# A private choice:
# the changing face of the UK health market


GK

# Contents

# Foreword

Robin Grainger, GK Group CEO

*"Private payment for healthcare services in the UK has quietly been on the rise. Has this trend been driven by investors and providers diversifying risk away from publicly funded service delivery at a time of austerity, a response to perceived waiting times or the impact of increasingly savvy consumers?*

*In the next of our white papers, through using online analytics and in-depth research GK evaluates why patients choose to pay for private care, and what this means for operators and investors interested in this marketplace."*





Justin Ash, Chairman of GK, and former CEO of Lloyds Pharmacies and Oasis Dental

*"GK is able to read the digital voice of consumers and has found a growing desire for access to private care. This challenges providers in the sector to develop high quality private pay offers to meet these consumer needs."*


Private pay has long been a component of healthcare delivery – but the demand is growing in response to savvier consumers wanting ease of access and availability of drugs and treatments. Searches related to private pay on key specialities have increased by 63% since 2013, from 197,000 to 321,400 growing at a rate of 18% per year. Analysing these trends indicates:

39% use private IVF due to availability of treatment

32% of cancer patients choose to go private due to availability of drugs/treatments

39% of patients consider going private for a hip replacement procedure due to the availability of the treatment or appointments

42% of knee replacement patients choose private due to ease of access

Investors and dynamic businesses are capitalising on this trend – developing accessible, transparent and affordable services – whilst also diversifying risk from what can be a challenging NHS -funded market place.

# NHS and Private Provision – The Evolving Health Market

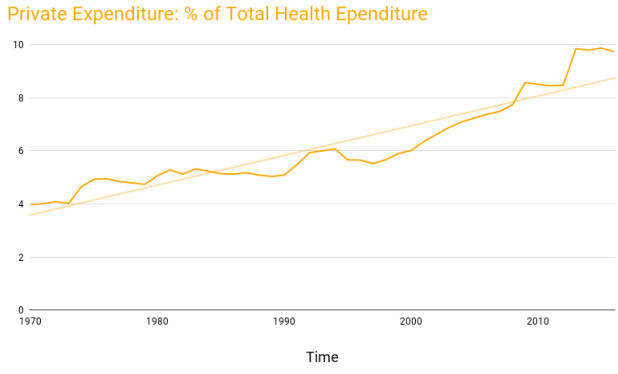
The efforts of policy-makers over the last 25 years have focused on making the NHS more responsive to patients' needs through the creation of an internal market, and an increasing focus on patient choice. The political debate between private and public provision is somewhat of a misnomer – the NHS from its roots has been comprised of privately contracted GPs and dentists – the latter where a private pay element is long established and broadly uncontentious.

The choice agenda has reinforced the role of private providers in two ways. Firstly, institutional inertia appears to constrain the ability of policy-makers and healthcare leaders ensuring the NHS is equipped to deal with increasing demand. This means that although the rhetoric promotes a better service for patients, the reality of their experience of the NHS is often dominated by the problems they encounter. In this context, the emphasis on choice merely promotes the entitlement of patients to choose between NHS and private care; reflecting a wider trend of more empowered and discerning consumers.

UK private health spending has been increased from 4% in 1970 to approximately 10% today

The quality and scope of healthcare provided by the NHS is determined by supply and demand factors. On the supply side, a climate of fiscal austerity has meant that healthcare spending, whilst increasing, has fallen out of step with demand for services. Demand is increasing due to the ageing and growing population, and the corresponding rise in chronic and complex conditions.

Whilst real-terms health expenditure per capita in the UK has increased by 3.7% per year from 1955-2016, the proportion of private health expenditure has also been growing. The earliest data available from the OECD shows that private spending as a proportion of total UK health spending has increased from 4% in 1970 to approximately 10% today.

