

Consultants Sink or Swim?

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The NHS are driving changes through the UK Market.

- Jan 03
- Tender for 35 ISTCs
 - No successful UK bidders
 - New overseas entrants
 - ✓ Mercury
 - ✓ Anglo Canadian
 - ✓ Care net
 - ✓ Afrox/Care UK
 - ✓ Nations Health

Impact on the Private Acute Sector

- December 03 - IHA blows up
- Jan 04 - Nuffield realigns its business model for the NHS contracts
 - Redundancies, cost cutting
 - Plans to convert some hospitals to ISTCs
 - Possible sale of 5 hospitals
- March 04 - Capiro aggressively bids for the "spine chain"; displaces Mercury
 - Plans to convert 2 hospitals to NHS use: Salisbury and Reading
- June 04 - BUPA announces sale of 10 hospitals, reduced pricing for NHS and NHS-like service for PMI
- BMI? – Unsure possible market floatation
- PMI's targeting consultants' fees

Jan 04 Tender for an Additional 125,000 cases.
Capiro/Nuffield agree 1 year contracts for
50,000 cases at or below HRG

May 04 Tender for 80,000 mobile MRI Scans.
Alliance "Buys" the contract at £110 per scan

More to come in 04 and 05 with regional DTC and
Chronic Disease Management

Market Polarisation

Commodity

Value



Nuffield

Capio

BUPA

Mercury

Afrox/Care UK

Nations

BMI

HCA

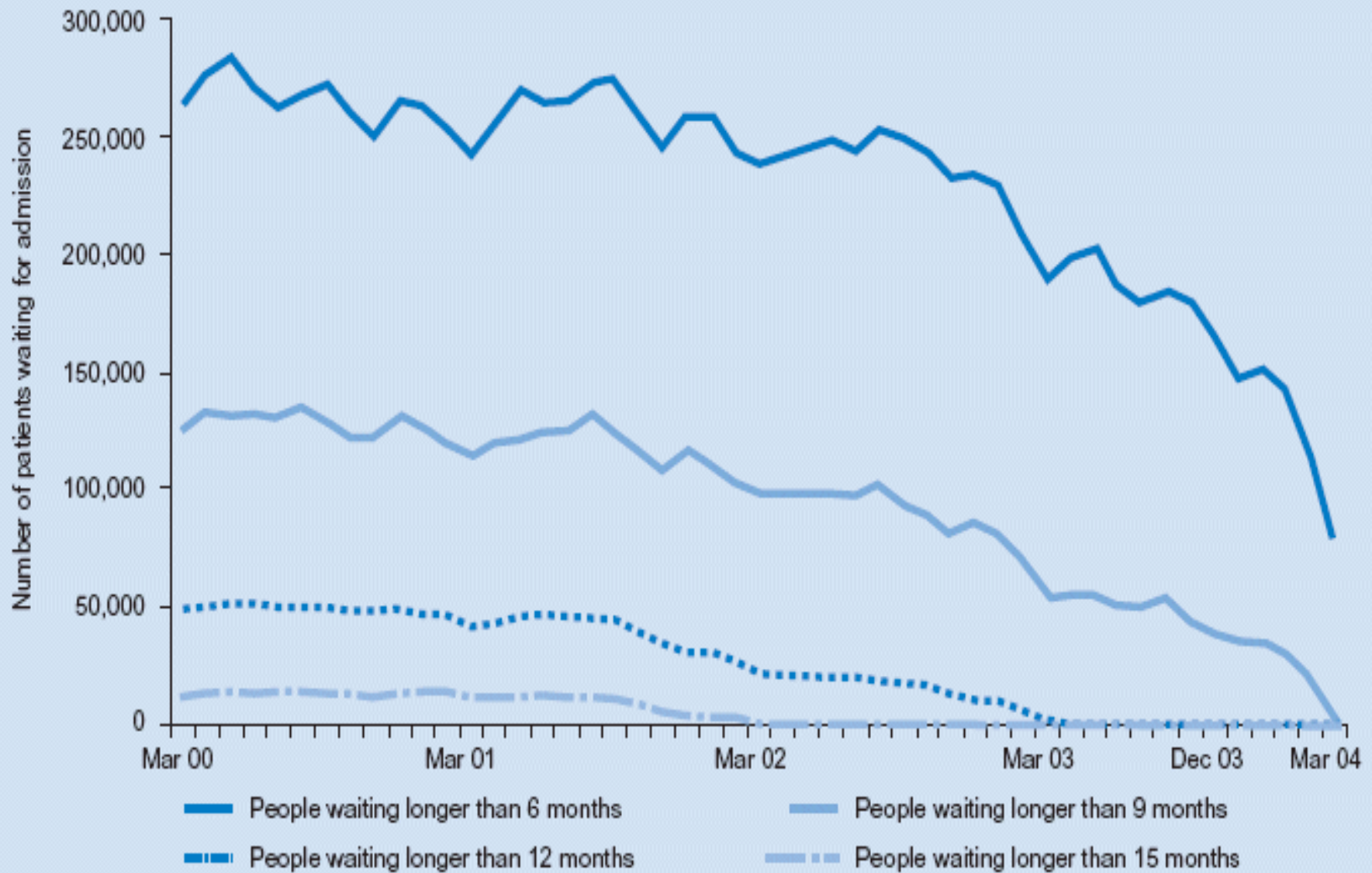
- Limited list of high volume, low margin procedures
- HRG pricing and risk
- Consultants either employed or contracted
- Additionality/overseas staff
- NHS is dominant customer
- Compete on price/ acceptable quality

