

UK Independent Hospitals



Independent hospitals provide a lifeline for the NHS to call upon

2019 was a busy year for independent hospital investment in the UK. More than £2.2bn of stock traded, including the largest real estate transaction of the year, with a portfolio of 30 hospitals trading in a £1.5bn deal. 2020 is set to be another busy year, albeit for different reasons.

The Government's 2019 Health Infrastructure Plan saw the go-ahead for 6 new hospital projects and the promise of over 30 more. This became a key plank of the 2019 Conservative Party Manifesto. However, these are obviously long-term projects that can't help alleviate the mounting pressure on hospital waiting lists resulting from the Covid-19 pandemic. This has tipped demand into the independent sector which could see revenue from NHS funding grow in the near term.

With the NHS's immediate focus on caring for patients through the Covid-19 pandemic, alongside prospective patients' anxiety and fear of going to hospital, waiting lists have grown. Independent hospitals have been a lifeline for the government to call upon.

In August, NHS England revealed it was willing to pay independent hospitals up to £10bn to help reduce waiting lists over the next two to four years. This is nothing new. In 2019 Spire Healthcare, one of the largest independent hospital providers in the UK, saw 30% of its revenue come from the

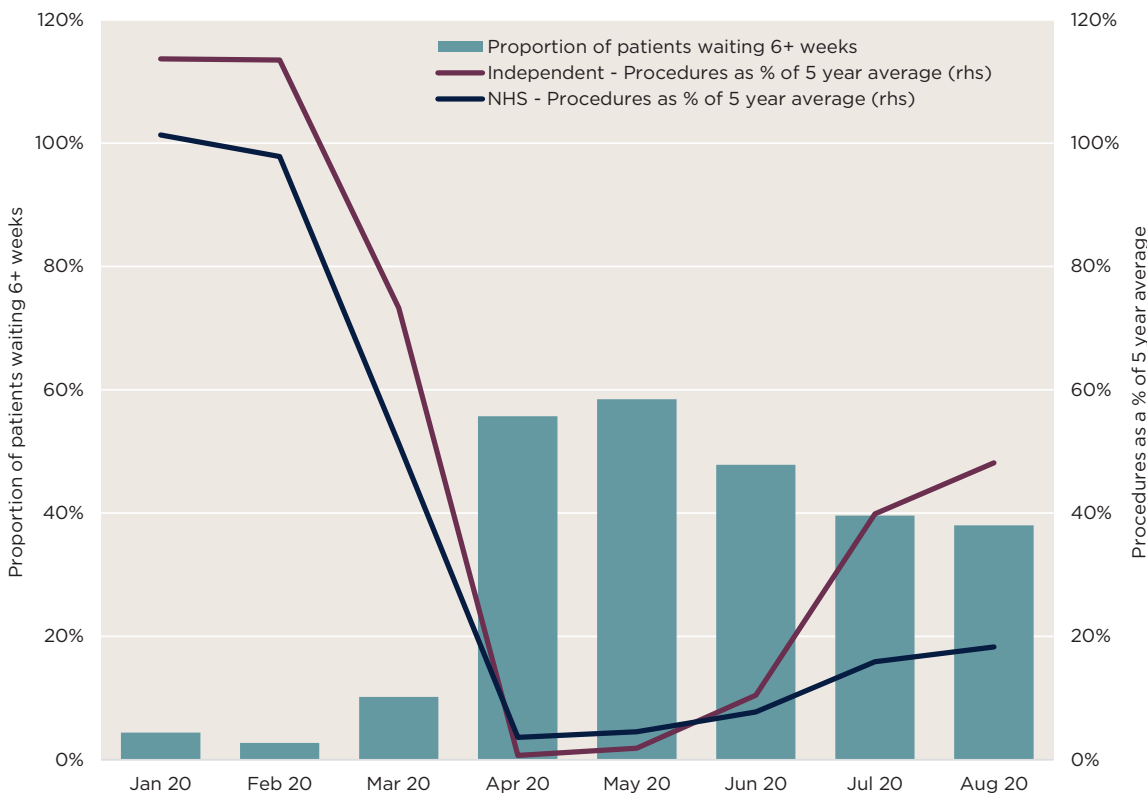
NHS. Independent hospitals can expect to see a rise in NHS revenue as they help clear the Covid-19 inter-related backlog of cases.

Waiting list data from NHS England reveal that the proportion of patients waiting 6+ weeks for diagnostic tests and procedures jumped from around 3% in February 2020 to more than 50% in April as a result of Covid-19. Over the short to medium term this is unsustainable.

According to the National Joint Registry, independent hospitals performed more operations (hip, knee, ankle, elbow and shoulder) than NHS hospitals in Q3 2020 for the first time ever. The NJR also shows the NHS performed just 18% of their usual five year average of these non-elective joint procedures in August. For independent hospitals, the corresponding figure was 48%. They have bounced back faster and, crucially, have additional spare capacity in place to take on more cases.

Rising NHS demand for the service of independent hospitals will help support the sector's revenues through 2021. We expect this to bolster investor demand for hospital real estate in the near term, while government funding for 40 new hospital projects will generate opportunities for developers in the longer term.

Waiting times & procedure rates



Source: NHS England, National Joint Registry

Snapshots



For the first time ever, Q2 2020 saw independent hospitals perform more joint operations than NHS hospitals.*



The top 5 independent hospital groups make up **c.78%** of all operations undertaken at independent hospitals.*



82% of independent hospitals are rated 'good' or 'outstanding', compared with just 59% of NHS hospitals.



30% of Spire Healthcare's revenue in 2018 and 2019 came from the NHS.



£10bn The amount the NHS is willing to pay independent hospitals to help reduce waiting lists over the next two to four years.