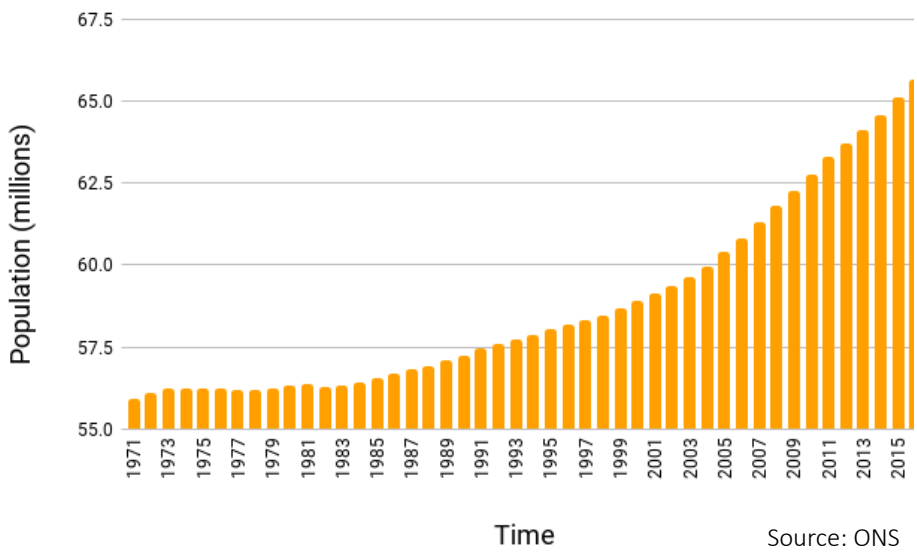



Source: OECD

At the end of 2016, the UK's population reached a record of 65.6 million. The UK's population has been growing at an increasing rate since 2005 and with birth and immigration rates exceeding mortality and emigration rates respectively, is expected to continue to do so, projected to reach 74 million by 2040. The Old Age Dependency Ratio (OADR) represents the number of people over the age of 65 for every thousand aged 16-64. Current projections put the ratio between over and under 65s at nearly 1:1 by 2036. The geographical distribution of over 65s being concentrated in more rural, less metropolitan areas, will put further pressure on our health system, in particular emergency services.

UK population is predicted to reach 74 million by 2040

**UK Population Estimates**




Source: ONS

Whilst increasing life expectancy is a testament to the improvements in quality of our healthcare, technology and medicines, it necessarily entails a prolonged period of infirmity in the latter stages of life that usually requires healthcare provision. This provides significant challenges for future healthcare delivery.

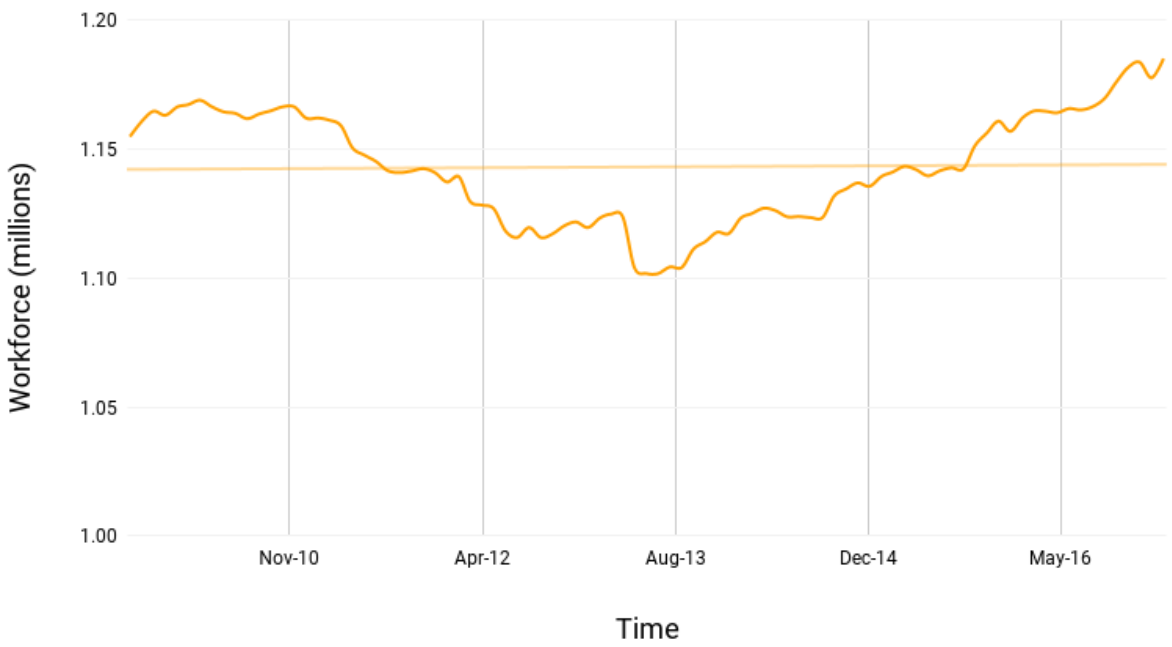
The strain of our growing and ageing population on the NHS is compounded by significant budgetary pressures and has undoubtedly been a driver for the inevitable increase of private sector use for healthcare services. Budget constraints translate into physical restrictions such as the size of the NHS estate and its workforce that dictate its capacity.

Analysis of the most recent Hospital Estates and Facilities Statistics shows that the NHS needs £5bn just to clear its current maintenance backlog. Sir Robert Naylor's recent review found that over £10bn of capital investment is needed to modernise the NHS's estate catalogue and provide a fit for purpose environment for healthcare delivery.

The lag between population and NHS workforce growth rates further impedes its ability to meet demand. The total NHS workforce grew at a rate of 1.9% between 2009 and 2016, whilst the UK's population grew at 5.4% over the same period. Despite recruitment efforts, staffing levels have failed to meet growing demand, and this gap is expected to widen when the UK eventually makes its exit from the EU in 2019.