- Comprehensive range of procedures including tertiary
- Consultants are primary customer
- UK insurers are primary payor
- High capital investment
- Higher prices/higher value

What does commodity pricing mean?

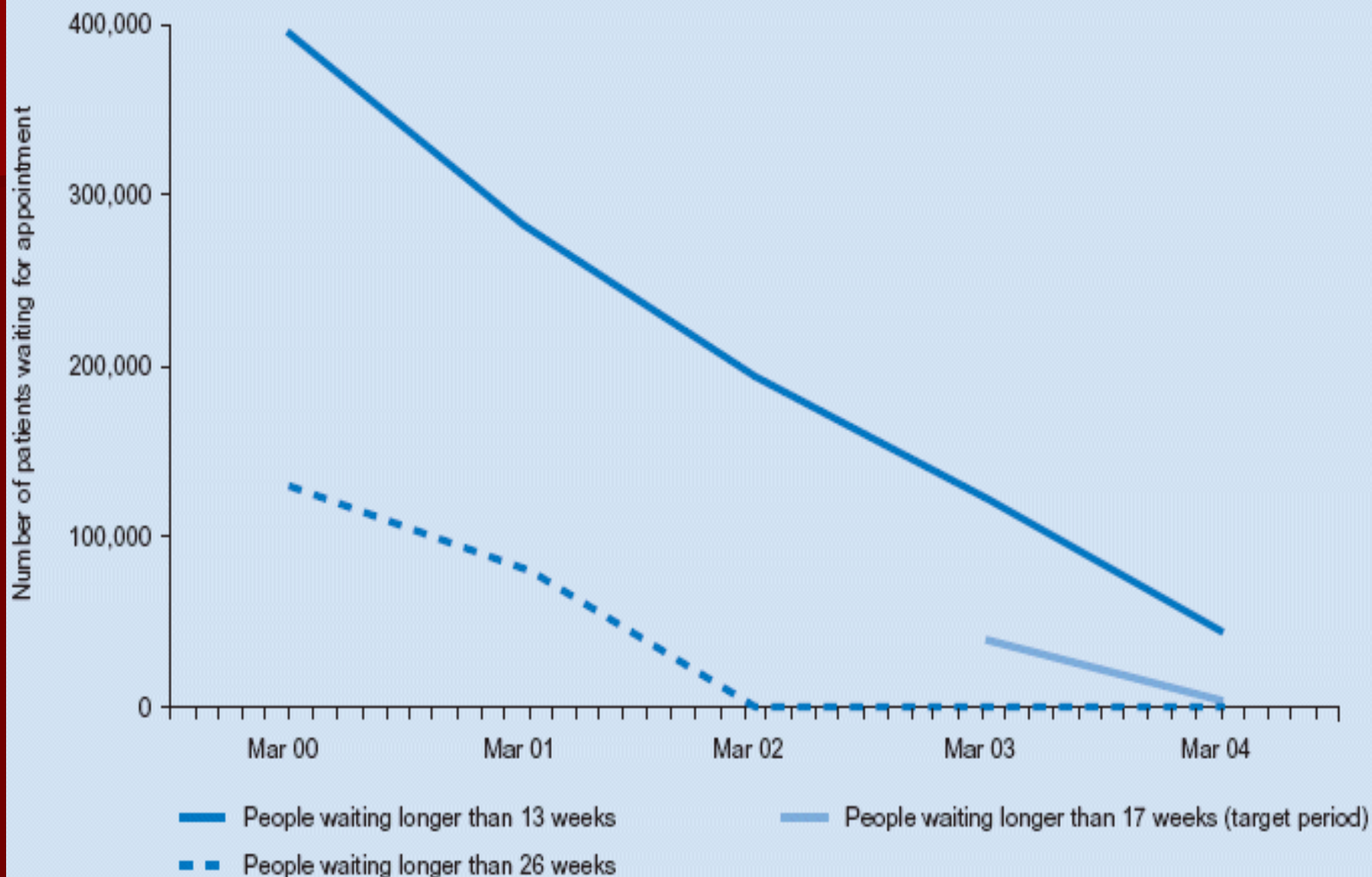
| Procedure | Outer London Hospitals BUPA Charges | BUPA Surgeon and Anaesthetist Fees | BUPA Average Charges | HRG Rate | Variance % |
|--------------------------------|--|---|-----------------------------|-----------------|-------------------|
| Hip Replacement | 5500 | 1162 | 6662 | 4660 | -30 |
| Knee Replacement | 6500 | 1162 | 7662 | 5197 | -32 |
| Hernia | 900 | 500 | 1400 | 1066 | -23 |
| Varicose Veins | 950 | 1365 | 2315 | 1069 | -54 |
| Cardiac Catheterisation | 1100 | 606 | 1706 | 688 | -60 |
| Cataract | 1000 | 1011 | 2011 | 656 | -67 |

