

Group of Consultants 5

5 February 2014

Private Healthcare Market Investigation

We, the undersigned, are concerned that in its investigation of the private healthcare market in the UK, the Competition Commission has not considered sufficiently the significance of London's reputation as a world class centre for healthcare and its place in the 'high end' medical tourism market. As we illustrate below, competition for international patients from the Gulf States and Russia in particular is ever more intense, and whilst the sector is growing, other countries like Singapore, Dubai and Abu Dhabi are outstripping us.

Other cities and countries are working in close partnership with specialist global healthcare providers to meet the high standards expected by international patients, and these providers are regularly having to prioritise the focus of their operations. Given this, we believe that forcing a changed ownership of two of London's leading hospitals (HCA's London Bridge Hospital and The Princess Grace Hospital) will send precisely the wrong message to potential investors in this market as well as leading healthcare providers, and could ultimately chill the level of investment in London and discourage patients from travelling to London for their treatment.

London in the global 'medical tourism' market

The global market for medical tourism is huge: most estimates put it at around £100bn, and KPMG estimate this will be £130bn by 2015. The latest estimates (Treatment Abroad) put the value of international patient spend on medical treatment alone in London at between £280m and £330m a year, and this is predicted to rise by 20% a year.

Whilst much of the overall market consists of patients from developed countries seeking lower-cost elective treatment in developing countries, London has traditionally been a major attraction for those seeking 'high end', high cost treatment. A high proportion of these patients come from the Middle East and Russia, and will often bring several relatives with them. A recent study by the London School of Hygiene and Tropical Medicine estimated that these medical tourists and their families contribute around £219m in additional 'tourism spending' to the UK economy per year.

Private healthcare in London is thus a major generator of jobs and prosperity for the UK, with the medical tourism market alone bringing over £500m a year to the London economy (an currently projected to rise by £100m a year). As well as bringing foreign capital into the UK and obvious advantages to the economy and taxation, it also both enables investment in private medical capacity and reinforces London as an attractive place for talented doctors to work, train and teach. Many of these doctors also work some of the time in the NHS.

Being a major international destination for healthcare visitors also encourages and enables cutting-edge research and the pioneering delivery of new diagnostic and treatment techniques (such as, in HCA, advanced 3T MRI, robot-assisted surgery and CyberKnife radiotherapy in the field of prostate cancer alone). Many significant advances have been instigated in the London private sector, the great majority through investment by HCA in its facilities.

New competition from other countries

However, in this global market many governments are working in partnership with the private sector to promote medical tourism as a potentially lucrative source of foreign revenue.

For example:

- Since 2001 Singapore has aggressively promoted itself as a centre for biomedical and biotechnological activities and now receives 880,000 medical visitors a year (compared to the UK's 52,000).
- The Dubai Health Care City (DHCC) has linked up with Harvard Medical International to tempt the vast numbers of Middle Eastern medical tourists to stay within the Middle East rather than travel east to Asia or west to Europe, with a key selling point of quality, not cost.
- Abu Dhabi is following a similar strategy, with a £3bn investment in the private Cleveland Clinic Abu Dhabi, opening in April 2014, believed to be the largest hospital anywhere in the world.
- The Japanese government has also outlined plans to reverse the outbound medical tourism trend, rolling out a new organisation with the sole aim of increasing inbound medical tourism with a specific focus on high-end, high-cost and skills-intensive procedures.

In addition to the very significant financial investment, all these countries have introduced a range of incentives for providers, including tax incentives, a deliberately benign regulatory environment and in many cases significant easing of visa restrictions for medical tourists.

Future of the UK market

In this light, the lack of coordination of support in the UK is striking. The UK has never had a concerted strategy to support our healthcare industry to be competitive on the international stage, and HCA is the closest we have to an organization that can challenge the best in the world.

The current divestment proposals will not only cause huge short-term disruption to HCA, but more seriously will significantly undermine its ongoing competitive international offering (it will be left with only three full-service hospitals in central London, two of which have fewer than 200 (beds). Such a requirement is a powerful disincentive for HCA itself to add to the £200m it has already invested in its London operations, some of which will now be lost. These forced divestments will also send a very negative message to other potential investors and hospital providers, who are simultaneously being lured by London's rivals with the promise of low regulation, high government investment and a generally more favourable trading environment.

It is clear that London needs a plan that will deliver a vibrant and internationally competitive healthcare offering to match the strong offer from Singapore, the middle East, Germany and the USA, if it is to keep its existing standing as a high-end medical provider of choice. The Mayor of London has previously recognized the contribution of the health sector as a key contributor to economic growth, and this has been reinforced by the current London Health Commission initiative, but there has been little yet to show for it.

With no positive action on the horizon, from either the Government or the Mayor, to enhance London's international standing as a medical destination, the Competition Commission's proposals in respect of these two major hospitals will send exactly the wrong message globally.