**£10bn**
investment is needed to modernise the NHS's estate catalogue review.

## Total NHS workforce




Source: NHS Digital

Political pressure to deliver efficiency savings has also translated into cuts in tariff prices; the amount NHS commissioners pay providers for treatments or care packages. It is no secret that since 2011-12, the tariff has been used as a mechanism for extracting efficiency savings with providers absorbing inflation costs and reducing the amount they spend on treating patients.

Traditional healthcare providers are facing a challenge in the face of constraints on funding for public healthcare, rising demand for services, and addressing the evolving needs of consumers, meaning that there is increasingly a need for providers to diversify risk as they seek to respond to changing patient demands in this context.

This is an essential strategy for providers as more informed and empowered patients choose to pursue different forms of treatment and, increasingly, blend treatments from a mix of public and private provision. Understanding how demand for different private treatments has developed over time, will help providers and investors to consider how to allocate risk as patients react to the different drivers set out in this report.

Limitations on supply-side inputs result in longer waiting times that have arguably contributed to rising demand for private equivalents, which are often marketed on grounds of speed of access.

Waiting times can be seen by consumers as a barometer for the performance of the NHS as a whole; public awareness of increased waiting times, as well as patients' own experience of extended waiting times, delays or cancellations, could tempt service users away from the NHS and towards private providers.

Furthermore, the advent of the digital age means that patient behaviour and expectations have evolved as information on locations, activities or purchasing decisions has become more easily accessible to consumers. The expectation of immediate gratification in all other facets of life that has been enabled by technological advances means that attitudes towards healthcare are changing and the patient is morphing into a consumer, turning to private care to fulfil their needs. This has been echoed by the political reform outlined above; reforms that have been driven primarily by the concept of patient choice have contributed to the public becoming more aware of the options available to them and empowered them effectively to decide to opt-out of NHS treatment.

## Specialities in Focus

GK undertook primary research and analysis using online data, examining trends of four treatments prevalent in the private sphere to understand the drivers behind consumer choice:

IVF treatment

cancer treatment

hip and knee replacements

The specialties considered were determined primarily by the availability data for waiting times, Patient Reported Outcome Measures (PROMS) data for joint replacements and the time sensitive nature of cancer and IVF treatments that would motivate patients to opt for private care.

## Methodology

We used Google search demand data for each procedure as a proxy for demand of paid-for private treatments, using the earliest data available from 2013. The proxies were constructed by using searches that related to the specific treatments that included 'cost', 'pay', 'private' and related words. In order to determine why demand for private treatment may have increased, we looked at waiting times and Patient Reported Outcome Measures (PROMs) data for individual procedures.

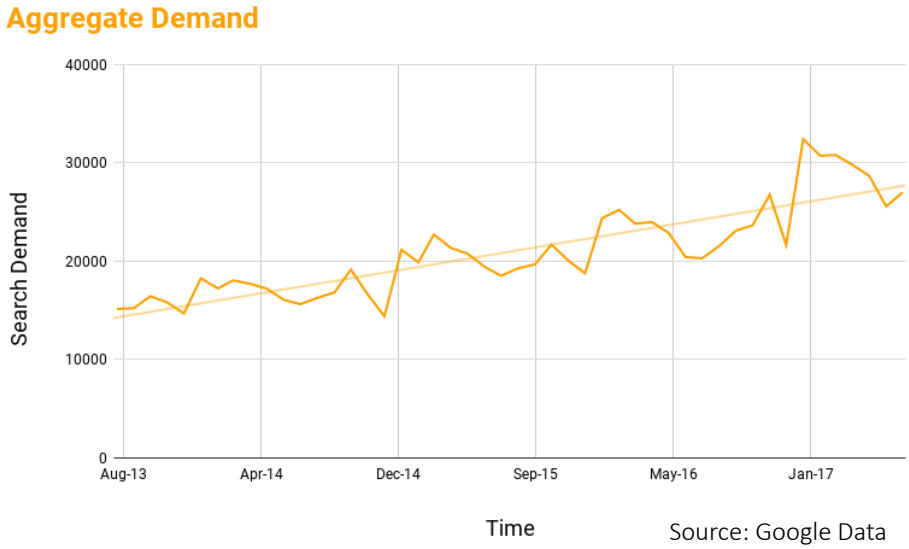
PROMs are available for joint replacements and assess the quality of care delivered to NHS patients from the patient perspective. PROMs data is collected from a survey following patient care, giving a snapshot of insight into patients receiving NHS care for hip and knee replacement procedures that are also widely covered in the private sector.

In order to find out the motivations behind patients' decisions to pay for private treatment we used our suite of social media tracking tools to search for conversations talking about 'intent' to pay for private healthcare and analysed them. We have used both qualitative and quantitative measurements within the sentiment analysis due to the high specificity of the patient conversations, meaning that they could not easily be categorised without initial analyst intervention. We qualitatively analysed posts due to the small sample size and the descriptive nature of sentiment and intent that makes it harder to categorise, measure and analyse.

We tested the hypotheses, based on our research and experience within the health sector that the incentives behind self-pay are due to: convenience, availability of treatment or drugs, promptness of service. If our qualitative analysis of posts revealed one or more of these as a factor in the decision making process, we then applied a filter to quantify how many people were driven by each factor.