Figure 1.3: Inpatient waiting times, England, 2000–04 (months waited)



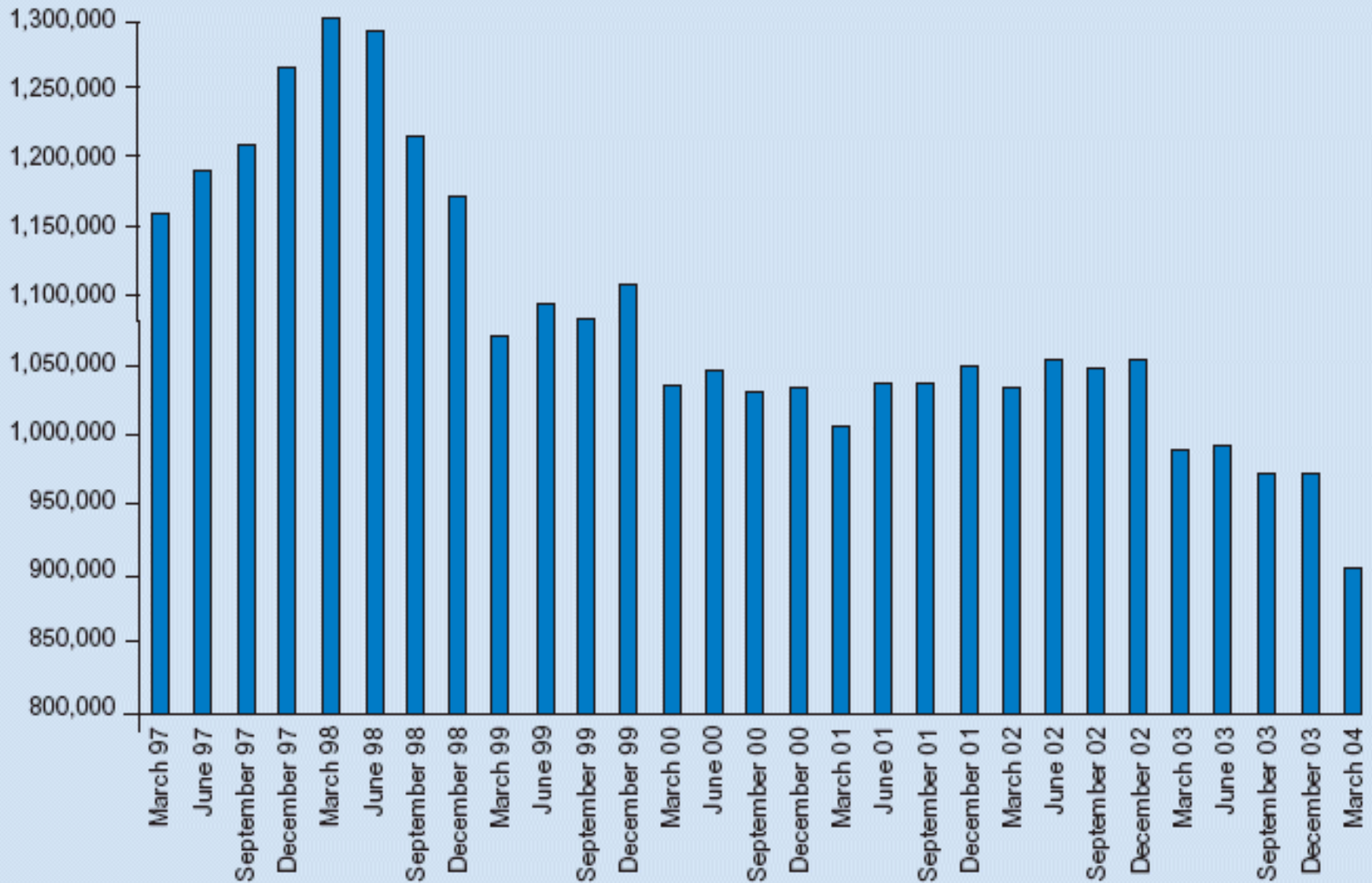
Source: Chief Executive's Report to the NHS (May 2004)

