

ME/6655/16

**COMPLETED ACQUISITION BY UNIVERSAL HEALTH SERVICES (UHS) OF THE
CAMBIAN ADULT SERVICES DIVISION OF CAMBIAN GROUP PLC**

MERGER NOTICE: 20 February 2017

Confidential Information indicated by [X].

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Appendixes submitted in response to the CMA's request for information dated 24 January 2017 ("RFI 2")

RFI 2 APPENDIX	DESCRIPTION
1.1	[X]
13.1	[X]
13.2	[X]
13.3	[X]

**Appendixes submitted in response to the CMA's request for information dated 30
January 2017 ("RFI 3")**

RFI 3 APPENDIX	DESCRIPTION
1.1	[REDACTED]
1.2	[REDACTED]
1.3	[REDACTED]
5.1	[REDACTED]
6.1	[REDACTED]

EXECUTIVE SUMMARY

Introduction

1. This Merger Notice relates to the completed acquisition of the Cambian Adult Services ("CAS") division of Cambian Group plc ("Cambian"), by Universal Health Services, Inc. ("UHS") (each a "Party" and together the "Parties"). Through the acquisition, UHS has acquired all issued and outstanding shares of CAS (the "Transaction").

The Parties' activities

2. Both Parties operate independent mental health hospitals in the UK.
3. UHS is a US healthcare management company listed on the New York Stock Exchange. UHS operates, through its subsidiaries, acute care hospitals, behavioural health facilities and ambulatory centres in the US, UK, Puerto Rico and the US Virgin Islands.
4. In 2012 UHS acquired Cygnet, which operates 19 mental health hospitals and two residential nursing homes for the elderly across the UK. Cygnet provides a range of services for individuals suffering from a variety of mental health conditions at different stages of the mental health care pathway. However, it is focussed on providing treatment at the higher end of the security scale, e.g. in medium and low secure hospitals, and the higher end of the acuity scale, e.g. acute psychiatric services and psychiatric intensive care units (PICU).
5. Cambian is a UK-based provider of specialist behavioural health services for children and adults in the UK. In particular:
 - (a) Cambian's children's services include: specialist education, residential care, foster care, and mental health services (which were not part of the Transaction); and
 - (b) the CAS division's services include: providing specialist mental health and rehabilitation services, and residential care home services for patients with mental health conditions.
6. In comparison to Cygnet, CAS is focussed on providing services at the lower end of the security scale and mental health care pathway, e.g. providing rehabilitation services and residential care homes in the community sector, with only one site providing mental health treatment in a low secure environment.
7. The table below provides a comparison of the number of beds the Parties provide, broken down across security level and by relevant mental health condition.

Table 1: Overview of the Parties' existing services by number of beds

	Number of beds	
	Cygnet	CAS
Medium secure	80	-
Low secure	273	24
Rehabilitation	297	690
Residential care homes	81	507
Acute and PICU	185	-
Addiction services	3	-
Eating disorders	17	-
CAMHS	122	-
Total	1,058	1,221

8. In relation to residential care homes (in Table 1 above), CAS operates 44 residential care homes that provide treatment for adults with: mental health disorders (6 sites); learning disabilities (27 sites); and Autistic Spectrum Disorders (11 sites). In comparison, Cygnet operates two residential nursing homes for the elderly. These are very different services and do not give rise to a competitive overlap.
9. Accordingly, the focus of the substantive assessment is in relation to the overlap that occurs in relation to (i) rehabilitation services, and (ii) CAS's single low secure facility.

Rationale for the Transaction

10. The Transaction is largely complementary as it will broaden the reach of Cygnet across the mental health care pathway, and across different treatment types.
11. This will be beneficial to patients as it will ease the transitions between different stages of the care pathway (e.g. as patients step down from a secure to a less secure setting). The continuation of care through different stages of the care pathway has been identified as one of the main factors affecting a patient's recovery due to the instability that it creates. Improved patient outcomes as a result of the continuation of care will also benefit the purchasers of mental health services through lower costs (e.g. if patients are able to get back into the community sooner, or are able to be treated at a lower level of security).
12. UHS's strong financial position and access to capital will also enable it to invest in and support Cambian's growth plan. The merged-entity will therefore be in a better position to invest in projects such as hospital expansions, bed additions and new facilities, which will benefit service users.

Jurisdiction

13. The Transaction qualifies for investigation by the CMA on the basis of the turnover test (CAS' annual UK turnover in 2015 was £121 million).
14. The Transaction is not being notified in any other jurisdictions.

Substantive competition assessment

15. Consistent with the CMA's approach in its recent Acadia/Priory decision, the Parties have assessed the impact of the Transaction on separate frames of reference in relation to:
 - (a) medium secure mental healthcare services;
 - (b) low secure mental healthcare services;
 - (c) hospital-based inpatient rehabilitation services;
 - (d) residential care homes (community services);
 - (e) specialist Tier 4 mental healthcare services for children and adolescents (referred to as CAMHS);
 - (f) acute psychiatric services and PICU services;
 - (g) addiction services; and
 - (h) eating disorder services.
16. As mentioned in paragraph 9 above, the only overlaps are in relation to (c) hospital-based inpatient rehabilitation services, and (b) CAS's single low secure mental healthcare facility. The Parties do not overlap in relation to (a) medium secure service; (e) CAMHS;

(f) acute psychiatric and PICU services; (g) addiction services; and (h) eating disorder services, as CAS does not have any mental health hospitals that provide these services. In addition, as mentioned above, there is no overlap in relation to residential care homes (d) as Cygnet only operates two residential nursing homes for the elderly, which are very different from the residential care homes operated by CAS.

