continue to deteriorate,' it said. 'There will be an increasing risk of regulator attention and potential intervention, for example being placed into the Financial Special Measure regime.'

In addition, the potential loss of activity would make the Trust's Queen Elizabeth Hospital the smallest site in the country delivering trauma and orthopaedics, which could, in turn, impact on the safety and quality of care as well as the training of doctors.

Greenwich CCG and the Trust commissioned PwC to produce the report after concerns were raised that the contract could have a destabilising effect on the Trust's finances. The contract, which was originally due to commence in October, was delayed during the review.

According to the report, the Trust could mitigate year one losses of £1.6m by £0.7m if Circle uses its resources to deliver community care, and a further £0.4m by repatriating other orthopaedic activity.

In 2014, Bedford Hospital Trust refused to become a subcontractor in Circle's £120m Bedfordshire MSK contract after a dip in referrals and subsequent loss of income, which it said impacted the viability of its trauma service. The following year, Bupa pulled out of a £235m MSK contract in West Sussex after a PwC reported concluded that the local trust stood to lose £13.4m in lost income over its five-year term .

Neither Circle nor the CCG have commented on the tripartite agreement. However, commenting on the signing of the contract, which includes an option to extend by two years, Circle chief executive Paolo Pieri said: 'We look forward to working with Greenwich CCG, local providers, and clinicians to provide improved, integrated care for Greenwich patients. Our investment in an integrated approach to patient care has delivered significant benefits elsewhere and we are delighted that we can shortly introduce this for patients in Greenwich.'

AXA PPP signs new deal with Doctor Care Anywhere

AXA PPP has entered into a new three-year deal with digital healthcare provider Doctor Care Anywhere to operate its virtual GP offering.

The insurer signed its initial agreement with Doctor Care Anywhere to provide its Doctor@Hand service in 2015 following a successful pilot with corporate client Universal Music Holdings. Since then, the service, which provides customers with year-round access to online GP consultations, has proved popular with the insurer's corporate clients, with over 50 taking it up in its first year.

Under the new agreement, the service will provide two enhancements: a health tracking app and repeat prescription service.

The tracking app is designed to improve patients' engagement with treatment for long term conditions by monitoring symptoms and generating reports that can be shared with their doctor. It also aims to help patients stick to medication regimes by providing reminders. Meanwhile, the repeat prescription service enables patients to collect prescriptions from a local pharmacy without visiting their GP. A prescription delivery service will also be introduced later this year.

> **"Our partnership with AXA PPP healthcare helps employers in their efforts to ensure that their workforce is healthy "**

The service, which is available as an enhancement to medical insurance plans or as a stand-alone product, has been one of AXA PPP's most successful value added offerings to date. Universal Music Group reported an 18% reduction in absences for medical appointments in the first year of using the service and employee feedback has been positive, with over 90% reporting they would recommend it to family and friends.

Paul Moulton, intermediary distribution director for AXA PPP healthcare, said: 'Doctor@Hand is proving to be a popular service for members of our corporate healthcare schemes, with reassuringly positive feedback. Employers have been quick to appreciate that, for busy, hard-working employees, Doctor@Hand's easy to access service is a welcome alternative to taking the time and trouble to get in to see their NHS GP.'

Doctor Care Anywhere chief executive Kate Newhouse added: 'The demanding nature of work and a busy lifestyle can sometimes lead to employees neglecting their health. Our belief is that our ongoing partnership with AXA PPP healthcare helps employers in their efforts to ensure that their workforce is healthy and happy, while employees can have the comfort of knowing that they can take control of their health by seeing a GP when needed. We are delighted to extend our relationship with the company and to be able to provide healthcare solutions to thousands of AXA PPP healthcare members throughout the UK, whether they are at home, work or abroad.'

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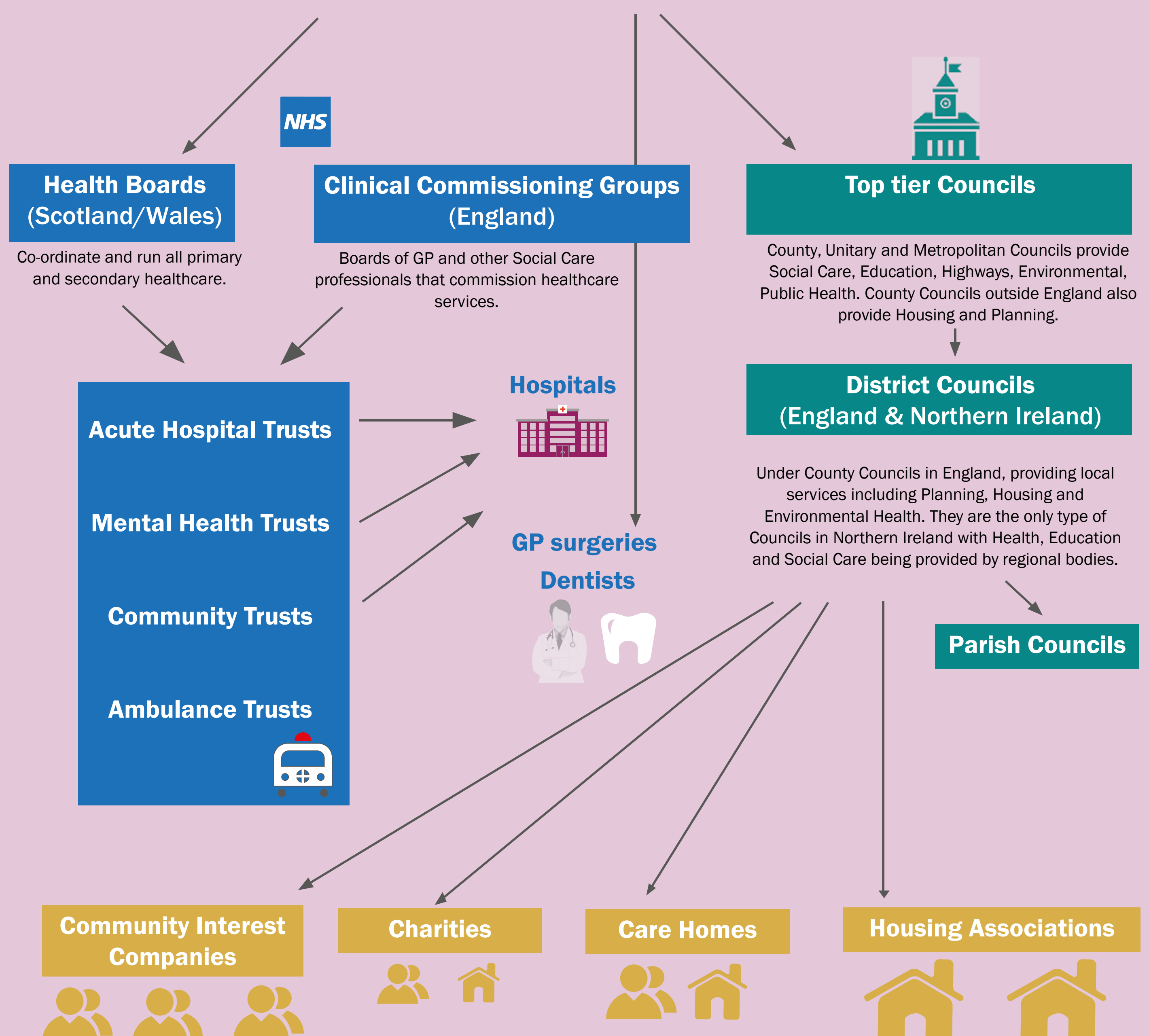

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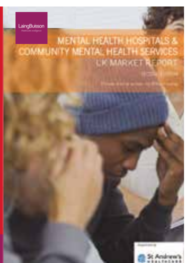

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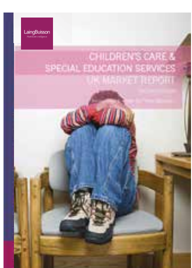

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A fine balance

As the true depth of the NHS funding crisis becomes apparent, NHSPN chief executive David Hare looks at the implications for patient care and how use of independent sector provision could help the health service balance its books

David Hare, CEO, NHS Partners Network

It won't be a surprise to anyone that NHS finances are not in a healthy state at the moment but behind the head-lines, how far in the red is the health service?

NHS Improvement's most recent quarterly operational and financial performance report predicted that the year-end deficit for the public provider sector will now be in excess of £870m - £300m worse than forecast.

This is not an unsubstantial figure, however, when you take into account that providers are over £800m in the red in spite of the £1.8bn Sustainability and Transformation Fund (STF) that was allocated to them this year, their predicament seems even graver. Indeed, without this STF, the total NHS deficit looks more like £2.6bn – even higher than the £2.4bn that NHSI had initially hoped the deficit would be. And at the same level as in 2015/16, this deficit raises real concerns over trusts' ability to make ever greater efficiencies.

In light of these worrying figures, NHS commissioners have been asked to hold back £800m to cover additional shortfalls and NHSI are now desperately hoping that the deficit doesn't go any higher and risk exceeding the overall Department of Health spending limit set for it by parliament. Indeed, one key way commissioners are trying to balance the books is reducing capital expenditure – by around £300m – to free up some resources for day-to-day spending.

Patient care on the line

So the NHS is surviving, but only just, and demand for its services shows no sign of abating, putting its future financial sustainability in jeopardy. In the last year there has been a 4% increase in A&E attendances, and coupled with delayed discharges increasing by 28% in just the last year, we have seen the worst performance on record with regards A&E waiting times.

And this chaos in A&E is having a knock on effect on elective activity – the 92% target for referral to treatment in 18 weeks hasn't been met since last February and only 1.3% more elective procedures were performed compared to the same period last year despite demand growth of upwards of 3%.

This poor performance is all the more worrying as the allocation of the £1.8bn STF was supposed to be linked to NHS providers improving performance on three key waiting targets: cancer, emergency care and elective treatment, with providers only receiving STF money if they meet or exceed their agreed plan.

But just last month, Simon Stevens announced that trusts only had to meet their performance targets in A&E in order to access STF for 2017/18, meaning that elective performance is likely to only get worse with waits of over one year for hip and knee replacements becoming ever more common.

Is there a way out of this quandary? The £2bn for social care over the next three years announced by the Chancellor in the Budget should go some way in helping to reduce delayed discharges but falls far short of the amount needed to put the system on a sustainable footing. And the additional £300m capital funding for STPs is extremely modest when looked at in the context of the £20bn total capital requirements set out by all 44 STPs.

Looking for solutions

So if no more substantive government funding for the NHS is likely to be forthcoming, what are the options for ensuring that the health service can get the most out of its current budget?

While there is no silver bullet, and the independent sector does not claim to have all of the answers (and, indeed, is facing many of the same challenges as public providers), we do believe that an NHS that looks outwards, with a focus on delivering the 2015 Spending Review commitment to encourage long term partnerships between the NHS and private sector, will provide part of the solution for sustainability and transformation in the NHS.

Utilising private sector capital investment for new sub-acute step-down facilities and other alternatives to urgent and emergency care provision would go a significant way in easing pressure on hospitals, as would working in partnership with, for example, independent diagnostics providers who specialise in ensuring patients can access swift diagnoses in the community rather than in the acute sector.

The precariousness of the NHS' finances means that something will have to give in 2017.