## Increasing demand for private procedures

Searches related to our specified terms for IVF, cancer treatment, knee & hip replacements have nearly doubled since 2013, indicating an increase in demand, depicted in the chart below.




Source: Google Data

Fleur Hicks, Managing Director of Digital Insights Firm onefourzero, says

*"We are beginning to see similar trends within the part-privatised sector as we are within the consumer sector. Patients might be more accurately thought of as consumers given their demand for immediacy in everything from booking to advice to faultless service. Patient-consumers are more willing to pay for private treatment in order to meet their high demands. This is evidenced in their behaviour and sentiment, which we have tracked online. The question then becomes whether or not the private health sector can sustain this demand along with the efficiencies, without having to pass on too much of the cost to patients, which could then stimulate a reverse effect. Investors and businesses need to understand and respond to the changing consumer – utilising digital analytics and engagement to grow private pay revenues."*

> 'Should I go **private?**' I don't know where you live, but in the UK you can get seen **within the same week** by any specialist you choose for an initial consultation. I think the cost is about £150. I don't really believe in private medicine as a staunch believer of the NHS, but I have to admit, if I **don't get any joy** at the GP on Wednesday I am **seriously considering a private appointment** with a haematologist or at least to pay for a T2* MRI scan of my heart.
>
> Patient.co.uk

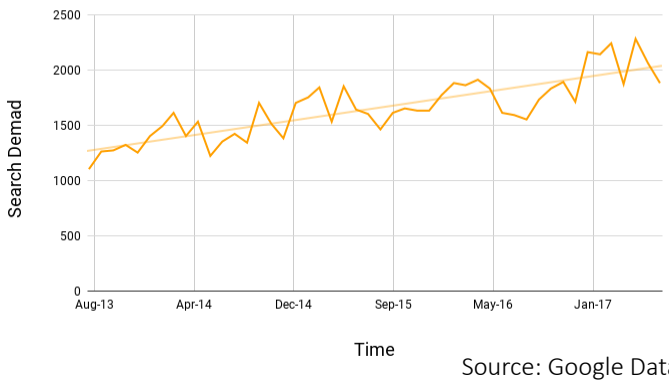
We observed through our qualitative analysis that drug or treatment availability on the NHS and ease of access to treatment were key driving factors behind decisions to pay for private treatment. Of those talking about thinking of paying for private treatment in general, 16% of conversations related to ease of access and 21% referred to the availability of a drug or treatment on the NHS driving them to pay for private care.

## Cancer Treatment

The prevalence of cancer in the UK is increasing, a recent paper published by the British Journal of Cancer found that one in two UK citizens will contract cancer in their lives, compared to previous estimations of one in three. Cancer treatments are delivered in largely the same way across NHS and private services, the primary differentiators being waiting times and availability of treatment based on location. Some patients may also go private to pay for an experimental treatment that is not yet available on the NHS.

Whilst the relative stability of waiting times for both referral and treatment indicates that patient outcomes have not suffered, searches for private cancer treatment have increased approximately doubled since 2013 as shown below.

**Demand for Private Cancer Treatment**




Source: Google Data

> I am getting a bit concerned about the **waiting times** at the WH too. I have MRI the other day after my results so will have to wait for that before things move further. (I am assuming I'll get bad news tomorrow as my gut feeling tells me I will!) We **do have private health care so I am considering using that** if I have to although I think the **NHS is fantastic with cancer care and I don't really want to swap**. Not sure yet but it depends on what results reveal and waiting times.
>
> Breastcancercare.org.uk

> You say you have been discussing options that aren't available on the NHS. Who is this with? My husband went **private** (work based health plan) with his NHS consultant but this was because there was **a drug he couldn't get as first line treatment on the NHS** (he has melanoma). Have you spoken to someone on the Macmillan helpline? Or the Beating Bowel Cancer helpline? They may be able to advise you. You do need to be sure that the other options are proven medical treatments. **Are you sure that these other options aren't available on the NHS?** Or is it that they don't think they are suitable for your dad?
>
> Macmillan.org.uk

