

Will the end of austerity mean growth for the independent mental health hospital sector?

The UK market for independent mental health hospitals grew by 4.1 per cent to £1.8 billion in calendar 2018.

Growth is projected to take the market value to £2.3 billion by 2023, in line with the 5 per cent yearly growth allowed for in the NHS funding settlement. With public pay (as opposed to private individuals or insurers) accounting for 90 per cent of this market, the market has been driven, and is likely to continue to be driven, by growing NHS expenditure on mental health services. The goal of ensuring that mental health gains parity with physical health in terms of how it is viewed and treated contributes to this trend.

Independent providers will hope that profitability improves as the financial pressures on the NHS ease. While not finally adopted at the time of writing, the indicative NHS tariff uplift has been set at +3.9 per cent for 2019/20.

However, the scope for growth and improved profits for independent providers cannot be taken for granted. Positively, there remains an NHS England moratorium on the commissioning of new capacity. Also, many local NHS Mental Health Trusts focus their in-house capacity on supporting the broad needs of their local populations rather than investing in specialised services.

Specialisation remains the main strength of the independent sector, even in the face of in-house NHS capacity growing, and especially if independent providers can demonstrate their value for money. This attracts controversy in that some patients have to travel long distances to access appropriate treatment owing to an unequal distribution of facilities across the country, but it prevents national shortages in specialist care. It has also created a certain amount of 'churn' at establishment-level as hospitals have opened and closed to meet changing patterns of demand from the NHS.

Specialism is likely to continue to provide the springboard for expansion. Much of the new NHS targeted spending is currently earmarked for community-based services. These are mainly provided by the NHS in house and this is not expected to change. As a result, opportunities for growth are likely to lie in expansion into the larger adult specialist care home sector.

William Laing, author of the report, said:

"While there is greater prevalence and recognition of mental illness, these are not strong drivers of demand in the independent mental health hospitals in of themselves. Far stronger is the greater funding priority being afforded to mental health in line with the 'parity of esteem' mantra and also the fear factor which is leading to a rising trend in detentions indicating a weighting towards the protection of society as opposed to the right to liberty.

"Continued NHS outsourcing is also a major driver and while the past two years have seen a stop in the decline in NHS in-house mental health bed capacity, ending a four-decade trend, the prices offered by the independent sector are comparable with the NHS's in-house costs. Also, the NHS has limited capital budgets, suggesting that there be restrictions on how much further capacity can be created.

"In addition, while the government has a focus on ending inappropriate out of area placements, most of which are in the independent sector, there appears to be little appetite on the part of Trusts to set up specialised services which would need to attract out of area placements to be viable."

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Notes to Editors

About LaingBuisson

LaingBuisson is a healthcare business intelligence provider that has been serving clients for over 30 years with market, policy and strategy insights, data and analysis across healthcare and social care. We are the chosen provider of independent sector healthcare market data to the UK Government's Office for National Statistics and work globally with providers, commissioners, payors, manufacturers, investors, regulators and advisors. We help our clients to understand their markets, make informed decisions and deliver better outcomes through market intelligence, consulting and data solutions.

Market Intelligence

Knowledge is at the heart of what we do. Our consultants author over 25 market reports, contribute to our journals (Care Markets, Healthcare Markets and the International Medical Travel Journal) and are content leads for our conferences, supported by our research and data teams and with access to our extensive proprietary data and data collection capabilities.

Consulting

We consult across healthcare, social care, medical devices and life sciences, providing knowledgeable fact-based insights to make the right choices and implement strategies successfully. We have worked in more than 25 countries with over 700 organisations, many of whom are repeat clients. They include investors, public authorities, private sector providers and life sciences companies, health insurers, professional advisors, trade associations and the third sector whom we advise on commercial due diligence, strategy and policy.

Data Solutions

Our data solutions are based on our proprietary datasets and our iLaingBuisson® portal hosts cloud-based software solutions that enable clients to analyse and export data and deliver sophisticated insights.

For more information, please visit our website at www.laingbuisson.com.

About William Laing

William, founder of LaingBuisson, is a well-known healthcare economist and leading commentator on health and community care. His views are often quoted in the media and he is frequently invited to contribute to radio programmes, speak at conferences and to participate in 'think tank' committees. Before founding LaingBuisson in 1976, William worked for the Association of the British Pharmaceutical Industry and the Office of Health Economics where he was Deputy Director. He has a BSc Econ from the London School of Economics.

About the Mental Health Hospitals Report

Now in its fourth edition, the report includes:

- Market size and growth
- Market structure
- Demand and supply
- Business models
- History, politics and regulators
- Payors
- Profiles of Major Providers
- Investors
- Market potential

For further details of the report, please visit LaingBuisson.com