17. Consistent with the CMA's approach in Acadia/Priory, the Parties have considered the Transaction on the basis of separate frames of reference for the treatment of different genders e.g. sites that treat only female patients are considered separately from sites that only treat male patients. This is on the basis that there is a clear demand-side distinction between treating male and female patients (i.e. male patients cannot be admitted to a female only ward and vice versa), and it is costly and takes time to re-assign a ward to accommodate a different gender.
18. The Parties have also distinguished between patients requiring different treatment types, namely patients with the following conditions: Acquired Brain Injury ("**ABI**"), Autistic Spectrum Disorders ("**ASD**"), Learning Disabilities ("**LD**"), Long Term Mental Health conditions ("**LTMH**") and Personality Disorders ("**PD**"). This is on the basis that the different requirements of patients mean that different types of treatment cannot be considered alternatives for patients. In addition, in Acadia/Priory the CMA acknowledged that there were difficulties on the supply-side in re-assigning wards to accommodate different types of treatment. Accordingly, in order to assess the overlaps between the Parties' activities in relation to rehabilitation services, we have focussed on the individual treatment types as the narrowest plausible frame of reference.
19. The CMA concluded in its Acadia/Priory decision that competition for mental health services takes place at a local level. In relation to rehabilitation services, the CMA found that the catchment area was consistently calculated as being 75-100 miles for each of individual treatment types as well as when aggregated together across all rehabilitation services. In addition, we have also tested whether these catchment areas are consistent with the catchment areas for the Parties' sites based on patient postcode data. We have, therefore, undertaken a similar catchment area analysis focussing on the closest 80 per cent of CAS's patients for each treatment type. The CAS' patient data shows that the average catchment area across all rehabilitation services is [x] miles.
20. As a result of the high degree of consistency in the catchment area analysis, and the factual evidence contained in Acadia/Priory decision, we have therefore conducted the competitive assessment of rehabilitation sites on the basis of:
 - (a) the average distances identified by the CMA in its Acadia/Priory decision (i.e. using a 75 miles and 100 miles catchment area for each of the different types of rehabilitation services); and
 - (b) using the patient postcode data at the CAS sites for the different types of rehabilitation services as a cross check.
21. Using a range in this way is helpful in providing a means to sensitivity test the analysis, and it avoids potential issues around the binary fallacy which may occur by focusing too heavily on the boundaries of a specific geographic market.

Low secure sites

22. CAS has only one low secure facility, based in Nottingham. This is a specialist facility which provides treatment only to male patients with PD. Whilst Cygnet has a number of low secure mental health hospitals, it has only one facility which provides low secure treatment for patients with PD (the Alvaston ward of Cygnet Hospital Derby). However, this Cygnet facility provides treatment to female only patients.

23. Accordingly, whilst these facilities offer the same security level (i.e. for low secure services) and particular treatment type (i.e. for patients with PD), the Parties' low secure sites do not compete as they do not represent alternatives for patients (i.e. female patients with PD cannot be admitted to the CAS low secure facility, whilst male patients with PD cannot be treated at the Cygnet facility). The Parties' sites are not, therefore, viewed as competitors by patients or commissioning groups. This is also consistent with the approach adopted by the CMA in its Acadia/Priory decision.
24. Cygnet does have one secure facility (Cygnet Hospital Bury) which provides treatment for male patients with PD, but this is at a higher level of security (being a medium secure mental health hospital). As set out above, in its Acadia/Priory decision, medium secure facilities were considered to constitute distinct frames of reference to low secure facilities. Accordingly, consistent with the Acadia/Priory decision, there is no competition between Cygnet's medium secure sites and CAS's low secure facility.
25. In light of the above, the Parties consider that there is no prospect that the Transaction could give rise to a significant lessening of competition ("**SLC**") in relation to CAS's low secure mental health hospital.

Rehabilitation services

26. In line with the CMA's approach in its Acadia/Priory decision, the Parties have considered the overlap between the Parties in relation to rehabilitation services as a three-stage process:
- (a) Firstly, identify the areas in which the Parties overlap (both in relation to specific treatment type, gender and in relation to geographic areas);
 - (b) Second, identify the non-NHS competitors in the areas in which the Parties overlap, and calculate the Parties' share of supply (by number of beds); and
 - (c) Third, in areas where the Parties' combined market share exceeds 30 per cent, consider each of CAS's sites on a site-by-site basis to assess the closeness of competition between the Parties and competitors.
27. In this regard, CAS has 25 sites (35 wards) providing rehabilitation services, and Cygnet has 14 sites (22 wards). Table 2 below provides a summary of the overlap between the Parties in relation to treatment type and by gender.

Table 2: Breakdown of the Parties' rehabilitation services by treatment type

Treatment type	Male/Female	No. of CAS wards	No. of Cygnet wards
ABI	M	3	0
	F	0	0
LD	M	9	0
	F	3	1
PD	M	0	0
	F	3	4
ASD	M	1	1
	F	0	0
LTMH for adults	M	11	6
	F	5	4
LTMH for the elderly	M	0	5
	F	0	1

28. Table 2 shows that there is no overlap between the Parties in relation to: (i) the treatment of ABI, as Cygnet does not have any facilities that offer that treatment type; and (ii) the treatment of LTMH conditions for the elderly, as CAS does not have any facilities providing treatment to elderly patients. In addition, Table 2 also shows that there is no overlap in relation to: Male LD, Male PD, and Female ASD.
29. Accordingly, on the basis of treatment type and gender, the Parties only overlap in relation to Female LD, Female PD, Male ASD, and LTMH for both male and female patients. However, in relation to 12 of the CAS wards either:
- (a) the Parties do not overlap on a local basis (i.e. the Parties' sites are more than 100 miles apart and therefore outside of the most distant catchment area used); or
 - (b) the Parties do overlap, but have a combined market share below 30 per cent on the basis of both a 75 mile and a 100 mile catchment area (and therefore excluded by the filter used by the CMA in its Acadia/Priory decision).
30. The wards that are excluded from further analysis are summarised in the table below.