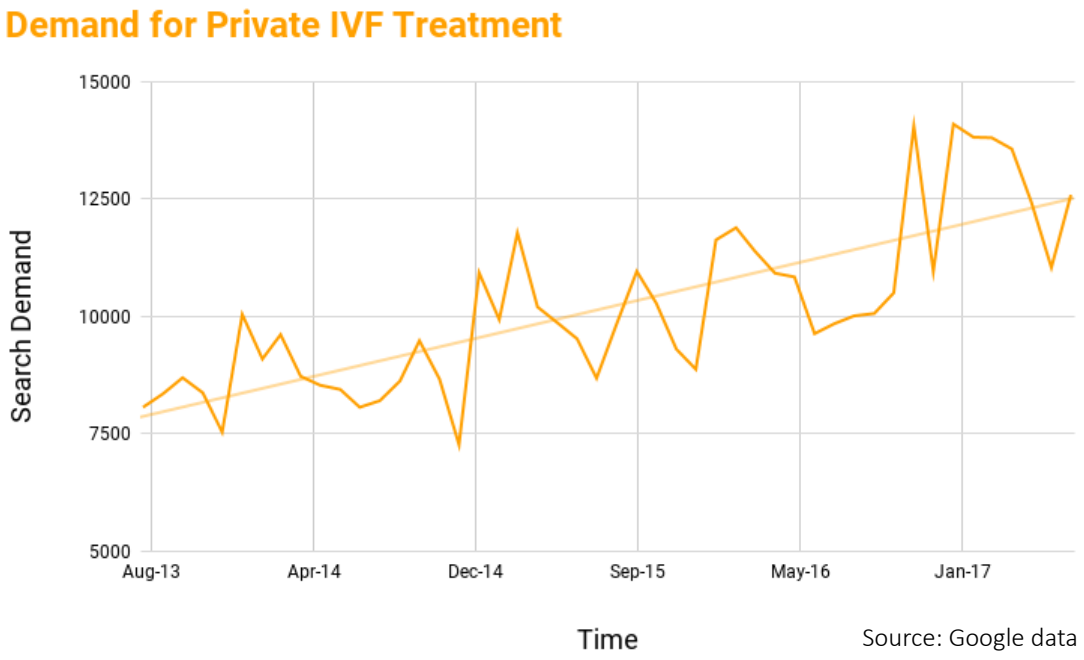
Drilling down, we found that there was a 26% incidence of conversations relating to ease of access, and 32% concerning availability of a treatment or drug.

## IVF

Access to and number of IVF treatment cycles permitted depends on the eligibility criteria and parameters set out by a prospective patient's local CCG. The National Institute for Health and Care Excellence (NICE) published yearly updated recommendations in 2004, advising the NHS to provide three full cycles of IVF treatment to women under 40 who have not been able to conceive after two years of trying.

These guidelines are not binding, and it is down to the discretion of each CCG to enable the guidelines in the "context of local and national priorities for funding and developing services".

The most recent research by Fertility Fairness has found that 87% of CCGs do not offer the recommended three cycles, with six out of 211 CCGs offering no fertility treatment at all. Access is continuing to become more restricted with some CCGs proposing to narrow the age gap and others reducing the number of available rounds. The reality of the situation is perhaps most starkly brought to light by cash-strapped Richmond CCG, proposing to restrict IVF treatment to only infertile or HIV positive women in order to make the £13m savings necessary for its survival. If CCGs around the country follow suit it can be inferred that the upward trend in demand for private IVF treatment depicted in the graph below is set to continue.




Source: Google data

Our qualitative and quantitative analysis of online conversations about IVF revealed that 39% of people discussing choosing private provision refer to availability of treatment and 34% cite the comparative ease of access. These figures reflect the rationing of services in NHS provision of IVF treatment.

> I was surprised the ARGC had an **8 week wait** list just for the initial appointment. I'm hoping we can get straight on with test cycle and treatment but at this rate we may have to wait for that I'm 41 in 2 months. I saw the GP today and she had received a letter from the NHS consultant I've been waiting for an appointment with. Basically he thinks I'll need **IVF** and the **NHS won't cover it** so he recommended I **go private.**

fertilityzone.co.uk

> My **NHS appointment** was kicked down the road for almost **3 months** while I was to-ing and fro-ing with my last **private IVF cycle.** I would tend to think that if you aren't keen/pushy they may happily keep you off the waiting list.

