

Mr Roger Witcomb  
Chairman  
Competition Commission  
Victoria House  
Southampton Row  
London  
WC1B 4AD

15 May 2012

Dear Mr Witcomb

**Re: Private Healthcare Market Investigation**

**1.0 Background**

I write on behalf of The London Clinic in response to the Competition Commission invitation to provide views and evidence relevant to the Commission's assessment of competition in the supply or acquisition of privately funded healthcare.

The London Clinic welcomes the Competition Commission investigation and looks forward to assisting the Commission with their investigation. The Clinic has previously provided comments and views to the OFT's market study.

The London Clinic is a charitable organisation, which has been providing private healthcare services in central London for over 80 years. The Clinic has a renowned international reputation and considers itself as one of the leading private hospitals in Central London. The Clinic provides for all major clinical specialities with the exception of Cardiac surgery, Obstetrics and Psychiatry. The Clinic has invested heavily in the treatment of cancer and offers a comprehensive range of services from its Cancer Centre, which includes Chemotherapy (Medical Oncology), Radiotherapy & Stereotactic Radio Surgery (Radiation Oncology) or Surgery (Surgical Oncology).

This letter summarises The Clinic's views on the following issues:

- 2.0 The Central London Market
- 3.0 Features of the market that adversely affect competition
  - 3.1 Information Asymmetry
  - 3.2 The strength of HCA in the Central London Market
- 4.0 Conclusion

## 2.0 The Central London Market

Competition for private patient activity in Central London is primarily concentrated within 11 “private” (i.e. non-NHS) hospitals. These are:

### *HCA*

1. The Wellington
2. Harley Street Clinic
3. The Portland
4. Princess Grace
5. London Bridge Hospital
6. Lister Hospital

### *Charitable Hospitals*

7. The London Clinic
8. Hospital of St John & St Elizabeth
9. King Edward VII Hospital Sister Agnes

### *Other*

10. Cromwell Hospital (BUPA)
11. Weymouth Clinic (BMI)

In addition HCA’s owns ‘Leaders in Oncology Care’ (LOC), a specialist provider of oncology services. The LOC was started as a business by four founding members and partners who have been joined by a team of consultant colleagues. There are now over 35 oncologists with a wide range of specialist expertise in oncology related treatments.

In addition to the private hospitals listed above, a limited amount of Private Patient (PP) work is also undertaken at the London NHS Trusts (of which there are 12)<sup>1</sup>. Most of these are NHS teaching hospitals and operate dedicated Private Patient Units (“PPUs”).

In The Clinic’s opinion, PPUs are not close competitors to HCA, The Clinic or the other private hospitals because they do not offer a comparable service. PPUs by definition operate as part of an NHS hospital and thus are unable to accommodate Consultants working for other NHS Trusts or private hospitals. The service they offer also falls below that expected at private hospitals both in terms of the “customer experience” but also access to dedicated facilities on a timely basis. The weakness of competition from PPUs is most marked in relation to tertiary case of PMI funded patients (eg specialist oncology treatment) which is dominated by HCA with The Clinic and the other private hospitals taking a smaller share.

In The Clinic’s opinion the Central London market for private healthcare has a number of features which distinguish it from private healthcare in other parts of the country. These include:

- A focus on acute care and complex and tertiary surgery (e.g. cardiac, neurosurgery and oncology services)
- World renowned consultants and facilities

<sup>1</sup>

In Central London 12 NHS Trusts comprising 19 hospitals operate 15 PPUs in total. The main NHS teaching hospitals and those operating the most relevant PPUs are: Royal Free, Barts and the Royal London, UCLH, Great Ormond Street Hospital, Guys and St. Thomas, Kings College Hospital, Royal Marsden, Royal Brompton and Harefield, Chelsea and Westminster and Imperial Trust

- A higher proportion of self-paying patients (including many overseas patients) and a patient population drawn from outside the local area
- A dominant local competitor
- High capital and operating costs and limited opportunities for expansion in the immediate area

The distinctive features of the Central London market were recognised by the Competition Commission in its 2000 Report of the BUPA/CHG merger<sup>2</sup>:

*"4.68 Moreover, market conditions in the London region differ markedly from those prevailing elsewhere in the UK."*

Market shares in the provision of PP work in Central London should be measured on a value or revenue basis. As concluded by the Commission in the BUPA/CHG Report<sup>3</sup> *"revenue is to be preferred as the basis for measuring market shares because it reflects physical capacity, its utilisation, and variations in the mix of procedures and services"*. The Clinic strongly agrees with this view as the specialist nature of services provided in the Central London market means that a volume measure such as number of beds is crude and inaccurate. For example, in the field of oncology, the private sector now provides a range of services, such as radiotherapy and stereotactic radiosurgery and an increasing amount of chemotherapy in an outpatient or daycase setting in preference to the traditional in-patient provision.

There is also a case for distinguishing between different segments of the overall market as market shares vary between segments reflecting different conditions of competition.

### **3.0 Features of the market that adversely affect competition**

The Clinic agrees with many of the findings identified by the OFT referring the private healthcare market to the Commission.

#### **3.1 Information asymmetry**

The Clinic agrees that patients and GPs do not always receive all appropriate information to make an informed choice. The Clinic would welcome and fully support the greater provision of information to patients, including financial information on the cost of treatment or details on medical outcomes and details of infection rates. The Clinic would be willing to participate and contribute to any industry forum established to standardise the supply and collation of such information, enabling greater transparency and comparison between hospital providers and providing choice to patients.

#### **3.2 The strength of HCA in the Central London market**

HCA operates six hospitals in Central London and controls the key referral role of LOC in the oncology field. HCA continues to strengthen its position with a significant increase in activity.

<sup>2</sup> British United Provident Association Ltd and Community Hospitals Group Plc: a report on the proposed merger; and British United Provident Association Ltd, Salomon International LLC and Community Hospitals Group Plc; and Salomon International LLC and Community Hospitals Group Plc: a report on the existing mergers

<sup>3</sup> Ibid, paragraph 4.130

#### **4.0 Conclusion**

This letter sets out the initial views of The Clinic. We would welcome the chance to discuss these issues with the Commission in due course and to provide further information and evidence on specific features. At this initial stage, The Clinic has not set out its views on remedies but, again, would welcome the opportunity to do so in due course.

We hope you will find these comments of assistance.

Yours sincerely

**Sanjay Shah**  
**Chief Financial Officer**

CC Christiane Kent – Inquiry Manager