Will there be an eventual abandoning of NHS targets altogether? Or more emergency government funding? Or will there be, as the NHS Partners Network continue to advocate, a fresh look at the challenges the health service faces and a stronger focus on partnership working in the best interests of patients?

LaingBuisson
Healthcare intelligence

Major providers of mental health and learning disability care in specialist hospitals and residential settings

Organisation	MH hospitals	MH hospital beds	LD homes	LD home beds	MH homes	MH home beds	Total beds
Priory Group	63	2,518	164	1,549	46	593	4,660
Voyage Care	-	-	246	1,882	19	211	2,093
Cygnet Health Care Ltd	48	1,723	23	291			2,014
Four Seasons Health Care	12	396	15	370	14	567	1,333
CareTech Community Services	1	30	116	889	6	62	981
St Andrew's Healthcare	8	928	–	-	-	-	928
Elysium Healthcare	20	916	–	-	-	-	916
Mencap	–	–	87	681	-	-	681
Prime Life Ltd	–	–	12	210	17	450	660
Regard	-	-	65	580	4	77	657
Lifeways Group	-	-	55	510	4	69	579
Tracscare Group Ltd	1	72	25	143	47	319	534
Caring Homes	–	–	60	515			515
Choice Care Group	-	-	45	375	10	90	465
Care Management Group	-	-	66	456	-	-	456
Hft	-	-	42	446	-	-	446
Potens	–	–	31	322	6	103	425
Allied Care Ltd	-	-	34	360	5	56	416
Turning Point	3	34	28	247	9	111	392
Sussex Health Care Ltd	–	–	12	338	1	10	348
Milestones Trust	-	-	24	220	14	120	340
Exemplar Health Care	–	–	5	57	9	272	329
Minster Care Group	–	–	24	236	6	90	326
Cambian Group plc	4	33	23	289	–	–	322
St Anne's Community Services	-	-	31	233	6	86	319
The Disabilities Trust	3	87	12	75	15	135	297
Danshell Group	10	167	11	117	1	10	294
Community Integrated Care	–	–	53	270	1	20	290
Heathcotes Group	-	-	31	263	3	19	282
The National Autistic Society	–	–	36	277	–	–	277
Sense	–	–	45	272	–	–	272
MacIntyre Care	-	-	34	265	–	–	265
Barchester Healthcare Ltd	7	249	1	15	-	-	264

SOURCE LAINGBUISSON DATA. NUMBER OF REGISTERED MENTAL HEALTH (MH) AND LEARNING DISABILITY (LD) HOMES AND HOSPITALS OWNED/LEASED BY INDEPENDENT OPERATORS RANKED BY TOTAL BED NUMBERS, AS AT April 2017.

Collaboration is key

AIHO has partnered with the King's Fund to develop clinical leadership for the independent healthcare sector starting in 2017

Disa Young, policy and communications manager, AIHO

Strong clinical leadership is recognised as a crucial component of effective, safe and high-quality healthcare.

In the face of significant financial and operational pressures on the NHS, the role of the independent sector is likely to increase in the future.

Clinical leadership development is an area where the sector can cooperate rather than compete and AIHO seeks to maximise the synergies that benefit the sector as a whole.

The Well-led framework put in place by the CQC in 2014 assesses healthcare providers on the extent to which leadership, management and governance of an organisation assures the delivery of high quality person-centred care, supports learning and innovation, and promotes an open and fair culture.

At the end of 2016, CQC reported that inspections have shown that good leadership is critical to ensuring that people receive safe and high-quality care, as well as in driving improvement.

As such, the Well-led framework forms a central part of the CQC's 'Next Phase' of regulation for all health services, with an assessment of providers' leadership being one of the regulator's key proposals.

The challenge of sharing

While there are fantastic examples of effective clinical leadership within the independent healthcare sector, there are challenges when it comes to fostering collaboration and sharing leadership skills and learning across the sector.

AIHO recognises the important role we can play in fostering collaboration to support the development of clinical leadership across all independent acute hospitals. As well as increasing employee engagement and improving standards of care, better leadership provides a multitude of benefits to the patients we serve.

That is why we are partnering with the King's Fund to deliver a clinical leadership programme specifically for the independent healthcare sector.

Drawing on The King's Fund's considerable experience of providing innovative, effective leadership development interventions and a proven track record of working with NHS leaders, this initiative will help to address the specific challenges that the sector faces.

The role of lead

The clinical services lead in an independent hospital is hugely important and often provides stability within the hospital. The role has a high level of autonomy and responsibility and post holders require an appropriate leadership skill set along with the confidence and motivation to undertake these challenging roles.

Given the size of independent hospitals, the clinical services lead can be isolated and lack a clear and accessible peer group. Crucially, the King's Fund programme, supported by AIHO initiatives, will enable clinical services leads to build up senior peer networks, to the benefit of the sector.

The programme has support from across the sector and is designed for existing clinical services leads. Once established, there is potential to extend this to emerging talent that aspire to be clinical leads.

Identifying needs

AIHO members have been actively involved in the development of the programme content and have identified developmental needs of clinical services leads that will form the basis of the programme.

These include: encouraging strategic thinking, gaining greater awareness of the healthcare policy context, understanding commercial realities, the regulatory regime, revisiting professionalism, engaging with and valuing team members, and recruitment and development of clinical roles.

AIHO is delighted to be collaborating with the King's Fund and individuals across the sector to develop the independent sector's clinical leadership.

For more information on the programme, please contact leadership@kingsfund.org.uk.

INFOCUS

APRIL 2017

PAYING FOR MENTAL HEALTH

Independent providers have driven many of the new approaches to mental health in recent years but can they partner with commissioners on fee negotiation to deliver better outcomes for patients?

HM meets... Joy Chamberlain

All eyes are on Elysium as the BC Partners backed business emerges onto the increasingly competitive mental health market. HM talks to chief executive Joy Chamberlain about how it plans to make its mark in a sector where scale is the key

HM **Could you tell us a little about the new group's portfolio? How many facilities and beds does it have and where do its specialties lie?**

JC Elysium brings together a strategic network of specialist services across England and Wales. With over 1,000 beds, we have five key areas of focus which include medium and low secure care, open and locked rehabilitation, acute and PICU services, CAMHS and private patient services.

HM **The service range is very broad, covering acute, secure, CAMHS and rehabilitation – do you plan to keep the service lines distinct or will they work together to develop new pathways?**

JC The service range will remain distinct but there are strands that naturally complement each other such as the secure services and rehabilitation. In these fields it is important to have a care pathway and our aim is to make this as comprehensive as possible including extending into the community.

HM **Is the ability to offer full patient pathways becoming more important to commissioners and, if so, why?**

JC A full patient pathway is needed for the services described earlier but this is not the case for all our services. What is most important is that we work in collaboration with the public sector to ensure that the services we provide really meet their needs. Where they have services which work well we need to complement these, not compete against them.

HM **How does the company intend to carve out a place for itself in the market? What is its USP?**

JC Elysium brings together a group of industry experts with a wealth of knowledge on the sector but at the heart of this is the desire to have the patient as a true partner in their care. We strive to bring innovation to our field of healthcare so that we can help patients move through their care pathways as quickly as possible.

HM **Clearly, Elysium is a much smaller group than PiC or Priory. At a time when most operators are looking for scale, can you compete effectively in the market?**

JC We have a strong plan for growth which will see Elysium expand its service offering on a national scale. Our recent acquisition of Raphael Healthcare is the start of this growth. It is an exciting time for us and we have the full support of our investors, BC Partners. I see us as a long term player in the specialist healthcare market.

HM **Are there plans to expand the business organically and/or through acquisition?**

JC We will expand through strategic acquisitions and organic growth at key sites.

HM **What are Elysium's plans for the immediate future?**

JC The integration of the ex PIC and ex Priory sites has progressed well and we are already seeing the benefits of bringing two such strategic groups together. We remain focused on developing our existing services whilst looking at acquisition opportunities.

HM **And looking further ahead, what are your plans for the next three to five years? What do you see as the main growth areas?**

JC Healthcare is going through great change at the moment but with change there is always opportunity. We will remain focused on meeting new needs as they arise and will seek to ensure that we continue to push the quality of our services forward.

HM **Mental health has been at the top of the government's healthcare agenda over the last two years. What impact, if any, are the new policies and funding having on the ground?**

JC It is good to see mental health high on the government agenda but we still have a long way to go before we see parity between physical and mental health. I am excited by the initiatives which look at prevention as the way forward but we still have key stumbling blocks to overcome. We need to work with the NHS to provide the right care in the right places at the right time. There are key procurement exercises over the next 18 months that will help move provision forward but it will be a slow, sustained approach with innovation being key to success. The transforming care agenda will also have a big impact on provision and the delivery of care with many questions on this still being asked and explored.

HM **Elysium currently has just one CAMHS service for children and young people with eating disorders, given the focus on children's mental health, is this an area you are keen to expand?**

JC We are keen to expand our CAMHS provision and this will be an area of focus for us.

HM How will the government's latest announcement on ensuring children requiring mental health services are placed closer to home impact on you as a smaller operator? Is it an area where operators need scale?

JC We always work with our NHS partners to meet the needs and this means providing what is best for the patient. Placing children closer to home is important for their recovery but it is not expected to impact our current services.

HM How do you see the market developing for privately funded mental health services and is this an area that Elysium is keen to expand?

JC The private market for mental health services is well established and we are committed to retaining and developing this area of our business.

HM How do you see the current environment for independent mental health providers working with the NHS?

JC Going forward, I believe there will be more partnership initiatives. By bringing together NHS and independent expertise and provision we are in a great place to impact care delivery and outcomes.

HM What is the outlook for the independent mental healthcare market and what needs to happen to make the system work better for both providers and patients?

JC It is important that we remember the goal that we are all trying to achieve and that is a better experience and outcome for each and every patient. I was reminded of this when I recently chatted to one of our patients. He said 'everything you do is all about me'. It made me reflect on how important our role is in making sure the patient's needs always come first.

HM meets...
Joy Chamberlain
Chief Executive, Elysium

Education
University of Surrey

Career
Chief Executive, Elysium (2016 -)
Group Chief Executive, Partnerships in Care (1997-2016)
Group Manager, PwC (1986 - 1998)

Currently reading
Magpie Murders, Anthony Horowitz

linkedin.com/in/joy-chamberlain-5973ab33/

Looking for a better way **to pay?**

The independent sector has driven many new approaches to treating mental health patients who need secure care. But key challenges including the way fees are negotiated must be addressed to achieve the best quality outcomes, providers tell **Ann McGauran**.

NHS commissioners must take into account both local needs and individual patient variations in negotiating fees in the mental health sector, says the Independent Mental Health Services Alliance (IMHSA) – a group of leading independent providers of mental health services. However, IMHSA argues this has not always been the case.

Fees have been managed in a 'very static way for a number of years', according to chair of the IMHSA Joy Chamberlain, with providers 'very much guided by inflationary increases and efficiency savings set out by the Department of Health'.

While efficiency savings push providers to look at more cost effective care, she emphasised this must not be at the expense of delivering a quality service.

Chamberlain said this issue must be addressed through central guidance, as this is 'essential to ensuring patients are able to access sufficiently funded, high quality care that is able to meet their needs'.

Regionality

NHS England area teams within the four regions commission specialised adult secure mental health services and associated non-admitted care including outreach for those detained under the Mental Health Act. It is commissioned from high secure, medium secure and low secure providers. Clinical commissioning groups (CCGs) are responsible for commissioning non-specialised mental health services.