Table 3: Sites which do not overlap or have a combined share of less than 30%

Treatment type	CAS Site	75 mile	100 mile
LD Female	Cambian Elms	[X]	[X]
	Cambian Views	[X]	[X]
	Fairview Cherry Court	[X]	[X]
LTMH female	Aspen house	[X]	[X]
	Delfryn Lodge	[X]	[X]
	Raglan House	[X]	[X]
	Cambian Appletree	[X]	[X]
LTMH male	Cambian Churchill	[X]	[X]
	Cambian Fountains	[X]	[X]
	Delfryn House	[X]	[X]
	Sedgley House and Sedgley Lodge*	[X]	[X]

*Sedgley House and Sedgley Lodge consists of two separate wards providing the same treatment type on the same site, and therefore have been considered together.

31. There are just 11 CAS wards in respect of which on either the 75 mile or the 100 mile catchment area, a combined market share in excess of 30 per cent is created following the Transaction, as set out in the following table.

Table 4: Wards/sites subject to the site-by-site analysis

Treatment type	Facility	75 mile	100 mile
ASD male	Fairview (Larch Court)	[X]	[X]
PD female	Cambian Acer Clinic	[X]	[X]
	Cambian Alders Clinic	[X]	[X]
	Cambian Aspen Clinic	[X]	[X]
LTMH female	St. Teilo House	[X]	[X]
LTMH male	Cambian Oaks	[X]	[X]
	Cambian Victoria House	[X]	[X]
	Sherwood House	[X]	[X]

	St. Augustine's	[X]	[X]
	Storthfield House	[X]	[X]
	The Limes	[X]	[X]

32. Following the CMA's analysis in Acadia/Priory, UHS considers it is appropriate for each of these overlaps to consider the individual overlapping facilities, their competitors and the conditions of competition in the local areas in order to assess whether an SLC can be expected to arise following the Transaction. This analysis is set out in detail in paragraphs 15.81 *et seq.* below.
33. Whilst a detailed individual site-by-site analysis does not readily lend itself to a summary, UHS submits that the analysis demonstrates that there is no prospect that the Transaction will give rise to a SLC in relation to any of these sites. In each case there are a number of reasons why the Transaction does not give rise to a SLC, including:
- (a) in most cases the Parties' combined market shares (or increments to market shares) are modest and below the level at which competition concerns would typically start to arise;
 - (b) the market shares referenced in this merger notice are likely to overstate the Parties' current market position for three reasons:
 - (i) the Parties have imperfect information on competitors' sites;
 - (ii) the CMA has requested we include the Parties' planned sites in the calculation of market shares, but the Parties have limited information on competitors planned sites; and
 - (iii) some sites treat more than one mental health condition, as market shares are calculated on the basis of capacity all beds should be included in the calculation, but the CMA have requested we allocate beds between treatment types.
 - (c) on a fascia count basis the majority of the sites will continue to have at least five different operators (including the Parties) operating competing facilities within the catchment area following the Transaction. Accordingly, in most cases the Transaction represents at worst a 6-5 merger;
 - (d) the combined PiC/Priory group will continue to exert a strong competitive constraint following the Transaction, [X]. There are also many other independent providers of mental health services that will continue to exert a strong competitive constraint on the Parties;
 - (e) for every single CAS site there is at least one competing site which is located closer to the CAS site than the Cygnet site, and in most cases a number of such sites are present;
 - (f) in relation to the female PD sites, the Cygnet sites provide highly specialised PD treatment for patients towards the upper end of the acuity spectrum ([X]). In comparison the CAS sites (Cambian Acer Clinic, Cambian Alders Clinic and Cambian Aspen Clinic) treat patients with less challenging needs and are generally seen as a step-down from the Cygnet PD sites; and
 - (g) three of the sites (Fairview (Larch Court), St Teilo House and Victoria House) are more than 70 miles from the nearest Cygnet hospital, and in these cases the Parties are not close competitors.

34. In addition, the Parties remain strongly of the view that NHS-funded services compete with private providers in the provision of mental health treatment. In particular, CCGs (the customer of mental health rehabilitation services) have a range of options available when looking to source treatment for mental health patients. Even if there is insufficient capacity at the NHS trust within the CCG area, they can choose to send patients to other publicly funded providers further afield, rather than choosing a private sector provider. Rehabilitation services are also less time critical [✂].
35. Therefore, the Parties note that the market shares presented above are likely to overstate their positions as all NHS provided services have been excluded, which for the reasons mentioned above should be included.

PART I - GENERAL INFORMATION

1. **Provide the name and contact details of:**

a) an individual within each of the merger Parties

UHS

[X]
367 South Gulph Road
PO Box 61558
King of Prussia
Pennsylvania
19406-0958
United States of America
[X]

Cambian

[X]
Waterfront Building
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London
W6 9RU
[X]

b) any authorised representatives of each of the merger Parties

UHS

[X]
Ashurst LLP
Broadwalk House
5 Appold Street
London EC2A 2HA
[X]

Cambian

[X]
Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ
[X]

if not already provided in response to (a) and (b), the person(s) submitting the Notice

UHS (see contact details at (a) above).

d) the person to whom the CMA should address any correspondence.