Figure 1.4: Outpatient waiting times, England, 2000–04 (weeks waited)



Source: Chief Executive's Report to the NHS (May 2004)

Figure 1.5: Total inpatient waiting list size



Source: Chief Executive's Report to the NHS (May 2004)

Distribution of Consultant Private Practice earnings*

| | | |
|--------------------|-------|---------|
| £0 | 36 % | } 61.1% |
| £0-£20,000 | 25.1% | |
| £20,001-£50,000 | 16.2% | |
| £50,001-£100,000 | 11.8% | |
| More than £100,000 | 9.9% | |

*BMA Consultant Survey 2004

Income comparison NHS v Private Practice

| | Median gross earnings* | NHS Consultant scale minimum |
|------------|------------------------|------------------------------|
| 1991/92 | £25,000 | £46,390 |
| 2002/03 | £32,000 | £68,505 |
| % increase | 28% | 48% |

*MMC Report 1994

Factors influencing consultant decision making

- i. New contract- increased income
 - no reduction for private practice
 - better pension
- ii. Expenses of private practice
- iii. Income from private practice
- iv. Regulation
 - Appraisal
 - Revalidation
 - Healthcare Commission

Benefits of New Consultant Contract

- Increased basic salary £72,483 → £75,659 - £90,849
- Additional programmed activities (PAs) valued at £7 – 10,000
- Most surgeons have 1 or 2 extra PAs (£7 – 20,000)
- Phasing out of 10% rule

Essential Private Practice Expenses

| | |
|------------------------|--------------------|
| Professional Indemnity | £3,500 - £10,000++ |
| Secretarial | £2,000+ |
| Room Rental | £2,000+ |
| Regulatory Fees | <u>£1,500+</u> |
| | £9,000+ |

Private Practice income after expenses and tax

| Gross | After expenses | After tax |
|--------------|-----------------------|------------------|
| £20,000 | £11,000 | £6,600 |
| £50,000 | £39,000 | £23,400 |

Consultant Options

- Stop Private Practice (or not start)
- Continue with traditional Private Practice
- Practice in a mixed economy
- Leave/retire from NHS → Treatment Centre
- Form Chambers

DON'T PANIC

**CO-OPERATE OR
HANG SEPARATELY**