Is the independent sector as involved as it could be in working as a partner with the NHS? Chamberlain believes that in many areas of the country the system of allocating each independent sector mental health hospital group to a different area team within the four NHS regions who deal with specialist commissioning works well.

But she said that in order to work effectively there needed to be 'a willingness to embrace the independent sector as a core partner in the delivery of care'.

The alliance said that while there is no specific tariff for mental health and it is subject to local rather than national pricing, pricing is still 'modelled on national tariff rules as commissioners use these when negotiating local prices'. It believes this is 'inappropriate as elements of the tariff such as the cost uplift are calculated based on acute NHS data and do not adequately reflect either the needs of mental health or independent sector providers'. It has called for commissioners to be required to take into account evidence given by providers on their fee requirements.

The IMHSA welcomes NHS Improvement's requirement published last year for mental health providers and commissioners to adopt transparent and robust payment approaches linked to outcomes. But it says clarity is required in certain areas. These include how this will take into account extraordinary patient costs and how these approaches will apply to independent sector providers who offer services across the country and who have contracts with multiple local commissioners.

One alternative view given to HM is that the IMHSA position on negotiating fees is relevant for CCGs in relation to non-secure care, 'but not particularly to secure care as that guidance broadly exists'. One area where the provider does feel pricing could be flexed is where there are structural differences in the labour market. This problem applies to London and more rural areas and results in increased agency usage.

Challenges for providers

To what extent does the commissioning split for specialised and non-specialised services cause difficulties both for patients and independent sector providers? Chamberlain pointed out that it means patients have to 'move through different commissioning budgets when moving along the care pathway'.

She said this can 'create blockages as negotiations take place regarding funding and which setting is most appropriate for the patient'. This leads to 'delayed discharges and prevents timely step-down to non-specialised and community care'.

In her view, NHS England needs to use its position to set out clear guidance on both commissioning and funding responsibilities in order to 'ensure patients are able to access appropriate care in a timely manner'.

The more financially challenged a CCG is, the longer it will take to accept accountability for the patient's funding and then to agree to it. One extreme example described to HM concerns a patient served notice on two and a

half years ago by a provider but who is still with them. 'At least half that period was wasted by a particularly insolvent CCG refusing to come to the table. It's bad for the patient, and it can lead to deterioration in their presentation. It's also a breach of their human rights, because we have an obligation to care for them at the lowest level of security that is appropriate.'

There is one view from within the non-NHS sector that despite talk about co-commissioning and getting CCGs to take accountability for the low secure element of secure care, they would be 'dismayed' as a provider if this happened. They say that while it is well understood for non-mental health specialised commissioning that a smaller number of expert commissioners leads to scale, which is important not just to costs but also to quality, there was a slowness to recognise that this is equally true for mental health.

In general terms the outlook for independent providers in this sector is a positive one. It has half of England's secure beds and the NHS relies on its expertise.

From the IMHSA's perspective, a positive development is the NHS policy to move away from 'poorly specified and evidenced block contracts' - where NHS healthcare providers are paid an upfront sum of money to carry out the service. This is an issue IMHSA has campaigned on for some time.

Change is afoot

There has been an emphasis during the last few years on providing care closer to home and on prioritising 'step down' help for people living with severe mental health problems. Insiders also say the NHS capacity moratorium on more mental health beds is expected to be lifted in April 2019 and is 'already porous'.

It is already being lifted locally if there is a proven need for local demand. This could already have a 'fairly profound' effect, according to an insider, as there is significant oversupply and a concentration of regional and national services in the east of England whereas there is under-provision in the west.

One prevailing opinion in the sector is that the more centralised approach to secure mental health commissioning in the last few years has brought structure and professionalism.

A further change - essentially a return to the approach in place before the NHS healthcare reforms over the last number of years whereby the budget for secure beds follows the patient – is due to come into effect in shadow form next year. It means that each NHS region will be accountable for its own patients – and the money will follow the patient regardless of the region in England where they receive their care.

This is welcomed by Martin Pettifor, the sales and marketing director for St Andrew's Healthcare - a leading charity providing specialist care to NHS funded patients. Its services include medium and low secure services and it invests all surpluses in improved patient care. He said: 'We support any attempt to remove inefficiencies in the system and welcome the return to money following the patient, alongside a more centralised approach to provider management.'

Patient outcomes and financial control would be improved by using the knowledge and skills of NHS England's specialist commissioners 'more, rather than less, widely across pathways', he added.

In conclusion, he said that while his organisation appreciates and fully supports the benefits of a government-led focus on delivering more healthcare out of acute hospitals and closer to home, it feels strongly it 'mustn't come at the expense of access to specialist treatment for those who need it most'.

Despite an uncertain geopolitical backdrop, in healthcare M&A activity is increasing and valuations are on the up. **Henry Elphick**, LaingBuisson's CEO, looks at the deals that have changed the landscape in the last 12 months.

Healthcare services **investor activity**

Henry Elphick, CEO, LaingBuisson

LaingBuisson continues to develop its monthly analysis of the healthcare services sector, and has launched a regular valuation table of the listed companies relevant for Healthcare Markets. This is focused not just on UK companies, but also on foreign HCS companies listed on the London Stock Exchange and companies listed on foreign exchanges that have an exposure to the UK market, as well as the largest relevant European companies. It is not a large universe, but the index it creates is a useful tool for informing the sector on the direction of travel of valuations, relative to the broader market and individual stocks, and in the UK covers just seven companies with a market cap of just over £4bn.

LISTED COMPANY VALUATIONS

Organisation	Sub-sector	Description	Market cap £m
Assura	Primary care real estate	FTSE 250 Real Estate Investment Trust (REIT) listed on the London Stock Exchange. One of the leading healthcare property companies in the UK which partners with GPs to deliver high quality patient care in the community, innovative property solutions.	966
Cambian	Adult specialist care	One of the largest providers of specialist behavioural health services for children in the UK. Its services comprise specialist mental health, Acquired Brain Injury, learning disability and specialist residential care.	266
Circle Holdings	Acute Hospitals and rehab	AIM-listed holding company for Circle Health Limited, the largest partnership of doctors, nurses and healthcare professionals in the UK, operating three acute hospitals	74
Craneware	Software	Market leader in software and supporting services that help healthcare providers improve margins so they can invest in quality patient outcomes with a focus on the US market and Revenue Cycle Management since 2006 which includes Patient Engagement, Charge Capture & Pricing, Coding Integrity, Revenue Recovery & Retention, and Cost Analytics solutions.	329
EMIS	Software	A major provider of healthcare software, information technology and related services in the UK. The UK leader in connected healthcare software and services, its solutions are widely used across every major UK healthcare setting from primary and community care, to high street pharmacies, secondary care and specialist care services.	559
Primary Health Properties	Primary care real estate	UK Real Estate Investment Trust (REIT) listed on the London Stock Exchange and the leading investor in modern primary healthcare premises. Invests in healthcare real estate in the UK and Republic of Ireland let on long term leases backed by a secure underlying covenant funded mostly by government bodies.	667
Spire Healthcare	Acute hospitals	One of the UK's largest private hospital providers with 38 hospitals, 12 clinics, two Specialist Care Centres and Perform at St George's Park – an elite sports training centre. The company offers a full range of integrated surgical, medical and diagnostic services.	1,310
TOTAL MARKET CAPITALISATION			4,171

Equity

Limited equity has been raised in the sector – the most high profile was in March last year when Primary Health Properties (PHP) launched a £120m equity raising to help pay down debt and increase its war chest for healthcare property acquisitions.

The placing helped fund around £24m of existing development projects as well as its pipeline of £115m acquisitions in the UK and €54m in Ireland.

M&A

In M&A, unlike in the social care sector where activity has been driven more by opportunistic buyers and forced sellers, in healthcare there has been significant corporate activity, including from foreign corporate buyers of assets.

Selected Healthcare Markets transactions

The two highest profile examples of corporate buyers are Life Healthcare of South Africa's acquisition of Alliance Medical and Bupa's acquisition of Oasis Dental Care. Rothschild advised on both these sale processes, and they both achieved strong double digit EBITDA multiples. Drivers for these valuations include the weaker pound for foreign buyers, strategic priorities, synergies and low costs of capital.

Most recently, two of Circle's major shareholders, Penta Capital and Tosca Fund, have made a £75m offer to take the company private, which would end a difficult time in the public markets for

the company, which with its disruptive business model is probably better off in the private arena. Current shareholders include Balderton Capital.

One other large transaction also involving a strategic buyer was the sale of Cambian's adult services business, this time to UHS/Cygnet. Cambian had been a very successful IPO led by JP Morgan and Numis, but had subsequently missed its forecasts and replaced its CFO as a result.

With a strong underlying business, but significant leverage, Rothschild's were mandated to find a buyer for the adult services business to deleverage the group. With a range of treatments across 1,193 beds throughout the UK, the process required a complex separation of the assets from the rest of the group, and in a highly competitive auction process conducted in a short time frame with trade and private equity bidders (BC Partners had recently acquired Elysium Priory/Acadia for example and was looking for scale), the sale was at a valuation that allowed Cambian to retire all its debt and return capital to shareholders. UHS/Cygnet have significant synergies and also benefitted from the weakened dollar/pound exchange rate.

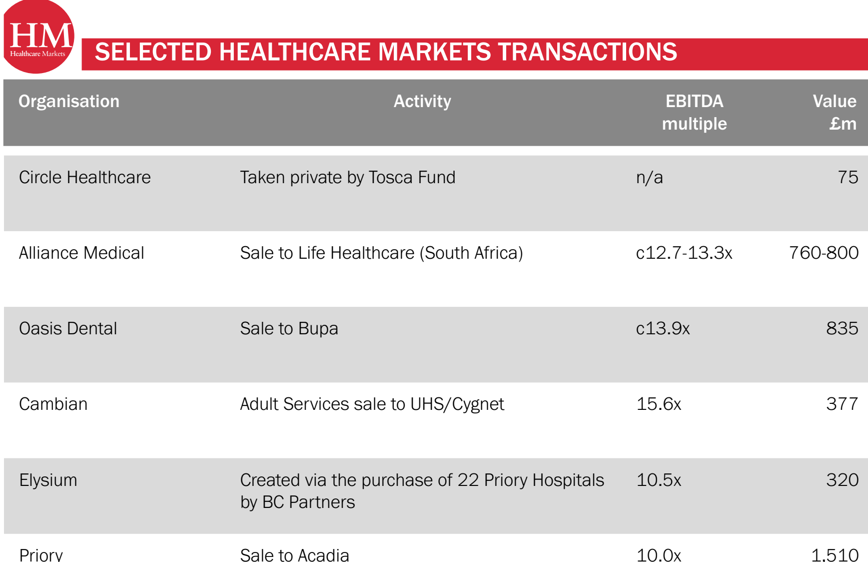
Private Equity

After a quieter 2015, activity picked up significantly in 2016 and there have been three transactions announced so far in 2017 involving PE.

Today, the largest number of portfolio companies (12) are active in pharma services, capitalising on a sector that is global and underpinned by outsourcing.