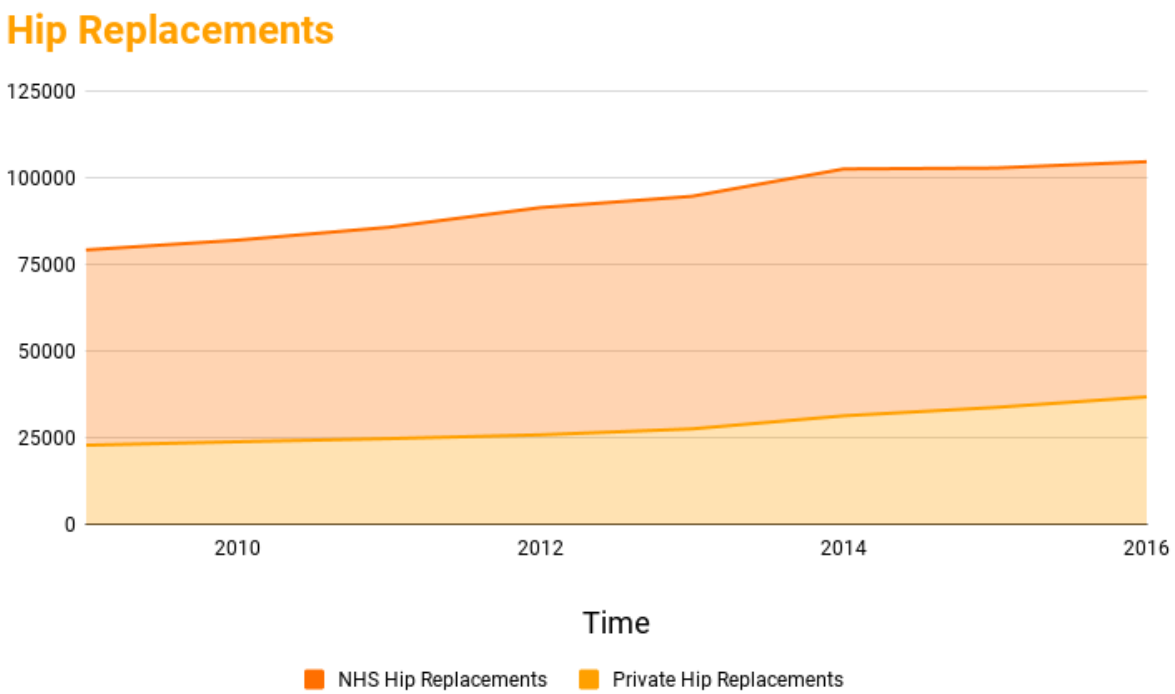
moneysavingexpert.com

# Hip & Knee Replacements - self pay

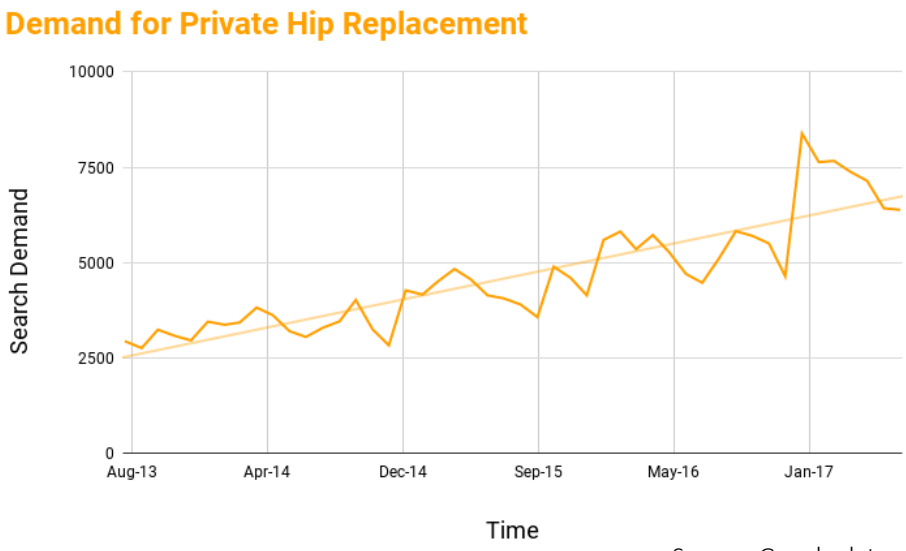
Elective hospital admissions have increased by around 23% from approximately 4.7 million in 2009/10 to approximately 5.8 million in 2015/16.

The number of NHS procedures has remained relatively stable since its peak of 71,197 and 71,946 for hip and knee replacement procedures respectively. Meanwhile, the number of procedures undertaken by private providers have grown at rates of 5% and 7% for hip and knee replacements respectively over the same period, demonstrating the increased demand for these procedures.