The Parties' legal representatives (see contact details at (b) above).

PART II - MERGER DETAILS

The merger situation

2. **Describe the arrangements by which the enterprises will cease/have ceased to be distinct (the merger), including:**

a) the parties to the merger (the merger parties)

2.1 **Acquirer:** Universal Health Services, Inc. ("**UHS**"), a company whose shares are listed on the New York Stock Exchange through its wholly owned subsidiary Cygnet Health Care Limited ("**Cygnet**"), a company incorporated in England and Wales (registered no. 02141256); and

2.2 **Target:** the Cambian Adult Services division of Cambian Group plc ("**CAS**"), being held and operated by Care Aspirations Developments Limited (registered no. 07047184), Cambian Healthcare Limited (registered no. 03977299) and Cambian Care Services Limited (registered no. 02683377) and all of their respective subsidiaries (please refer to the Cambian Group structure chart attached as Annex 2.1),

together, the "**Parties**".

b) the type of Transaction

2.3 The Acquirer has acquired all issued and outstanding shares of the Target companies (the "**Transaction**").

c) the consideration

2.4 The consideration amounted to £377,000,000 [⌘].

d) the key terms

2.5 [⌘].

e) the timing

2.6 The Transaction was announced on 5 December 2016; signing took place on 5 December 2016; and the Transaction completed on 28 December 2016.

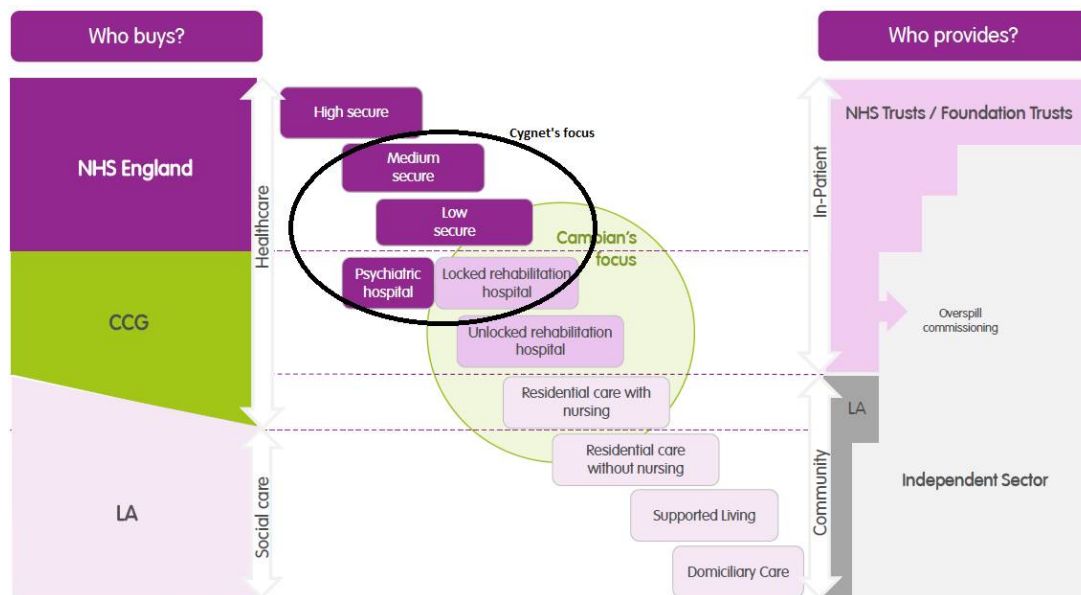
f) the strategic and economic rationale for the Transaction

2.7 The Transaction is largely complementary as it will broaden the reach of Cygnet across the mental health care pathway, and across different treatment types.

2.8 Cygnet currently operates 21 facilities (with more than 1,000 beds) with a focus on service users with high acuity needs and/or those requiring a secure setting. In contrast, CAS' main focus is on the provision of different types of rehabilitation services to service users with less demanding requirements, with a significant proportion of CAS' business being residential care homes in the community sector.

2.9 The following chart provides an illustration of the different stages in the care pathway for patients with mental health conditions, and highlights the complementary nature of the Parties' businesses. The green circle highlights CAS' focus within the care pathway, whilst the black circle highlights Cygnet's primary focus. There are also differences between the Parties in the type of treatment provided at the different stages in the care pathway, which is a further differentiating factor.

Figure 2.1: Chart to show the different stages of the care pathway



Source: Slide 13 of Cambian's management presentation with overlay of Cygnet focus area

- 2.10 The Transaction will be beneficial to service users as it will ease the transitions between different stages of the care pathway (e.g. as patients step down from a secure to a less secure setting). The continuation of care through different stages of the care pathway has been identified as being one of the main factors affecting a patient's recovery as it can result in a significant amount of instability. In this regard, section 1.7 of the NICE mental health guidelines emphasise that at discharge and transfer of care, it is important to "Anticipate that withdrawal and ending of treatments or services, and transition from one service to another, may evoke strong emotions and reactions in people using mental health services".¹ Accordingly, by being able to offer a seamless transition process, the amount of instability and upheaval that can occur to patients in transitioning between different stages in the care pathway can be minimised.
- 2.11 The Transaction will also benefit the customers of mental health services (e.g. NHS England ("**NHSE**"), NHS Wales ("**NHSW**") and Clinical Commissioning Groups ("**CCGs**")) by ensuring the continuity of care throughout the different stages of the care pathway. Any improvement to patient outcomes in the treatment of mental health conditions will clearly also benefit the purchasers of those services through lower costs (e.g. if patients are able to get back into the community sooner, or are able to be treated at a lower level of security).
- 2.12 UHS's strong financial position and access to capital will also enable it to invest in and support Cambian's growth plan. The merged-entity will therefore be in a better position to invest in projects [X], which will benefit service users. [X].
- g) whether it is being notified in any other jurisdictions and, if so, whether the merger parties are willing to offer a waiver to support coordination between the CMA and the competition authorities in those jurisdictions, and**
- 2.13 The Transaction is not being notified in any other jurisdictions.
- h) the ownership structure pre and post-merger, including any pre-merger links between the merger parties.**