PRIVATE EQUITY HEALTHCARE PORTFOLIOS BY SUB-SECTOR 2016

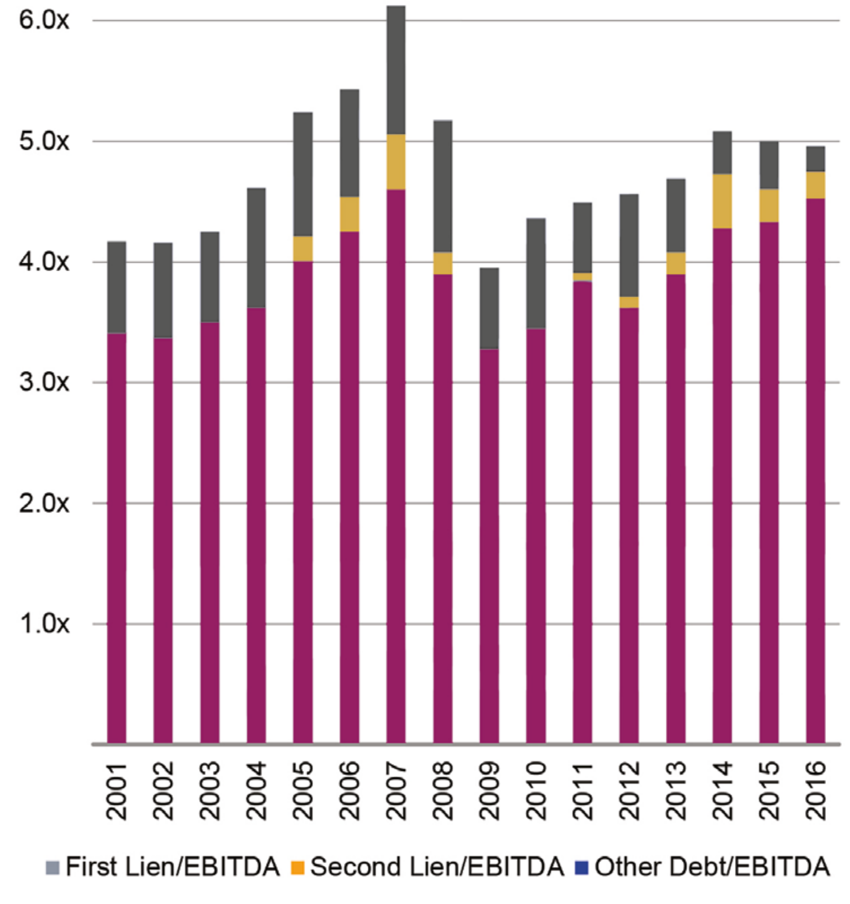
Pharma Services	12
Specialist Care	10
Elderly Care	9
Children's Services	7
Homecare	6
Diagnostics	5
IVF	4
Mental Health	4



HM Healthcare Markets — SELECTED HEALTHCARE MARKETS TRANSACTIONS

Organisation	Activity	EBITDA multiple	Value £m
Circle Healthcare	Taken private by Tosca Fund	n/a	75
Alliance Medical	Sale to Life Healthcare (South Africa)	c12.7-13.3x	760-800
Oasis Dental	Sale to Bupa	c13.9x	835
Cambian	Adult Services sale to UHS/Cygnet	15.6x	377
Elysium	Created via the purchase of 22 Priory Hospitals by BC Partners	10.5x	320
Priory	Sale to Acadia	10.0x	1,510

ANNUAL PRO-FORMA DEBT/EBITDA RATIOS OF SPONSORED DEALS



SOURCE S&P GLOBAL (JANUARY 2017)

Financings

Leverage is returning to the market with recent transations seeing multiples of 5.5-7.0x net debt/EBITDA. There are a number of large financings in the market at the moment taking advantage of mutiples and terms not seen since 2008.

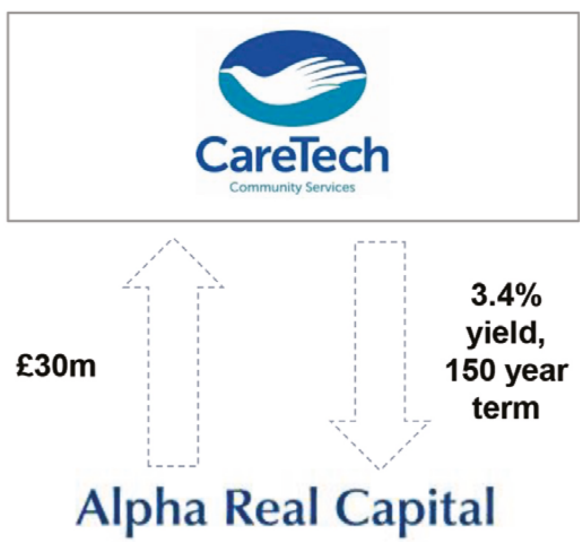
However, in addition to strong markets, innovation has also appeared. CareTech recently completed a ground rent financing with Alpha Real Capital, selling the ground rent on 41 properties to Alpha for a 150 year term and an RPI linked yield of 3.4%. In return, CareTech received £30m of cash and deleveraged the business from 4.5x to 3.8x net debt/EBITDA.

On the face of it, this is a very attractive deal for CareTech – in exchange for a rent obligation of £1.07m, they receive £30m in cash. In reality, this is a function of a market offering terms that are a result of a supply demand imbalance – investors are looking for low risk indexed linked yield and are prepared to pay up for income streams with that profile. More recently Elysium did a similar ground rent deal post their acquisition by BC Partners through BNP Paribas and Jefferies.

Outlook

2017 has the uncertainty of Trump and Brexit, but the backdrop remains one of continuing low interest rates, plenty of dry powder for private equity funds and an economy that continues to perform strongly. All that points to a strong second half to the year, with a number of assets publicly in the market, such as the take private of Circle and further ground rent deals to come.

CARETECH AND ALPHA DEAL
FEBRUARY 2016



- **The freeholds of 41 CareTech properties will be transferred to Alpha Real Capital for £30m**
- **150 year term**
- **Initial yield of 3.4%, RPI-indexed rent**
- **Annual ground rent payment of £1.07m which will rise with the Retail Price Index on a five-yearly compound basis at between 0% and 5% each year**
- **CareTech property portfolio valuation updated to £282m post transaction**
  - **Gives a loan to value ratio of less than 50%**
- **Reduces leverage to 3.8x (previously 4.5x)**

SOURCE ROTHSCHILD

LaingBuisson Index

Company	Ticker	Stock Exch.	LOCAL CURRENCY					GB£P					
			Share Price	52-Week Range	change from 52-Week high	Market Cap m	EBITDA m	Share Price	Market Cap m	EBITDA m	PE ratio	Dividend Yield	PEG
Care Markets													
Cambian Group	cmbn.l	LSE	147.0	48.3 - 160.0	(8.1%)	265.8	30.2	147.0	265.8	30.2	N/A	N/A	0.0x
Capita	cpi.l	LSE	544.5	431.3 - 1,101.0	(50.5%)	3,630.0	629.3	554.5	3,630.0	629.3	97.2x	729.0%	38.7x
CareTech Holdings	cth.l	LSE	371.6	228.0 - 388.0	(4.2%)	238.5	40.6	371.6	238.5	40.6	10.3x	N/A	0.0x
Impact Healthcare REIT	ihr.l	LSE	103.5	0.98 - 102.2	1.2%	151.0	0.0	103.5	151.0	0.0	N/A	N/A	0.0x
Mears Group	mer.l	LSE	500.0	346.7 - 540.0	(7.4%)	511.7	50.2	500.0	511.7	50.2	23.9x	N/A	0.0x
Serco	srp.l	LSE	113.2	90.2 - 151.1	(25.1%)	1,230.0	95.0	113.2	1,230.0	95.0	N/A	0.0%	(5.7x)
Target Healthcare REIT	thrl.l	LSE	114.5	0.98 - 116.0	(1.3%)	288.7	13.2	114.5	288.7	13.2	1,789.1x	N/A	0.0x
Acadia Healthcare	achc	NMS	44.5	32.5 - 65.0	(31.6%)	3,890.0	580.2	35.6	3,117.6	465.0	635.0x	N/A	1.2x
Universal Health Services	uhs	NYQ	125.6	99.7 - 139.8	(10.1%)	12,130.0	1,700.0	100.7	9,721.5	1,400.0	17.6x	32.0%	1.8x
Korian	kori.pa	PAR	28.4	23.8 - 33.2	(14.5%)	2,274.6	401.0	24.2	2,133.8	372.4	17.4x	2.1%	0.0x
Le Nobel Age	lna.pa	PAR	44.5	26.0 - 45.5	(2.3%)	398.0	46.8	41.7	368.1	43.9	34.0x	N/A	0.0x
Orpea	orp.pa	PAR	89.4	67.2 - 90.2	(0.9%)	5,390.3	476.3	83.8	5,056.6	446.8	36.7x	1.0%	1.9x
Attendo	att.st	STO	87.8	72.0 - 92.0	(4.6%)	14,030.0	1,130.0	7.8	125.2	10.1	21.7x	N/A	1.4x
Healthcare Markets													
Assura	agr.l	LSE	58.6	48.1 - 61.0	(3.9%)	966.8	86.8	58.6	966.8	86.8	27.9x	N/A	9.1x
Circle Holdings	circ.l	LSE	29.8	14.0 - 30.0	(0.8%)	73.7	(6.4)	29.8	73.7	(6.4)	N/A	N/A	0.0x
Craneware	crw.l	LSE	1,205.0	742.0 - 1,379.7	(12.7%)	324.8	16.3	1,205.0	324.8	16.3	28.4	N/A	0.0x
EMIS	emis.l	LSE	889.5	787.0 - 1,070.0	(16.9%)	559.0	41.3	889.0	559.0	41.3	29.4	N/A	0.0x
Georgia Healthcare Group	ghg.l	LSE	357.5	166.0 - 388.0	(7.9%)	457.5	26.2	357.5	457.5	26.2	N/A	N/A	0.0x
Medica Group	mgp.l	LSE	191.1	135.0 - 202.0	(5.9%)	211.2	105.2	191.0	211.2	105.2	73.3x	N/A	N/A
Mediclinic International	mdc.l	LSE	676.5	674.7 - 1,125.0	(39.9%)	4,988.0	449.0	676.5	4,988.0	449.0	24.6x	N/A	0.0x
NMC Health	nmc.l	LSE	1,801.0	996.9 - 1,885.0	(4.5%)	3,680.0	245.3	1,801.0	3,680.0	245.3	25.5x	N/A	0.0x
PHP	php.l	LSE	111.5	0.8 - 111.6	(0.1%)	667.0	59.2	111.5	667.0	59.2	1,527.4x	N/A	0.0x
Spire Healthcare Group	spi.l	LSE	326.2	295.0 - 411.0	(20.5%)	1,310.0	162.5	326.2	1,310.0	162.5	24.6x	N/A	0.0x
Ramsay Health Care	rhc.ax	ASX	68.8	60.6 - 84.1	(18.1%)	13,880.0	1,240.0	52.2	1,049.4	123.1	29.8x	270.0%	2.3x
Rhoen-Klinikum	rhkg.f	FRA	25.74	22.9 - 28.7	(18.2%)	1,723.3	154.2	22.0	1,475.6	132.0	17.0x	3.1%	N/A
Fresenius Medical Care	fme.de	GER	78.4	70.0 - 85.6	(8.4%)	24,010.0	3,350.0	673.6	2,284.2	3,140.3	19.3x	N/A	0.0x
Fresenius SE & Co	fre.de	GER	74.8	60.0 - 77.4	(3.14%)	40,950.0	5,450.0	70.2	3,853.7	5,110.3	25.8x	N/A	0.0x
Capio	capio.st	STO	49.2	41.3 - 54.0	(8.9%)	6,950.0	1,070.0	4.4	62.0	9.5	17.2x	N/A	1.1x
FTSE 250	^FTmc	FGI	19,063.0	14,951.6 - 19,183.9	(0.6%)	N/A	N/A	19,063.0	N/A	N/A	N/A	N/A	0.0x
UK FTSE All Share	^FTAS	FSI	4,000.6	3,168.5 - 4,047.8	(1.2%)	N/A	N/A	4,000.6	N/A	N/A	N/A	N/A	0.0x
FTSE 100	^FTSE	FSI	7,341.1	5,788.7 - 7,447.0	(1.4%)	N/A	N/A	7,341.1	N/A	N/A	N/A	N/A	0.0x

Healthcare Markets London Stock Exchange Watch

7 April 2016 - 4 April 2017

SOURCE LAINGBUISSON

Healthcare has long attracted interest from private equity funds looking for solid growth platforms with strong management teams. Tim Barsby, business development director at Carter Schwartz talks to Apposite Capital managing partner David Porter about what makes good leadership in a sector where high quality services are as important as high returns.