## Hip replacement



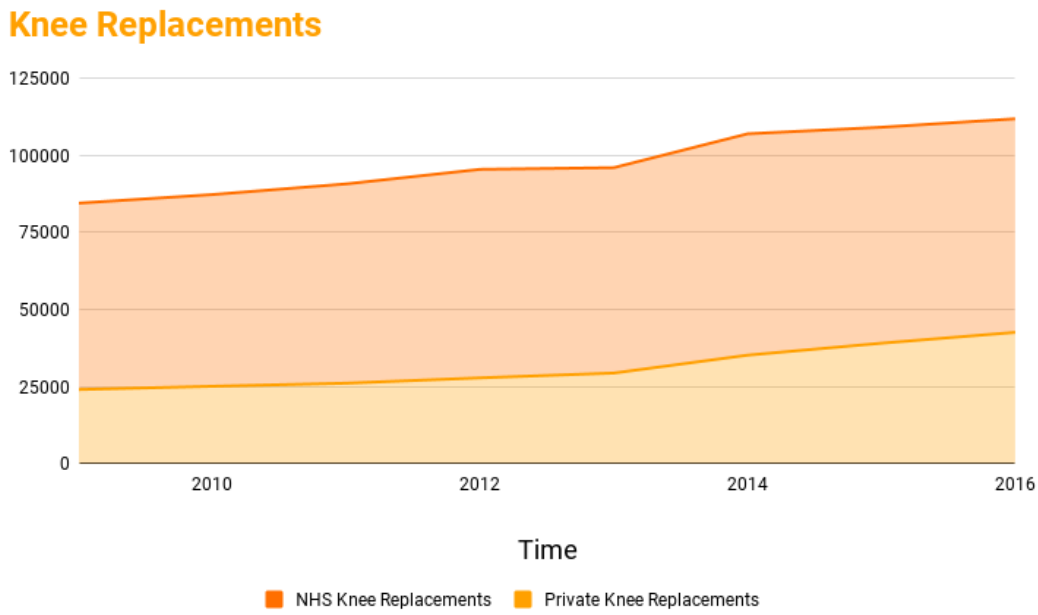

Source: National Joint Registry




Source: Google data

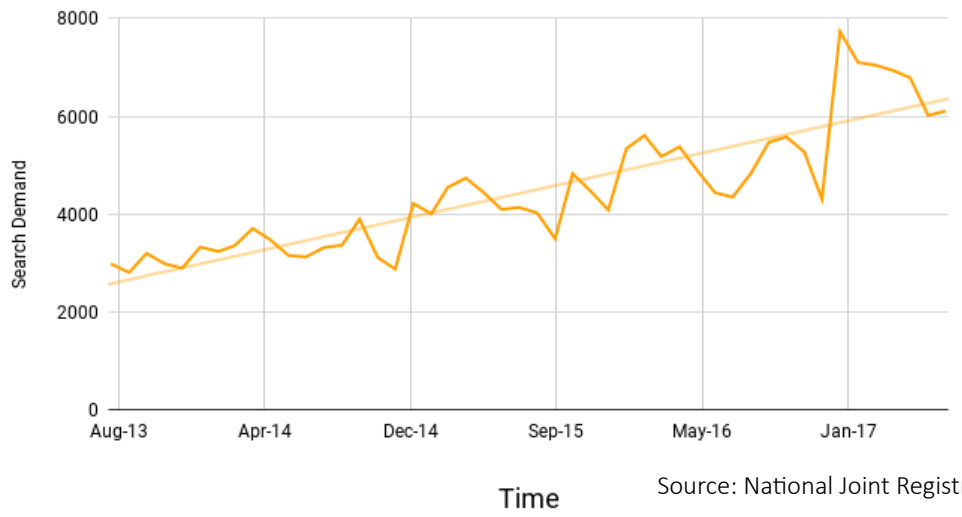
Analysis of online conversations shows that 39% of patients consider going private for a hip replacement procedure due to the availability of the treatment or appointments and 28% cite the ease of access to private treatment as the incentive behind their decision.

## Knee replacement




Source: National Joint Registry

## Demand for Private Knee Replacement Surgery




Source: National Joint Registry

Our sentiment analysis indicated that of conversations about choosing private knee procedures over NHS care, 40% related to the availability of NHS treatment and 42% to the ease of access to it. It can be inferred that patients are choosing to go private due to the ease of access.

> I went **private for my knee opp** last October... only because the **NHS was full!** Coz I went to casualty (the knee locked). It was all done within 2 months. My dad for same thing has to wait **nearly 2 months** to get the referral from his GP to go private. Now waiting for my other knee to be done... so far it's taken **6 weeks to get my MRI done.** Will see the consultant in 10 days to find out waiting time or go private. Oddly the NHS have already sent me my post op physio appointment! Not odd at all, the NHS don't know which they have to look at... sigh... the only difference I notice **private vs NHS** is I got to choose the sarnies and they came on a plate with garnish...
>
> moneysavingexpert.com

## Conclusion

With the pressure from an ever ageing population increasing long-term demand for NHS services, the private sector has been playing a greater role in provision. With hospital admissions rising nearly 4% annually over the last 15 years whilst real-terms funding has barely increased, pressure is only likely to increase, along with the spill over into the private sector. Waiting times are rising, for non-urgent treatments rather than specialist treatments, and some services are being rationed due to budget constraints – this is driving more people to look for private healthcare has an alternative.

- The data available shows services such as IVF, where the NICE guidelines are not binding, struggling to meet patient expectations supporting the growth of private alternatives. A similar scenario is playing out in cancer treatment, where patients are looking to the private market for ease of access and for different treatment options. Hip and knee replacement waiting times can be a driver for selecting private pay, more so out of choice and convenience. Regardless of choice or necessity, the trend of patients increasingly opting for private provision shows no signs of slowing.

- Wherever the political debate over NHS provision leads, the private market is continuing to grow, with patients ever more aware of the choices available to them. Of course, the reasons some people opt to go private are more complex, but the scale of the increase in demand for private healthcare suggests many are people are deciding the benefits of going private now outweigh the costs.

- The growing market for private healthcare creates an opportunity for those companies who chose to move into the market. Patients often draw from public and private services – new emphasis on integrated care must take this into account if public policy is to encourage person-centred care. Private providers have to be aware of, and responsive to, changing patient demand and understand the future policy and political landscape

- Moreover, businesses should recognise the way in which consumer behaviour is changing. Due to technological change and easy access to more sources of information about where and how they can be treated than ever before, but also indirectly due to the policy decisions of successive governments, who have consistently sought to empower patients and promote the role of choice in improving services.