¹ <https://www.nice.org.uk/guidance/cg136/chapter/1-guidance#hospital-care>

2.14 The Acquirer has acquired 100 per cent of the issued and outstanding shares of the Target companies. [X].

3. **Provide a brief description of the businesses of the merger parties (and, where relevant, their groups).**

GENERAL OVERVIEW

UHS

3.1 As explained above, UHS is a US healthcare management company listed on the New York Stock Exchange. UHS operates, through its subsidiaries, acute care hospitals, behavioural health facilities and ambulatory centres in the US, UK, Puerto Rico and the US Virgin Islands. In particular, it provides comprehensive inpatient and outpatient mental health and substance abuse services, as well as a number of specialist programmes for eating disorders ("**ED**"), trauma, autism spectrum disorders ("**ASD**"), and neuropsychiatry services. It also operates an acute care division, providing medical and surgical services.

3.2 In 2014, the UHS Behavioural Health Division made its first acquisition in the UK, when it acquired Cygnet. Cygnet was originally founded in 1988, and offers a range of services for individuals suffering from a variety of mental health conditions. Cygnet operates 21 centres throughout England, including two registered nursing homes providing long term and respite care for private fee-paying elderly residents with dementia and age related mental health conditions. Cygnet is recognised as a specialist provider by the NHS across England and Wales.

3.3 The corporate structure chart and organisation chart for Cygnet is attached at Annex 3.1 and Annex 3.2 to the merger notice.

Cambian

3.4 Cambian Group Plc ("**Cambian**") is a UK-based provider of specialist behavioural health services for children and adults in the UK. In particular:

(a) Cambian's children's services include: specialist education, residential care, foster care, and mental health services; and

(b) Cambian's adult services include: specialist mental health services (including providing treatment for patients with acquired brain injuries, long term mental health conditions, learning disabilities, personality disorders, and autistic spectrum disorders), and residential care home services for patients with mental health conditions (see further detail below).

3.5 In April 2014, Cambian and Advanced Child Care merged and Cambian is now listed on the London Stock Exchange.

3.6 The Transaction involves the acquisition by UHS of Cambian's Adult Services Division only (see section 2 above).

3.7 CAS delivers its services across England and Wales, with a number of local pathways that provide for service users as they get better. Further details about its specific service offerings are explained below.

SERVICE USERS' CARE PATHWAY

3.8 The care pathway diagram in Figure 2.1 above, can be broken down into (i) different levels of security, and (ii) different treatment types. Each of these segmentations is discussed in further detail below.

Levels of security

3.9 As shown in Figure 2.1, mental health services are provided with different levels of security at different stages of the care pathway, depending on patients' needs:

- (a) secure mental health services are inpatient services for adults with mental health conditions who present a significant risk to others or are already in the criminal justice system. All patients in secure services are detained under the Mental Health Act 1983 (England), and all providers of secure mental healthcare services must meet certain security requirements, which vary depending on the security level. In this regard, there are three recognised levels of security:
 - (i) high and medium secure services are for people whose mental illness makes them a risk to others, or who are subject to custody and cannot be transferred to open conditions due to the nature of their offence.² High secure services are only provided by NHS trusts; and
 - (ii) low secure services are for those patients who have long-standing and complex problems but cannot be safely or successfully cared for in acute inpatient wards. Whilst these facilities do not have the same security requirements as medium/high secure services, patients present a level of risk greater than general mental health services could safely address.
- (b) rehabilitation services enable service users in long term secure placements or those with serious acute conditions to be treated in a therapeutic and relatively temporary setting. The overall aim of rehabilitation services is to prepare patients to be introduced back into society or move patients into long term residential/community care facilities; and
- (c) residential/community care facilities are long term placements in a social care setting. Patients have learnt to manage their mental health conditions (i.e. they do not require further rehabilitation), but are unable to live unsupported in society.

Different treatment types

3.10 Treatment at the different stages of the mental health care pathway can also be broken down based on the underlying mental health condition the treatment is addressing. Rehabilitation services typically treat the following conditions:³

- (a) Long Term Mental Health ("**LTMH**") conditions, which can be defined as a range of psychological and psychiatric conditions or disorders with symptoms that cause significant distress and/or dysfunction, including cognitive, emotional, behavioural and interpersonal impairments;
- (b) Personality Disorders ("**PD**"), i.e. conditions in which an individual differs significantly from an average person, in terms of how they think, perceive, feel or relate to others;
- (c) Learning Disabilities ("**LD**"), i.e. a lifelong reduced intellectual ability which has a lasting impact on capacity to learn new skills, understand new information, and to cope with independent living;
- (d) Autism Spectrum Disorder ("**ASD**"), which is a condition which affects social interaction, communication, interests and behaviour, the symptoms of which can often be recognised during early childhood; and

² [REDACTED].