Quality matters

Tim Barsby How do you get into the business of healthcare?
David Porter I started in private equity and gravitated very quickly into healthcare, which I've been doing for about 20 years.

TB Where have Apposite's values come from?
DP Everybody involved with the firm shares the same values. That sounds trite and not a very good answer, but that's the reality. I guess it's partly the people we know, who give us a direct nexus into better ways of doing business. We think that if you have companies that are ethical and high quality, you build barriers against those that are unethical and poor quality. Eventually, you are more profitable and have more staying power.

If you are a private sector operator in health or social with low standards, you get found out, and when that happens you can literally disappear.

With everything we touch, as soon as we arrive we go into quality mode and we stay in quality mode. The one that everyone knows about if they know about Apposite at all, is Cancer Partners. It basically did the highest quality radiotherapy that it could and if you compare what they were doing with radiotherapy offered elsewhere, they were in a different ball-park.

TB So you must go in and audit an organisation you want to work with. What are your benchmarks when you are looking at the quality of care?
DP Well our rule is that we want to be managing to a higher level than our very high quality regulators, so staying with Cancer Partners, and I can do this with any one of our companies, the CQC were very happy because the quality was so high. But that wasn't our benchmark and we asked a leading European radiotherapy hospital to come and audit our premises and they gave us some recommendations but they also took some of our practices away too.

So that's the sort of thing we do. We get the real leaders in the field to come and say this is what you need to do to improve to be the best, not just the best in this area, but the best and that's the way to have quality.

TB So that's how you build leaders in the field? But how about individuals, what do you think makes a good leader?
DP Three or four things. The first is commitment and that's probably more important than everything else. You just have to want to do it.

A good leader - and my leaders are entrepreneurs - will continue to do what they are doing and continue to increase their quality and adapt and change and get better constantly. And they are never satisfied so it's commitment to basically always being better than you were yesterday. If you get that in the CEO, the whole thing follows.

I can think of one of the companies where we invested that was doing a couple of million of turnover and when we left was turning over well over one hundred million. That was in the space of about four or five years and the entrepreneur who was running it was a first-time CEO. If you keep going on quality, quality, quality, everybody raises their game every day.

TB What is your highest value asset and give an example of it's greatest success?
DP I suppose the people that give me money to invest would measure it by the multiple that it made so that would be the company I just mentioned to you, where the return is x 20.

TB What would you consider your greatest success personally?
DP I would say my greatest success is my wife!

TB Is there anything specific that you believe that everyone in health and social care should be working towards?
DP It goes back to the quality agenda. There's not really anything else to say. If you have that then everything else falls into place. If you don't have that, it all goes pear-shaped.

TB Do you think that commercial returns and quality of outcomes are mutually exclusive?
DP You've answered that... absolutely not.

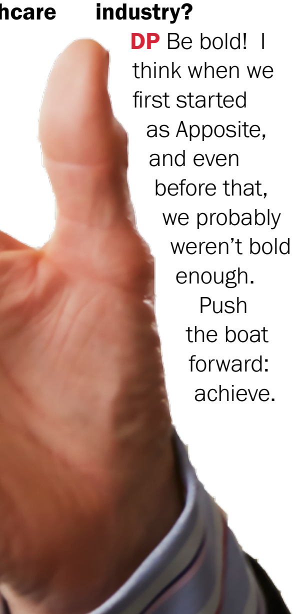
TB What's been the most important industry news for you over the past couple of months?
DP There's quite a lot going on. This might be a bit leftfield but I think probably the most important thing going on is something you may not have heard of. Illumina, which makes gene sequencing machines, has just announced a gene sequencing machine that will get your sequence done in a hundred dollars and that's really important because it is the future of medicine.

Instead of worrying about all the things you may never get, you will have a much better idea of what you will get so you can have targeted tested and targeted treatment.

There will be no more need to weigh up the risks of different treatments, no more trial and error. You will get the medicines that work for you and the amount of money saved by that will be tremendous, so that's probably the most significant thing that has happened.

Technology is the interesting thing about healthcare, but healthcare is also an embarrassment because while its technology in terms of devices, diagnostics and drugs is good... when it gets to IT it's a nightmare!

TB What piece of advice would you give yourself on your first day in the healthcare industry?
DP Be bold! I think when we first started as Apposite, and even before that, we probably weren't bold enough. Push the boat forward: achieve.



TB What are your industry predictions for 2017?

DP Unfortunately, it's going to be slow movement in the same old direction. One is that we are going to slowly but surely get more into the 21st Century when it comes to IT, that's going to help. But slower than we should do.

The disease burden is going to continue to rise. We have this horrible thing at the moment where the NHS is beginning to do some things right but the disease burden is just so overwhelming, so A&E will always be swamped, GPs will always be swamped and they're running to catch up.

It's a bit like *Alice in Wonderland*, you know, the red queen...I'm running very fast to stand still - it's the same thing. And I'm afraid that will carry on.

The disease burden sadly is growing and it's a combination of the old demographics that everyone talks about combined with our addiction to food and alcohol and smoking.

Resistance to antibiotics is not really here yet but it is a problem. Governments are going to have to subsidise pharma because, at the moment, as you know, you only want to use the ultimate antibiotic for the ultimate bug. And that's a small market, so why would pharma bother to discover something that's for a small market?

Governments are going to have to do something to change that.

TB Wild card question (*contributed by Paul Birley, head of healthcare, Barclays*) – **If you had a magic wand and you could make anything at all happen or change anything within the healthcare industry, what would you do?**

DP Good question! There are so many things that need to be done in the healthcare industry, I don't know where to start. If I could only do one, I would probably take IT into the 21st Century because it would have patient and cost saving benefits.

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In the final installment of our series on new models of care, **Esther Venning***, senior associate at DAC Beachcroft, looks at how collaboration can help provide the facilities needed to deliver improved outcomes*

The role of the integrator in new models of care

Simon Stevens, chief executive of NHS England, told the Public Accounts Committee recently that the commissioner/provider split will effectively come to an end through accountable care structures. Here, DAC Beachcroft considers how organisations acting as 'integrators' could help alleviate the legal barriers to ending this split and put in place effective accountable care organisations (ACO).

The unstoppable rise of accountable care?

There has been much talk of ending the commissioner/provider split in the NHS since the publication of the *NHS Five Year Forward View (FYFV)*, which sets out several proposed models of care to accelerate integration of health and social care services and improve patient care, while achieving demanding financial efficiency targets by 2020.

The ACO was not named as a model in itself, but, two years on, it is clear that the principles of a population-based, whole system approach are at the heart of most emerging new care models.

Accountable care in the NHS

An ACO seeks to integrate provision of all health and social care services by funding those services from a whole population budget, for a defined geography. Providers would then be incentivised to work together to integrate their services around the patient under an outcomes-based contract.

Comparisons are made with US models of accountable care, however structures in the US often differ from the models which are possible under the current legal framework in England. For example, NHS commissioners are not able to delegate the exercise of their commissioning functions to providers, so the extent to which providers can get involved in commissioning 'activities' is limited. Without legislative change existing commissioning bodies are likely to remain alongside the current commissioner/provider divide.

Faced with these legal barriers, some 'integrators' are looking to enter the NHS market with a view to helping form effective ACOs and take on functions traditionally seen as commissioning support, but embedding them with care provision.

Integrators are a relatively new concept in the NHS, having originated in the US where many integrators are managed care organisations, acting as intermediaries between health and social care providers to coordinate care for patients holistically. Other examples of ACOs which include integrators include the Alzira model (Spain) and the Gesundes Kinzigtal (Germany). Key players in the UK market include Centene and Optum.

What can integrators offer an ACO?

- Population analysis and modelling, risk stratification and data management; co-designing effective, integrated pathways with other ACO partners.

- Providing back office functions such as contract and financial management, taking some of the administrative burden from the ACO partners; this may be particularly important where there is a large supply chain of providers involved.
- Providing capital investment which could fuel transformational change or crucial system elements such as estates and technology.

How would an integrator contract with an ACO?

New care models will generally be commissioned from a single provider responsible for providing and integrating the full range of services itself, or managing and sub-contracting these through a supply chain of providers, as the lead provider. Considering the current state of fragmentation in the provider market, the single legal entity solution seems unlikely to happen in the near future.

Where a lead provider model is adopted, integrators could participate in an ACO via either a contractual or corporate joint venture with the lead provider to provide certain services; however, NHS trusts currently have limited powers to participate in corporate joint ventures.

Those joint venture arrangements can set out how risk and reward will be shared between the parties based on a proportion of savings made by the ACO. Any such arrangements will need to be clear and transparent on the baselines used to measure any savings, alongside how both savings and reward will be calculated.

The difficulties faced by NHS trust ACO partners in recovering contracted out services VAT would also need working through.

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Revenue down but underlying profit grows 7%, says Bupa

Challenging market and sale of homecare business hits revenue

Bupa's UK business has reported a 7% jump in underlying profit for 2016 despite continued cost pressures in the market.

Revenue was down 3% to £2,786m following the sale of Bupa Home Healthcare (BHH) to Celesio last July. However, the global healthcare giant said that after stripping out BHH earnings, underlying revenue increased by 5% while underlying profit rose from £183m to £195m.

According to Bupa, all segments of the UK business - which includes UK Insurance (previously Health Funding), Care Services, Home Healthcare, the Cromwell Hospital and Health Clinics – delivered good performance against a challenging economic backdrop and changing portfolio.

Affordability remains a key issue in the insurance market, which has been intensified by the hike in insurance premium tax. Nevertheless, Bupa said its insurance business performed well during the year, with profit driven by improved corporate and consumer loss ratios. In 2016, the insurance business accounted for 56% of Bupa's UK revenues, representing around £1,560m – 3% higher than the revenues generated by Bupa Health Funding in 2015.

Although insurance remains by far the largest segment of its UK business, Bupa is clearly keen on expanding its presence in other markets. It said the £835m acquisition of Oasis formed part of its growth strategy, and would make it a major dental provider in the UK's £7.1bn dental market.