*NJR - hip, knee, ankle, elbow and shoulder

40 new NHS hospital projects

In early October the Prime Minister announced further details of the government's promised 40 new hospital projects. Four are currently under construction, with a further four pending approval. Six others are also set to be delivered by 2025. 21 trusts have been given seed funding to develop their plans for the Health Infrastructure Plan 2, set to be delivered between 2025 and 2030.

On paper, the South West and in particular Dorset appear to be big winners, with the latter set to see 5 new hospitals. The majority of these, however, are smaller community hospitals.

So far, £3.7bn has been earmarked for the new projects through the current Comprehensive Spending Review (CSR) up to March 2025. However, the ambitious programme would ultimately cost up to £2.4bn, according to the Institute of Fiscal Studies (IFS).

Projects' construction status

Status	No. of hospitals
Under Construction	4
Pending approval	4
To be delivered by 2025	6
To be delivered by 2030	26

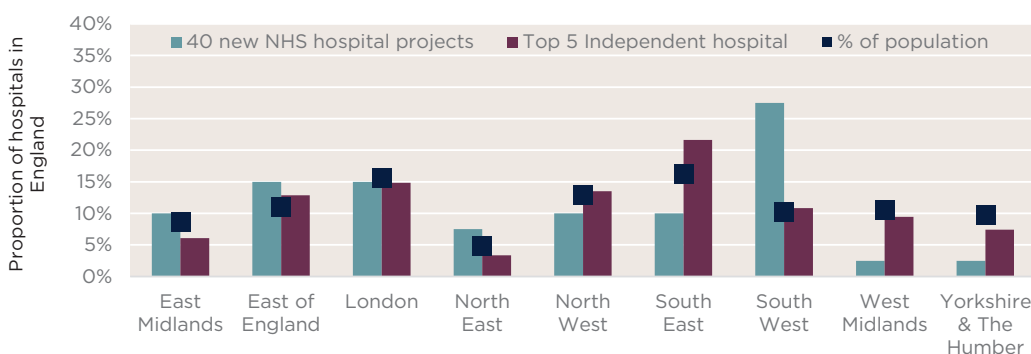
Top 5 independent hospital providers

Between them, the five largest independent hospital providers operate 143 hospitals, accounting for 52% of independent hospitals and 78% of procedures*. Many of these hospitals are located in the South East: 22% of the top 5 providers' stock. London, with 16% of England's population, has around 15% of the top 5 independent hospitals.

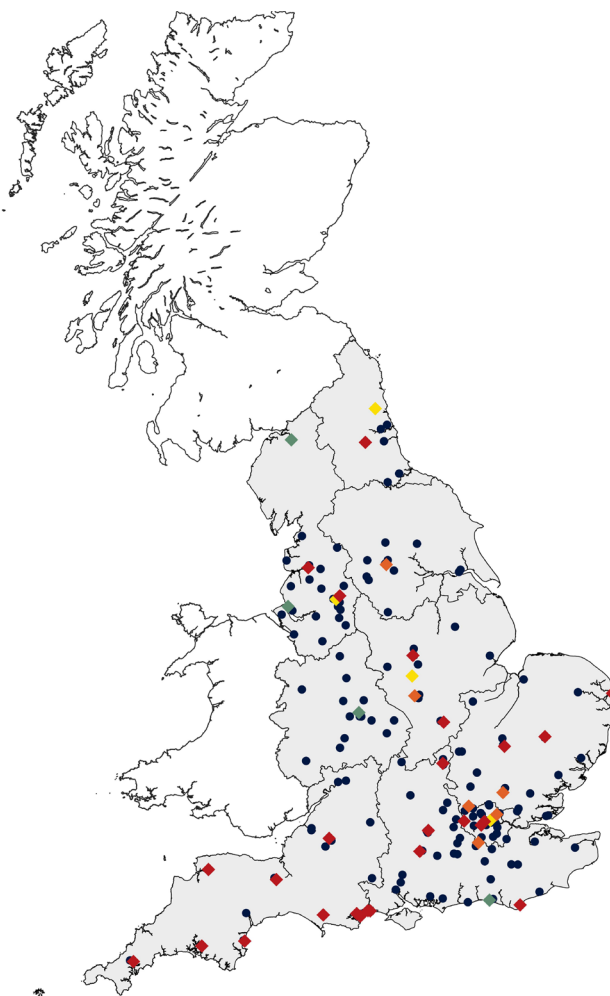
Top 5 independent hospital providers

Top 5 independent hospital providers	No. of hospitals
BMI	47
Spire	34
Nuffield	29
Ramsay	25
HCA	8

Hospital numbers & population



Location of top 5 independent hospitals groups' branches in England and newly proposed NHS hospital projects



Source CQC, Department of Health and Social Care

40 NHS hospital projects

- Under construction
- Pending approval
- HIP 1 (delivered by 2025)
- HIP 2 (delivered by 2030)

Top 5 independent hospitals

- BMI, HCA, Nuffield, Ramsay, Spire

Savills team

Please contact us for further information

Craig Woollam
Head of Healthcare
+44 (0) 207 409 9966
cwoollam@savills.com

Colin Rees-Smith
Director
Healthcare
+44 (0) 207 409 5996
crsmith@savills.com

George Todrick
Associate Director
Healthcare
+44 (0) 207 877 4598
george.todrick@savills.com

Paul Wellman
Associate
Research
+44 (0) 207 420 6305
paul.wellman@savills.com

Lawrence Bowles
Director
Research
+44 (0) 207 299 3024
lbowles@savills.com

Savills plc is a global real estate services provider listed on the London Stock Exchange. We have an international network of more than 600 offices and associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. While every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.



*NJR - hip, knee, ankle, elbow and shoulder

Source CQC, Department of Health and Social Care, ONS