³ [REDACTED].

- (e) Acquired Brain Injuries ("**ABI**"), which includes traumatic or non-traumatic injury or illness resulting in temporary or permanent impairment of brain function, with potential consequences for functional ability. Common causes include accidents and stroke, and can include the effects of alcoholism, drug abuse/misuse, and anoxic/hypoxic injury.
- 3.11 Cygnet also provides a range of services which aim to treat patients with different levels of acuity in their underlying mental health condition. These include:
- (a) Acute psychiatric services ("**Acute**") which are provided to patients in mental health crisis who require short term admissions of around three to six weeks (compared to between 12 months and three years for rehabilitation services);
 - (b) Psychiatric Intensive Care Units ("**PICU**") designed for patients that cannot be managed on Acute wards due to the level of risk they pose to themselves or others (PICUs are often classed as 'low secure', although they are designed for a shorter stay and are more resource intensive than low secure facilities).
- 3.12 Cygnet also provides a small number of beds for addiction services, which provide treatment for patients suffering from drug or alcohol addiction and require detoxification, rehabilitation or aftercare, and for treating patients with eating disorders.
- 3.13 In addition, Child and Adolescent Mental Health Services ("**CAMHS**") provide many of the same services set out above, e.g. low secure, but targeted at children and adolescents rather than adults.

FOCUS OF THE PARTIES' SERVICES

- 3.14 As explained above, the Parties' respective offerings focus on different stages of the care pathway, and therefore many of their services are complementary. The table below sets out a comparison of the number of beds the Parties provide, broken down across security level and by relevant mental health condition.

Table 3.1: Overview of the Parties' existing services by number of beds

	Number of beds	
	Cygnet	CAS
Medium secure	80	0
Low secure	273	24
Rehabilitation	297	690
Community	81	507*
Acute and PICU	185	0
Addiction services	3	0
Eating disorders	17	0
CAMHS	122	0
Total	1,058	1,221

* Number of CAS community beds also includes 87 day places.

- 3.15 A full summary of the Parties' sites is given in Annex 3.3.
- 3.16 Cygnet provides mental health services across the complete mental health care pathway. However, it is focussed on providing treatment at the higher end of the security scale, e.g. medium and low secure, and the higher end of the acuity scale, e.g. Acute and PICU.
- 3.17 In total Cygnet has 19 existing mental health hospitals and two elderly residential care homes that provide the following services:

- (a) medium secure services on six wards at two different sites in Stevenage and Bury with 80 beds in total;
- (b) low secure services on 19 wards at ten different sites in Godden Green, Bierley, Kewstoke, Beckton, Blackheath, Derby, Harrow, Stevenage, Bury, Sheffield and Woking with 273 beds in total;
- (c) rehabilitation services on 22 wards at 14 different sites in Bierley, Kewstoke, Beckton, Brighthouse, Derby, Ealing, Harrow, Wyke, Lewisham, Kenton, Taunton, Bury, Sheffield and Woking with a total of 297 beds;
- (d) community services at two residential nursing homes in Cheshire and Surrey, both of which are dedicated to providing residential care for patients aged 50+ with dementia and age-related mental health conditions;
- (e) Acute and PICU services on 12 wards at eight different sites in Bierley, Kewstoke, Beckton, Blackheath, Harrogate, Harrow, Stevenage and Wyke with a total of 185 beds;
- (f) addiction services on one ward in Harrogate with a total of three beds;
- (g) eating disorder services on one ward in Ealing with a total of 17 beds; and
- (h) CAMHS services on 12 wards at four sites in Godden Green, Bury, Sheffield and Woking with a total of 122 beds.

3.18 In comparison, CAS is focussed on providing lower security services, e.g. rehabilitation and community services, with only one site that provides low secure services. In total CAS has 61 existing sites that provide the following services:

- (a) low secure services at one site in Nottingham with a total of 24 beds;
- (b) rehabilitation services at 25 sites (35 wards) across the UK with a total of 690 beds; and
- (c) inpatient residential care home services at 37 sites across the UK with a total of 420 beds, and day community services at three sites (in Derby, Nottingham and Sheffield) with spaces for 87 patients.

3.19 Accordingly, there is no overlap between the Parties in relation to the following services:

- (a) medium secure services;
- (b) Acute and PICU services;
- (c) addiction services;
- (d) eating disorder services; and
- (e) CAMHS services.

3.20 As explained in response to Question 1, RFI 2, it is noted that all of the Parties' wards [redacted]. For further information please see Question 6, RFI 1; Question 8, RFI 2; and Question 2, RFI 3.

Location of Parties' sites

3.21 In terms of location, both Parties are active in the UK, and the maps below show the Parties' sites, segmented into categories of service provided. A geographical analysis relating to the Transaction is provided in section 15 below.