As part of its bid to reshape the portfolio, it has also completed a review of its care home business and plans to sell a number of its homes and focus investment on the remaining portfolio. In addition, it has invested £2.1m in the redevelopment of wards at the Cromwell Hospital in London, where it said customer satisfaction scores for accommodation increased from 71% to 91%.

Overall, Group revenue increased by 4% at constant exchange rates (CER) to £11bn, while underlying profit before tax was up 7% at CER to £700.7m.

With the exception of the UK, the Group reported revenue growth across all its markets. In Australia, where it is now the country's largest health insurer, revenue increased by 7% to £4,361m on the back of a 3% rise in customer numbers. Underlying profit rose by 9% to £344m. In Europe and Latin America, strong revenue growth across Bupa's Spanish businesses drove revenue up 10% to £2,475m, while underlying profit excluding the impact of the adjustment relating to its Spanish PPPs in 2015, was up 10% to £166m.

Despite revenue growth of 1% to £1,428m, Bupa's International Markets reported a 52% drop in underlying profit to £66m. This was primarily due to a steep fall in profit at Bupa Global, which decided last year to exit a number of non-strategic markets.

Chief executive Evelyn Bourke said: 'Our businesses performed solidly in challenging market conditions. We achieved good profit growth in our three largest market units – Australia and New Zealand, the UK, and Europe and Latin America – and, while performance within International Markets was impacted by a significant decline in profits in Bupa Global, the overall Group grew revenue 4% and underlying profit 10%, albeit up 2% when excluding the impact of the IFRIC 12 adjustment made in 2015.

'Over the year we made progress in reshaping our portfolio in the UK. In July, we exited the home healthcare market, selling our business to Celesio. In November, we announced the purchase of Oasis Dental Care, which will make Bupa a major dental provider in the UK and significantly increase our high street presence across the country.

'Looking ahead, we expect conditions to continue to be challenging in our key markets and we are focused on delivering strong and sustainable performance, with an emphasis on providing high quality service for our customers in this digital age.'

Bupa UK
Company profile

Bupa has undergone a dramatic transformation over the last decade, moving from being a predominantly UK based insurer and hospital provider to become a global healthcare giant.

Set up as a provident in 1947, Bupa's first forays into the international healthcare market actually took place in the early 1970s with businesses in Malta and Hong Kong.

And although it continued to expand in Europe and Asia during the following decades, it was in 2007 following the sale of its UK hospital business to Cinven for £1.44bn that Bupa really began to grow its global footprint.

In the following years, it acquired and launched businesses in Australia, the US, Latin America and India and expanded its presence in Europe, the Middle East and Asia.

At home in the UK it continues to be the largest provider of private medical insurance, where it has been at the forefront of initiatives to bring down insurance premiums.

However, faced with static growth in the UK PMI market, it has also strengthened its presence in the care home market and sought to diversify its UK offering.

Less than a year after selling its UK hospital portfolio, it acquired The Cromwell Hospital in central London, which many saw as a move to try and keep a lid on private medical costs in the capital.

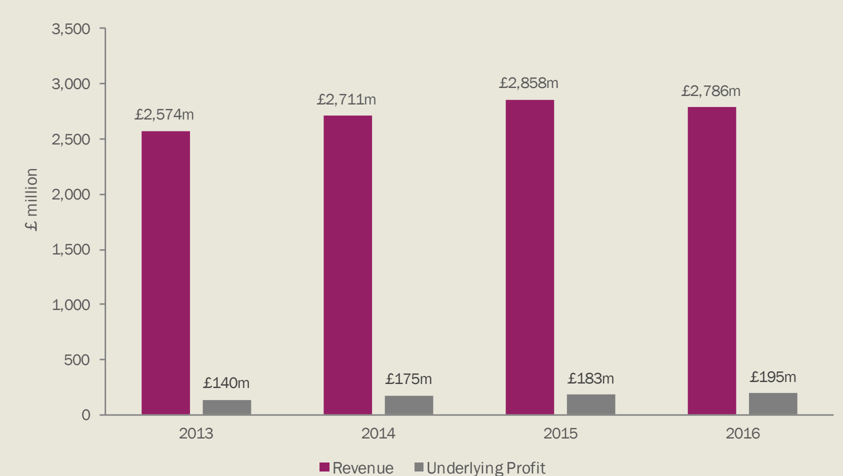
It also strengthened its care home business with a number of key acquisitions.

In addition, it set about establishing a high street chain of dental practices, adding to this with the purchase of nine-practice strong Barbican in 2014.

The following year, it announced plans to roll out a nationwide network of 200 dental centres for its dental insurance customers, including 35 Bupa owned practices.

With the acquisition of Oasis at the end of last year, Bupa is now one of the largest providers of high street dentistry in the UK.

BUPA
OPERATING REVENUE AND PROFITABILITY 2013 - 2016



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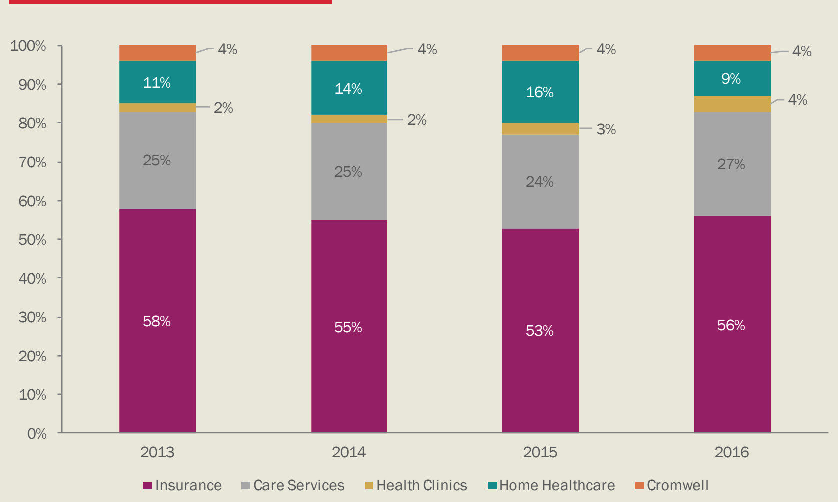

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Performance at St Anthony's impacts on Spire

Spire Healthcare has reported a 4.7% increase in revenue to £926.4m on the back of solid growth in NHS and self-pay patient volumes.

However, as flagged up in its recent trading update, profitability was impacted by the recent trading performance of St Anthony's in Cheam.

Underlying revenue excluding the closure of St Saviour's Hospital in 2015, was up 5.4% in the year ended 31 December 2016 but operating profit fell 1.7% to £108.2m due to delays in the reconfiguration of St Anthony's. Underlying EBITDA increased by 1.4% to £162m, with margins stable at 18.2%.

NHS volumes were up 5.4% during the year driving a 12% jump in NHS revenue to £293.4m. Meanwhile, self-pay activity increased by 7.4% equating to a 9.1% rise in revenue to £170.4m. Although, PMI patients continued to make up the greatest proportion of Spire's activity, numbers declined by almost 2%, leaving PMI revenues down 1.3% to £429.3m.

Spire said the leap in NHS activity had largely been fuelled by a significant increase in eReferrals (previously known as Choose and Book). These were up almost 17% in the year compared to more modest growth of 1.5% in local NHS contract work. NHS activity accounted for 31.7% of Spire's revenues during the year (2015: 29.6%) but the Group said it had 'substantially mitigated the impact on gross margin', which stood at 47.6% compared to 48.1% in 2015.

Executive chairman Garry Watts said: '2016 saw growth in each of Spire's sales, EBITDA and patient admissions. I am particularly pleased with the excellent performance shown by our self-pay and NHS businesses. Within the NHS business, the proportion of eReferral work versus local contract work rose to nearly 80%, a trend which is positive for planning, efficient timing and delivery at our hospitals. After adjusting for St Anthony's, our margin remained stable at an attractive 18.2%, while our EBITDA conversion to operating cash flow was a noteworthy 115% before exceptional items and tax.'

Mr Watts said significant progress had been made at St Anthony's, with the opening of a six-operating theatre block on schedule, and that the group was confident it now had the correct plan and management team in place to solve the integration issues experienced in the year.

Looking ahead, he said: 'The first half of 2017 will still be a period of recovery at St Anthony's, and we will also have the start-up costs associated with our two new hospitals. As such, we expect modest sales growth for Financial Year 2017 at a slightly reduced margin, to give an EBITDA in line with 2016.

'We are very positive about Spire's prospects overall; its fundamental business proposition is solid and we remain well placed to benefit from opportunities arising from the demographics of UK healthcare and constrained NHS capacity. We expect the Group to return to mid to high single digit EBITDA growth from Financial Year 2018 onwards.'

Redevelopment hampers New Victoria

Redevelopment work has continued to impact on profits at the New Victoria Hospital.

The charity posted a 0.7% increase in turnover to £14.9m for the year ended 31 March 2016 as both the number of patient episodes and level of acuity increased. However, it said the early Easter break along with ongoing redevelopment, which resulted in the closure of eight of its 27 beds during the final quarter, had constrained growth.

Total resources expended were up 12% to £15.5m due to higher staff numbers and additional costs associated with the Competition and Markets Authority's requirement to provide outcome data and governance compliance. Expenditure also included interest on borrowings for the hospital redevelopment, now due to complete this year, resulting in losses for the year of £600,000 against £520,000 in 2015.

The last few years have not been easy for the New Victoria. In common with other small standalone hospitals, it is now operating in a market where scale is increasingly important.

The plan now is to rebrand the hospital following redevelopment, which includes three state-of-the-art laminar flow operating theatres, an endoscopy suite, 14-bed day surgery unit, two-bed high dependency unit and a new pathology laboratory.

The Trustees said: 'As well as radically improving its external appearance and internal functionality the project will, when completed, enable the hospital to treat an increased and wider range of patients with greater efficiency, whilst maintaining its exceptional patient care.'

Circle to go private after hedge fund mounts takeover bid

Paolo Pieri, CEO, Circle

Circle is set to be taken private after its board recommended shareholders accept a 30p per share offer from Bidco, a subsidiary of London-based Toscafund, valuing the company at £75.2m.

The £4bn hedge fund has held a stake in Circle since 2015 and owns 27% of its shares. The offer values Circle's share capital at around £55.3m excluding the shares already owned by Tosca. These will not be acquired by way of the offer and instead will be exchanged for £19.9m of rollover loan notes.

Circle said that although it had been making good progress, capital constraints were impacting on cash flow and profitability as well as its ability to achieve scale. In 2016, it reported operating losses of £8.1m (2015 loss: £11.7m) on revenue of £133.5m (2015: £127.8m).

Non-executive chairman Michael Kirkwood said: 'Under the single ownership of a well-resourced bidder, and without the costs and distractions of a public listing, the management team will have greater flexibility to accelerate the growth opportunities that exist and, importantly, maintain the company's primary goal of outstanding patient care and outcomes.'

Circle chief executive Paolo Pieri said: 'The management team at Circle believe that it is a positive endorsement to have such strong support from a shareholder with a commitment to our future growth and ambitions, as well as a demonstrated track record of investment in their companies.'

Circle began its life as Centres of Clinical Excellence when it was established in 2004 by former CEO and entrepreneur Ali Parsa and a group of investment bankers. The aim was to establish a chain of private hospitals across the UK based on a John Lewis style partnership, which would give consultants a genuine stake in the business. In 2007, it acquired ISTC provider Nations Healthcare and changed its name to Circle; four years later the company listed on AIM, raising £45.3m in the process.