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## How can we help?

- Strategy Development: As an integrated agency with consultants drawn from across the field of politics and communications, GK can help you shape, deliver and measure your engagement with key influencers and decision makers

- Policy Analysis: GK has a dedicated research team who specialise in delivering high quality poitical and policy analysis to inform your business or campaigning decisions

- Market Mapping: Audit of policy environment in your key markets, your current relationships and provide comprehensive lead sourcing of key decision makers to provide strategic plan for growth

- Message and Collateral Development: Ensure your sales and marketing messaging resonates with the policy priorities of the public sector and the individual procurement teams

- Business to Government (central and local) Sales Support: Stakeholder engagement strategy to support your sales and advice on how best to approach opportunities

- Market Shaping: Strategic engagement to shape the opportunities of tomorrow to best suit your products or services

- Profile Raising: Building brand recognition and understanding with key influencers and decision makers

- Opportunity Monitoring: Live tracking of key policy developments and opportunities that might arise for your business

# About the Authors

## Louise Allen - Managing Director , GKI

*Louise heads up GK's in-house research function, overseeing our projects with the public sector, investment community and businesses. Joining GK in 2011, Louise led the health and social care division, providing strategic communications and research. Prior to joining GK, Louise held a number of other roles, including providing political support to a Labour-run local authority, providing research to a Directorate of the Treasury, starting out working for Labour MPs on constituency and campaign matters.*

## Jamie Cater - Research Manager , GKI

*Jamie is GK Strategy's Research Manager, working on political due diligence, political risk analysis and opportunities profiling. He specialises in qualitative research on a range of public policy issues, including health and social care, financial services, energy, employment and education. Prior to joining GK's research team in 2014, Jamie worked in the offices of a former Shadow Education Minister and Shadow Transport Minister.*

## Isabelle Hilson - Account Executive , GKI

*After completing a string of work experiences in the financial sector, Isabelle interned at GK Strategy during the summer of her penultimate year of university. She graduated with a degree in Economics and Politics from Edinburgh in 2016*

## Edward Jones - Account Executive , GKS

*Edward is an Account Executive working primarily in GK's specialist health team, as well as across a number of other policy areas. Prior to joining GK, Edward worked as a parliamentary assistant in the House of Commons and brings experience from working behind the scenes in different MPs' offices. Before this he completed a BA in History and Politics from the University of Exeter and an MSc in Public Policy and Administration from the London School of Economics and Political Science, where he also worked part-time for the LSE Institute for Public Affairs.*

## Fleur Hicks - Head of Digital

*Fleur is the Managing Director of our digital sister agency onefourzero and leads on any digital GK projects. Fleur is a strategic Marketing and Operations professional with over 16 years' experience managing blue chip digital and broadcast brands with 7 figure commercial success in the B2C and B2B2C sectors. With key experience across web, mobile, TV and print, Fleur has delivered industry-leading marketing and operations analysis strategy at board level in consultative and client side roles. Fleur joined the company in autumn 2015 and has overseen its growth from a two man consultancy to world leading Digital Diligence Agency. Fleur is also an elected fellow of the RSA and sits on IDM, IAB and WOMMA councils.*

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- https://www.kingsfund.org.uk/projects/nhs-in-a-nutshell/nhs-budget?gclid=Cj0KCQjw3MPNBRDjARIsAOYU6x_0GJUIIiw3vMGtbbwj5y3kdhbRYpNSffIwYKm4NR2tCXcl6gRPDsUaAky4EALw_wcB
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- https://www.kingsfund.org.uk/sites/default/files/field/field_publication_file/Understanding%20NHS%20financial%20pressures%20-%20full%20report.pdf
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- https://www.theguardian.com/commentisfree/2017/sep/11/the-guardian-view-on-the-nhs-crisis-private-treatment-is-not-the-answer

## Data Sources:

NHS Digital: FOI request for monthly data over 5 year time period

- Birth & Maternity:
  - Antenatal: IVF (number of treatment cycles)- Human Fertilisation and Embryology Authority
- Cancer waiting times: NHS England
- Finance & Performance:
  - Total NHS budget- DH
- Patients Experience:
  - National patient experience overall measure – NHS England
  - Written complaints – NHS digital
- Patients outcomes:
  - NHS outcomes framework indicator
  - PROMS
- Patients waiting for treatment:
  - A&E, diagnostics, referral – NHS England
- Population statistics:
  - Official population figures – ONS

OECD:

- Private spend as a % of total health spend in UK

140:

- Crimson Hexagon data to back up PROMS data about NHS care in general & each individual procedure
- Google demand searches for each individual procedure & aggregated to use as a proxy for overall private demand

GK

Ground Floor, 32-34 Great Peter Street,
Westminster, London SW1P 2DB

020 7340 1150
info@gkstrategy.com

gkstrategy.com
@GKStrategy
GK Strategy