Figure 3.1: Location of CAS sites

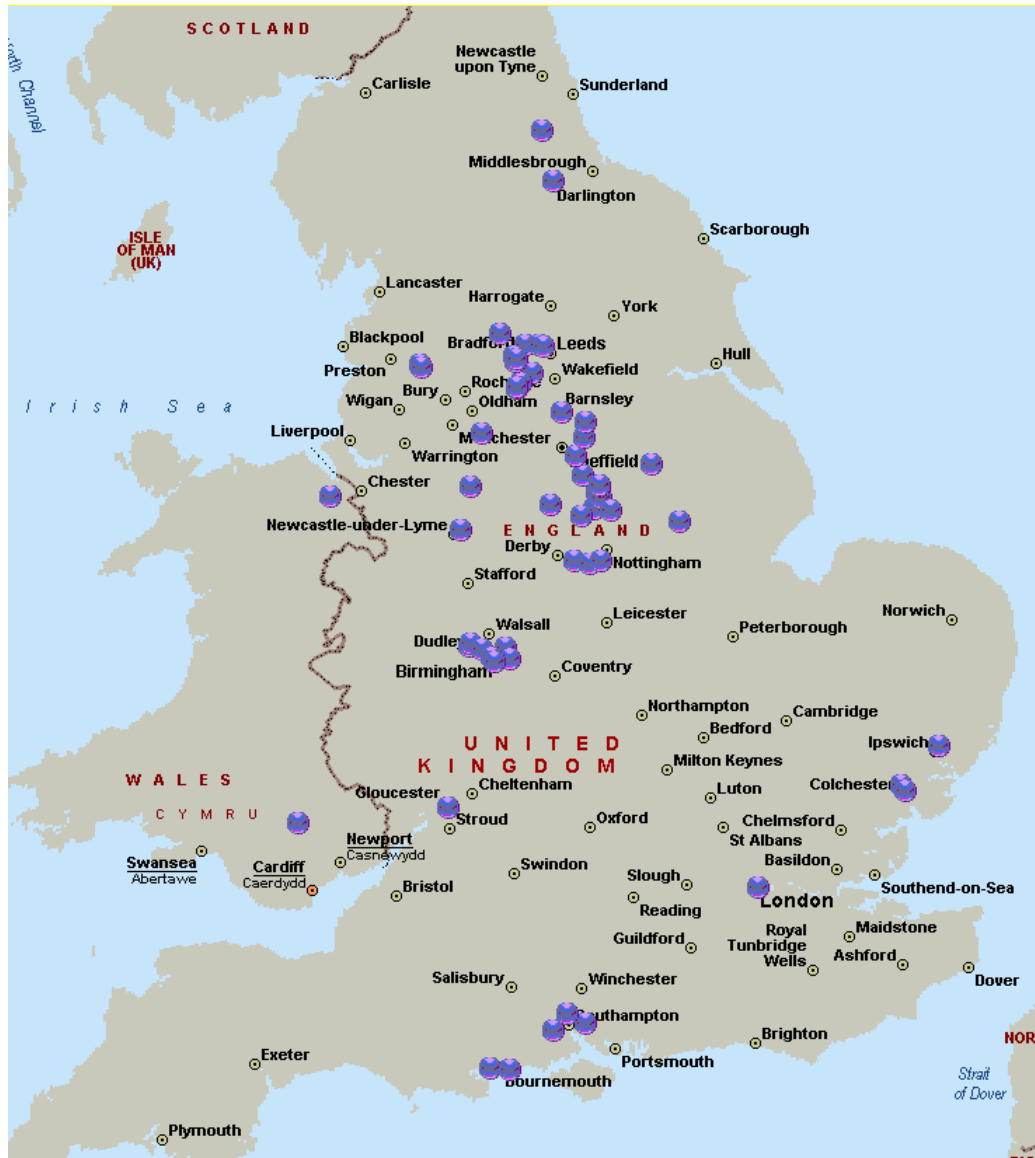


Figure 3.2: Location of Cygnet sites



4. **Provide brief details of any other Transactions (merger, acquisition, disposal, joint venture) undertaken by:**

- a) **either of the merger parties in the last two years which involve the products or services in any Candidate Market identified in response to question 13, and**

UHS

4.1 As explained above, in September 2014, the behavioural health division of UHS completed its first acquisition in the UK, when it acquired Cygnet for c. [REDACTED]. Cygnet provides services for adolescents and adults with acute MH conditions, ED, chemical dependence, PD and ASD. The acquisition added 17 facilities located throughout the UK, including 15 inpatient behavioural health hospitals and two nursing homes.⁴

4.2 In the first quarter of 2015, UHS acquired a 46-bed behavioural health care facility in the UK (see page 1 of the 2015 10-K filing)⁵; and in August 2015, UHS (via its UK subsidiary, Cygnet) acquired Alpha Hospital Holdings, consisting of four behavioural health care hospitals with 305 beds located in the UK. In the descriptions/details above, the Alpha facilities are included in the Cygnet information.

4.3 In this connection, please see the following attachments in response to Question 19, RFI 1: [REDACTED]

Cambian

4.4 In December 2014, Cambian acquired Woodleigh Community Care, which provides specialist, community-based, residential care for adults with learning disabilities.⁶ [REDACTED]. Only one of the Woodleigh sites (Woodside) provides rehabilitation services and therefore this document is focussed on the residential care home and supported living sector.

4.5 [REDACTED].

- b) **both or all merger parties in the last two years (that is, where the merger parties were party to the same Transaction).**

4.6 N/A

Jurisdiction

5. **Explain why:**

- a) **a relevant merger situation (as per section 23 of the Act) has been created, or**
- b) **arrangements are in progress or contemplation which will result in the creation of a relevant merger situation.**

5.1 The Transaction has resulted in enterprises (UHS and CAS) ceasing to be distinct, thus creating a "merger situation" under the Enterprise Act 2002 ("EA02").

⁴ UHS Annual Report 2014, page 13. [REDACTED].

⁵ This site was a stand-alone specialist hospital for older adults in Somerset. It has since been re-branded to Cygnet Hospital Taunton.

⁶ Slide 59, Cambian Management Presentation.

5.2 As the UK turnover of CAS was well in excess of £70 million in the last financial year (see section 6 below), the Transaction qualifies for investigation by the CMA on the basis of the turnover test.