Revenue has edged up steadily since, but the company is yet to return a profit. Last month, it announced EBITDA losses were continuing to narrow and in 2016 were down from £4.9m to £3.1m as patient numbers increased 2% to 346,905. In addition, all its business segments, excluding head office, remain EBITDA positive and the Group has plenty of new business in the pipeline including its planned Harley Street proton beam therapy venture with Advanced Oncotherapy, a rehabilitation joint venture with Vamed and its Chinese joint venture Circle Harmony.

Despite expanding into MSK services and opening state-of-the-art hospitals in Bath and Reading, Circle is yet to fulfil its original ambition of becoming a truly disruptive force in the private healthcare market. Last year, it abandoned plans to build another hospital in Manchester and although construction is due to begin on a third facility in Birmingham, it remains a small operator in a market where scale is becoming increasingly important.

That, however, could be about to change.

'Circle's commercial agenda is a simple one: to increase scale. We have developed a range of core competencies, in hospital management, contracting for healthcare services and we are now introducing mainstream medical rehabilitation. We are building on these platforms already in 2017 with our next hospital, in Birmingham, our Greenwich contract and our rehabilitation joint venture,' said Pieri.

CIRCLE
2007 - 2017 FINANCIAL PERFORMANCE

£160
£140
£120
£100
£80
£60
£40
£20
£0
-£20
-£40
£m
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016
Revenue EBITDA

SOURCE LAINGBUISSON DATABASE

MedicX Fund announces plans for REIT conversion

Primary care property investor MedicX Fund Limited has announced plans to convert to Real Estate Investment Trust (REIT) status later this year subject to the approval of its shareholders.

Following a consultation, the directors said they believed conversion to REIT status was now in the best interest of the Guernsey-based company. An EGM is planned for later this year, giving shareholders the opportunity to vote on a resolution to become UK tax resident and convert into a REIT with effect from 1 October 2017.

Increasingly common in the UK health and social care sectors, REITS effectively move the tax on property income from the corporate to the investor level. Exempt from corporation tax on profits and gains from their UK qualifying property rental businesses, they are instead required to distribute at least 90% of their taxable income to investors, where it is treated as property rental income rather than dividends.

Both PHP and Assura already have REIT status and MedicX has carried out a feasibility study which found there was no significant roadblock to conversion. Now that it is generating increasing amounts of taxable profits, it said conversion to REIT status would protect shareholder returns and widen the appeal of its shares to potential new investors.

At the end of last year, financial controller Alan Pennell told HM : 'To date, we have been making use of tax losses in our structure but at some point these will be exhausted and this will accelerate following the new BEPS rules expected to become effective from April of this year, making conversion to a REIT a more attractive option for the majority of shareholders.'

Alan Pennell, financial controller, MedicX

As a REIT, the company said it would continue to be able to make property investment decisions based on the property fundamentals rather than on potential tax liabilities.

In order to become tax resident in the UK, the company would move its central management and control from Guernsey to the UK – a move that would require changes to the composition and membership of the Board. It has appointed Helen Mahy to the Board with effect from 1 April 2017 to facilitate the relocation.

MedicX acquisition

Primary care property investor MedicX Fund Limited has contracted to acquire a new primary centre in Cromer, Norfolk.

The property, which is due for completion next March, is being acquired under a new three year framework agreement which provides MedicX Fund the exclusive right to acquire, by way of forward funding, new primary healthcare schemes from Medcentres plc, a leading developer of primary healthcare centres.

The completed development is expected to cost £3.75m and will be let to the Cromer Group GP Practice and a local pharmacy under leases running for a term of 20 years from practical completion.

MedicX Fund's total property portfolio now comprises 154 properties throughout the UK and Republic of Ireland, of which 147 are operational and fully let, with seven under construction. The annualised rent roll for all properties is now £37.8m.

IMG acquires ALC

US based global benefits company International Medical Group (IMG) has acquired ALC Health for an undisclosed sum Founded by chief executive Sarah Jewell 15 years ago, ALC Health is an international medical insurance company based in the UK, providing policies for individual and corporate clients in over 140 countries.

IMG president and chief executive Todd Hancock said ALC was a natural fit for the company and would complement its growth strategy by strengthening its presence across key markets in Europe and Asia.

The two companies plan to work closely together to strengthen IMG's global brand.

LaingBuisson
Healthcare intelligence

Major transactions in UK health and social care

Significant transactions since December 2015, deal value £5m and above

Date	Target	Acquirer	Enterprise Value £m	Exit Multiple/Enterprise Value/EBITDA
Mar-17	Freeholds of Minster Group's care home portfolio	Impact Healthcare REIT	160	Net initial yield of 7.7%.
Mar-17	18 homes with 683 beds operated by CLS Care Group	Minster Care Group	25 (guide price)	NA
Mar-17	MITIE healthcare division (Enara Group Ltd and Complete Care Holdings Ltd)	Apposite Capital	(9.45)	MITIE paid Apposite a 'dowry' of £9.45m, as a contribution to the funding of trading losses and the cost of the turnaround plan
Feb-17	LRH Homes	St Cloud Care, backed by Golden House Ltd (Israel) and Ravad Ltd (Israel)	70	14 times latest historic EBITDAR of £5.01 million for year ending July 2015 (Note: only 11 times EBITDAR of 6.39 million for year ending July 2013)
Jan-17	6 supported living services and an ABI unit from Embrace Group	Tracscare	N/A	N/A
Jan-17	Helen McArdle Care (1,343 care home beds)	HC-One	N/A	N/A
Dec-16	Adult Services Business of Cambian Group plc	UHS (Cygnet Health Care Ltd)	377	15.6 times historic EBITDA for year ending December 2015
Nov-16	Oasis Dental Care	Bupa	835	13.9 times reported EBITDA run rate of £60m
Nov-16	Alliance Medical Group Ltd	Life Healthcare Group Holdings Ltd	760 - 800	12.7 - 13.3 times EBITDA of £60m for the year ending March 2016 (depends on value of performance based deferred consideration)
Oct-16	New Bridges	Tracscare	N/A	N/A
Oct-16	22 Priory hospitals (approximately 1,000 beds)	BC Partners	320	10.5 times EBITDA of £30.4m
Sep-16	Exemplar Health Care	Agilitas Private Equity	N/A	N/A
Aug-16	Akari Care	Carlyle Group	N/A	N/A
Aug-16	Acorn Care	National Fostering Agency Group	N/A	N/A
Apr-16	Prime Care Holdings Ltd	Apex Companions Ltd	N/A	N/A
Mar-16	Options Group	Outcomes First Group	N/A	N/A
Mar-16	Oakleaf Care (Hartwell) Ltd	CareTech Holdings PLC	20.3	8.8 times EBITDA of £2.3m for the year ending December 2014
Feb-16	Independent Community Care Manage-ment (ICCM)	City & County Healthcare	N/A	N/A
Feb-16	41 CareTech properties	Alpha Real Capital LLP	30	Net initial yield of 3.4%
Feb-16	Bupa Home Healthcare	Celesio	N/A	N/A
Jan-16	Priory Group	Acadia Healthcare Company (US- based)	1,510	10.03 times annualised EBITDAR for first three Quarters of 2015
Dec-15	Audley Retirement Villages	Moorfield Audley Real Estate Fund (MAREF)	158	N/A
Dec-15	Hadrian Healthcare (five care homes and two development sites)	Bupa	50	N/A (Equivalent to approximately £130,000 per bed – assuming £3m for the two development sites)

NOTES

EBITDAR	=	EARNINGS BEFORE INTEREST, TAX, DEPRECIATION, AMORTIZATION OF GOOD WILL AND RENT OF LEASED ASSETS
EBITDA	=	EARNINGS BEFORE INTEREST, TAX, DEPRECIATION,AND AMORTIZATION OF GOOD WILL
VC	=	VENTURE CAPITAL/PRIVATE EQUITY INVESTOR
*	=	ACQUISITION PRICE UNCONFIRMED

Aviva invests in breath biopsy business

Aviva Ventures, the venture capital arm of global insurance provider Aviva Plc, has made a major investment in start-up diagnostics firm Owlstone Medical Ltd to help it develop breath tests for cancer.

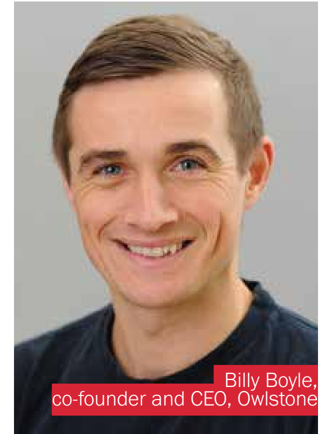
The investment, reported to be worth £4m, will be used to drive the adoption and commercialisation of the company's Breath Biopsy® platform which uses Asymmetric Ion Mobility Spectrometry (FAIMS) technology to test for cancer and other diseases.

Aviva said investment in the company, which was spun out of Owlstone Inc last year, fitted with its strategy of providing early investment to back entrepreneurs with high growth businesses.

Aviva Ventures managing director Ben Luckett said: 'Our intention is to invest in unique and innovative start-ups that look to disrupt the future of insurance. Owlstone Medical is a great example of this. Its strong team and ground-breaking product gives us every confidence in its future success. Technology is evolving rapidly and so it is critical for large, global businesses like Aviva to collaborate with start-ups such as Owlstone Medical. Traditionally, insurance has supported customers in the aftermath of a problem, going forward prevention will be just as important as the cure.'

Founded in 2004 as a spin-out from the Engineering Department at the University of Cambridge, Owlstone Inc sells its FAIMS technology to military and industrial customers around the world. It launched Owlstone Medical in 2016 to develop the diagnostic applications which use the technology to measure volatile organic compound (VOC) metabolites in patients' breath or biospecimens which are specific to disease.

Owlstone Medical co-founder and CEO Billy Boyle said: 'Investment from Aviva as one of the major global insurance brands further validates our FAIMS technology and breath biopsy as a new approach to medical diagnostics.'


Billy Boyle, co-founder and CEO, Owlstone

The investment takes the Cambridge-based company's total funding to £19.3m. As well as provide funding, Aviva said its medical director Dr Doug Wright had been appointed to the Owlstone medical board and that it would actively build awareness of breath biopsy as a new standard in diagnostics.

Dr Wright said: 'As we offer our customers increasing choices about their health provision in particular on prevention and early detection, innovations like this will become ever more relevant. We are proud to be involved in the development of an entirely new means of early disease detection, screening and treatment monitoring that could make a real difference to people's health.'

LaingBuisson Healthcare intelligence

Company results round up

Organisation	Year end	Revenue £m	Previous £m	PBT £000s	Previous £000s
AT Medics Ltd	31 March 16	21.6	16.1	4,866	3,974
Beechcroft Group Ltd	30 April 16	43.1	34.4	4,056	3,231
Bristol Community Health CIC	30 Sept 16	61.9	48.1	91	80
CareTech Holdings PLC	30 Sept 16	149.0	124.3	22,535	9,397
Integrated Care 24 Ltd	30 June 16	81.9[1]	55.8	(820)[1]	506
Making Space	31 March 16	23.5	23.5	210	1,234
Medvivo Group	30 June 16	13.6	14.2	597	(1,334)
Sequence Care Group Holdings	31 March 16	10.4	8.2	(4,772)	(2,867)
Servoca Plc	30 Sept 16	69.2	58.8	3,414	2,832
The Disabilities Trust	31 May 16	56.1	54.8	3,130	5,060
The Victoria Foundation	31 March 16	14.9	14.8	(213)	622
Ulster Independent Clinic Ltd	30 April 16	26.2	24.1	1,337	1,034

NOTES 1. 15 MONTH PERIOD
A SUMMARY OF THE LATEST RESULTS AVAILABLE IN THE HEALTHCARE SECTOR. REVENUES OVER £1M ARE INCLUDED
SOURCE LAINGBUISSON DATABASE

Medica shares soar on first day of trading

Teleradiology company Medica Group has raised £121m after listing on the London Stock Exchange last month.

The company, which provides reporting and interpretation of diagnostic imaging for both NHS and private hospitals, placed 89,977,091 new and existing ordinary shares at 135p per share giving it a market capitalisation of approximately £150m on Admission.

Established in 2004, the company offers three primary services to hospital radiology departments - emergency reporting, which accounted for almost 50% of revenue in 2015, routine cross sectional (CT and MRI) and plain film (x-ray) reporting. Nuffield Health acquired 50% of the group in 2007, acquiring further stakes in 2011 and in 2013 before selling a majority shareholding to CBPE in a management buy-out led by John Graham in May 2013.

Since then it has gone on to deliver impressive financial results. Revenues grew by a CAGR of 27% and EBITDA by a CAGR of 20% between 2013 and 2015. And in the nine months ended 30 September 2016, it reported EBITDA of £6.9m on revenue of £21m.

Chief executive John Graham said the placing marked an important next step in delivering on the company's growth plans.

'Medica has a strong track record of delivering sustainable organic growth which has allowed us to invest heavily in building a scalable platform, positioning the business to continue to grow by introducing additional services to benefit our clients. Our business model is based on maintaining the highest clinical governance standards and a robust technical platform, which alongside the strong fundamentals in our sector, positions us well. Ultimately, our differentiated service offering helps hospitals improve their efficiency and cope with ever-growing demands, leading to better patient outcomes,' he said.

The market for teleradiology has grown significantly in recent years due to an increase in the availability of MRI and CT scanning facilities and the trend towards earlier diagnostics. The nationwide shortage of radiologists has also contributed to growth in the market as providers look to use existing capacity more effectively.

These underlying fundamentals, combined with solid financials, sparked frenzied activity from would-be investors and shares closed 37% up to £185p on the first day of trading.

Ulster Clinic

Belfast-based private hospital Ulster Independent Clinic has reported a 9% increase in total income to £26.3m for the year ended 30 April 2016 despite what it described as a 'difficult economic environment'.

The 70-bed hospital said it had invested in new car parking and x-ray facilities during the year, as well as the introduction of a new cardiac diagnostic service and the expansion of RIS/Pacs software into theatre. The result was that total resources expended crept up from £23.1m to £24.6m, leaving net income before other gains and losses of £1.6m (2015: £1m).

After a loss of £315,700 on the disposal of fixed assets and an actuarial gain of £840,000 on the defined benefit pension scheme, the hospital reported a net movement in funds of £2.2m against £300,600 in 2015.

Looking ahead, the directors said: 'The company's focus for 2016/17 continues to be the redevelopment of the existing areas of the hospital including the continued investment in x-ray, ward and theatre facilities. In addition, the organisation will consider the acquisition of additional consulting room space in the Belfast area.'

IC24

Out of hours and urgent care provider Integrated Care 24 has posted turnover of £81.9m for the 15 months ended 30 June 2016.

The company said the drive for savings in the NHS was proving a challenge for providers operating in the sector, with the need to operate contracts 'within tight financial envelopes'.

Expenses came in at £75.2m for the 15-month period against £48.6m for the previous 12 months. Administrative expenses also increased from £7m to £8.6m and despite other operating income of £903,000 (2015: £262,000), the company reported an operating loss of £901,000 against a profit of £449,000 in 2015.

Despite reaching agreement for the extension of several major contracts, the company said 2016/17 had got off to a challenging start, with further increases in GP indemnity costs leading to a reduction in resources and subsequent pressure to raise pay or rely more on agency costs.

AT Medics

The increasing cost of locums has held back profits at primary care provider AT Medics.

Turnover was up 35% to £21.6m for the year ended 31 March 2016. However, cost of sales burgeoned from £9m in 2015 to £12.4m this time around, leaving gross profit of £9.2m against £7m the previous year.

Administrative expenses increased by 43% to £4.3m, leaving operating profit up 22% at £4.9m.

The directors said: 'The health and financial environment continues to be challenging, and we believe we offer commissioners' exceptional value. Unlike many of our competitors we have never received any pump priming money to develop our operations.'

LaingBuisson healthcare intelligence

Major hospital operators

Major acute/surgical hospital operators ranked by beds

sponsored by

Operator	Hospitals	Beds	Operating theatres	Year End	Revenue £m
BMI Healthcare Ltd	56	2,609	157	30 Sept 16	895.5
Spire Healthcare Group plc	38	1,820	127	31 Dec 16	926.4
Nuffield Health	32	1,228	98	31 Dec 15	767.5
Ramsay Health Care UK	30	898	78	30 June 16	429.6
HCA Hospitals[1]	11	769	61	31 Dec 15	689.7
Aspen Healthcare	5	214	17	31 Dec 14	115.2
Trustees of the London Clinic	1	186	9	31 Dec 15	141.8
Care UK (Acute Revenues Only)	8	178	31	30 Sept 16	215
Medical Services International Ltd	1	116	5	31 Dec 15	105.7
Imperial Private Healthcare	5	97	30	-	-
Hospital of St John & St Elizabeth Ltd	1	80	5	31 Dec 15	55.6
KIMS Hospital Holdings Ltd	1	79	5	30 April 15	8.8
Circle Health Ltd	3	71	23	31 Dec 16	133.5
Ulster Independent Clinic Ltd	1	70	7	30 April 16	26.3
Horder Healthcare	2	65	6	30 June 16	30.0
Frimley Health NHS Foundation Trust	2	56	20	-	-
Royal Free London NHS Foundation Trust	1	52	1	-	-
Royal Marsden Private Care	4	52	23	-	-
The Healthcare Management Trust	2	49	4	31 Dec 15	30.0
Great Ormond Street Hospital for Children NHS Foundation Trust	1	43	12	-	-
Royal Brompton & Harefield NHS Foundation Trust	2	40	11	-	-
King Edward VII's Hospital Sister Agnes	1	40	3	31 March 16	23
The Christie NHS Foundation Trust	1	34	6	-	-
Guy Pilkington Memorial Home Ltd	1	32	2	31 Dec 15	12.1
Chelsea & Westminster Hospital NHS Foundation Trust	1	30	20	-	-
The Victoria Foundation	1	27	3	31 March 16	14.9
Spencer Private Hospitals	2	26	16	31 March 15	10.1
Maidstone & Tunbridge Wells NHS Trust	1	26	10	-	-
Western Sussex Hospitals NHS Foundation Trust	1	26	10	-	-
Vale Healthcare Ltd	2	25	4	-	-
Royal National Orthopaedic Hospital NHS Trust	1	22	10	-	-
Hampshire Hospitals NHS Foundation Trust	1	22		-	-
Guy's & St Thomas' Private Healthcare	3	21	14	-	-

NOTES (1) AGGREGATE RESULTS FOR HCA INTERNATIONAL, HARLEY STREET CANCER CLINIC AND ST MARTIN'S HEALTHCARE. (C) CHARITY
NHS PPU OPERATING THEATRES LISTED ARE FOR WHOLE TRUST AND ARE NOT RESERVED SPECIFICALLY FOR PRIVATE PATIENTS

PRIVATE
HOSPITAL CARE

25 MILLION PATIENTS.[*] ALL TREATED EXACTLY THE SAME WAY – UNIQUELY.

At BMI Healthcare we are focussed on delivering high quality individual care to all of our patients across the country, from Aberdeen to Eastbourne.

We live our brand promise, 'Serious about Health. Passionate about Care', every day, and are delighted to be the first private provider to win the Nursing Times Nurse of the Year Award[1], and the first to be awarded VTE Exemplar status across our network of hospitals and clinics[2].

We are delighted that BMI Healthcare has been nominated as a finalist for three awards across three categories.

Serious about health.
Passionate about care.

[*]BMI internal data August 2015 [1]Nursing Times Award 2013 [2]http://www.vteprevention-nhsengland.org.uk/vte-exemplar-centre

Ramsay announces successor for Rex

Craig McNally has been appointed managing director and chief executive of Ramsay Health Care.

Currently chief operating officer, McNally, who has been with the company since 1988, will take over from outgoing CEO Chris Rex on 3 July.

McNally is one of Ramsay's longest serving executives. He has been chief operating officer for the last seven years, prior to which he held various roles including head of global strategy and European operations. He also spearheaded Ramsay's growth strategy including $1.5bn brownfield expansions, international market assessment, the acquisition of over 200 hospitals globally and the development and implementation of new business strategies. During the past ten years, he has also led company's expansion in the UK and France.

Announcing McNally's appointment, Ramsay chairman Michael Siddle said: 'In considering this appointment, the Board was determined to ensure the company's long term successful strategy and its culture are maintained, while growing the business in existing and new markets. Craig's experience makes him the standout candidate to preserve the capabilities that have underpinned Ramsay's success, whilst continuing to identify and pursue opportunities that could unlock future growth.'

Craig McNally, managing director and CEO, Ramsay Health Care

Knight Frank

Knight Frank Healthcare has appointed Bela Chauhan as an associate in the healthcare valuations team. Previously with GVA, Bela is experienced in providing formal valuation advice as well as healthcare transactions.

MedicX appoints Goodman

Oliver Goodman has joined Octopus Healthcare's property and asset management team as property asset manager.

In his new role, Goodman will be involved in the management of primary care properties in the MedicX Fund portfolio. He will deal with day-to-day management issues, and identify strategies and implement value add projects by undertaking lease re-gears, refurbishments and extensions across the portfolio.

Previously with BNP Paribas Real Estate, Goodman has a wealth of experience in office, retail and industrial properties on behalf of landlords and tenants across London, the South East and Scotland.

James Young, head of property and asset management at Octopus Healthcare said: 'I'm delighted to welcome Oliver Goodman to our growing team and his appointment will provide even more support to our primary care partners.'

Ray Bond, regional head of distribution - individual health, Cigna

Raymond Ng, regional head of distribution - GHB, Cigna

Cigna team expands

Cigna has appointed two senior executives to new roles in regional distribution as part of its continuing expansion across the Asia Pacific region.

Ray Bond has been appointed regional head of distribution – individual health while Raymond Ng has been appointed regional head of distribution – global health benefits (GHB).

Based in Hong Kong, both Bond and Ng have joined Cigna's Asia Pacific leadership team headed up by Patrick Graham.

Commenting on the appointments, Graham said: 'Our global individual private medical is growing rapidly and with his breadth of expertise and knowledge Ray Bond can lead us to even greater heights. In his new role Raymond Ng will help us to grow Cigna's GHB business, which focuses on the needs of employees on assignment across the world and utilises our globally integrated operations and customer service platform, as well as spearheading our strategy to enter new markets.'

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