6. **Indicate the annual UK, EEA, and worldwide turnover in the last financial year associated with each of:**

a) the acquirer (including group companies where relevant – see Annexe B of the Guidance), and

6.1 UHS' turnover for the year ended 31 December 2015 in the jurisdictions set out below was as follows:

(a) UK turnover: [X];

(b) EEA turnover: [X]; and

(c) Worldwide turnover: \$9,043 million (c. £5,908 million).⁷

b) the target (if not already provided under question 5).

6.2 The turnover for the year ended 31 December 2015 of CAS was as follows:

(a) UK turnover: £121 million;

(b) EEA turnover: £121 million; and

(c) Worldwide turnover: £121 million.⁸

7. **Explain why the Transaction is not subject to the European Union Merger Regulation (EU Merger Regulation), (highlighting whether it is notifiable in the UK by virtue of the 'two-thirds' rule in article 1(2) or 1(3) of that Regulation).**

7.1 On the basis of the Parties' published accounts for 2015, the Transaction does not fall for consideration under the EU Merger Regulation ("EUMR"). This reflects the fact that all of Cambian's 2015 revenue was generated in the UK, while all of UHS' 2015 Community-wide turnover was generated in the UK. Accordingly, neither the primary nor the secondary EUMR thresholds are met.

Supporting documents

8. **Provide:**

a) a press release or report and details of any notifications to listing authorities (for example, for admission to the UK Listing Authority Official List and for admission to trading on the London Stock Exchange) or other documentation evidencing that the merger (or merger proposal) has been made public, and

8.1 Please find attached to this Merger Notice:

(a) a copy of UHS' announcement of the Transaction on 5 December 2016, at Annex 8.1; and

(b) a copy of Cambian's announcement of the Transaction on 5 December 2016, at Annex 8.2.

⁷ Based on HMRC average exchange rate for y/e 31 December 2015 of 1.530538.

⁸ All revenue for the Cambian Group is generated within the UK (see page 113 of 2015 Annual Report).

- b) **a copy of the documents bringing about the merger situation, including any heads of terms, memorandum of understanding, sale and purchase agreement, business purchase agreement or equivalent. Where these are not in final form, please provide the latest draft and keep the CMA informed of any subsequent changes to the document.**

8.2 The Parties attach to this Merger Notice: [✂]

- c) **If the offer is subject to the City Code, copies of the Offer Document and Listing Particulars. If these are not yet available, provide copies of the latest drafts and supply the final versions as soon as they are issued.**

8.3 N/A

- d) **for each of the acquirer and acquirer group (if relevant) and the target (or merger parties in the case of a full merger), the most recent annual report and accounts and last set of monthly management accounts.**

8.4 UHS' 2015 Annual Report is attached at Annex 8.6, and Cambian's 2015 Annual Report is attached at Annex 8.7.

8.5 [✂].

- e) **copies of the most recent business plan of the acquirer and acquirer group (if relevant) and the target (or merger parties in the case of a full merger). Where any horizontal overlap or vertical relationship involves, for example, a specific division or brand of one or both of the merger parties, a business plan for the relevant division or brand should be provided as well.**

8.6 [✂].

8.7 [✂].

9. **Provide copies of any documents (including but not limited to minutes of meetings, studies, reports, presentations, surveys, analyses or recommendations) in either of the merger parties' possession which:**

- a) **have been prepared by or for, or received by, any member of the board of directors (or equivalent body) or senior management or shareholders of either merger party (whether prepared internally or by external consultants), and**

b) **either:**

- i) **set out the rationale for the merger (including but not limited to the benefits of, and/or investment case for, the acquisition), or**
- ii) **assess or analyse the merger with respect to competitive conditions, competitors (actual and potential), potential for sales growth or expansion into new product or geographic areas, market conditions, market shares and/or the price to be paid. This should include but not necessarily be limited to post-merger business plans or strategy (including integration plans and financial forecasts) and Information Memoranda prepared by or for the merger parties and in either of their possession that specifically relate to the sale of the target. If no such Information Memoranda exist, explain what information or document(s) given to any of the merger parties is meant to serve the function of an Information Memorandum.**

Indicate (if not contained in the document itself) the date of preparation and the identity and role of the author(s) within the merger parties or external consultants.

9.1 Please find attached to this Merger Notice: [✂].

10. **Provide:**

- a) **copies of documents (including but not necessarily limited to reports, presentations, studies, analysis, industry/market reports or analysis – including customer research and pricing studies) in either merger parties' possession and prepared or published in the last two years which set out the competitive conditions, market conditions, market shares, or competitors in the industry or business areas where the merger parties have a horizontal overlap as identified in response to question 12 below.**
- b) **any marketing and advertising strategy documents generated by, or on behalf of, either of the merger parties in the last year and which relate to the product(s) or service(s) where the merger parties have a horizontal overlap as identified in response to question 12 below.**

10.1 Please find attached to this Merger Notice: [✂].

10.2 [✂].

Counterfactual

11. **If the notifying parties consider that the CMA should assess the competitive effects of the merger against a counterfactual other than the current or pre-existing competitive situation, please describe that counterfactual and explain why the notifying parties consider it should be used for that assessment.**

11.1 The merger should be assessed against the existing competitive situation.

Market definition

12. **Describe the product(s) or service(s) and geographic area(s) where the merger parties overlap, where they have a vertical relationship, or where they supply related products/services.**

12.1 The Parties overlap in the provision of certain types of rehabilitation services within mental health hospitals in the UK. As set out further below, there is no overlap in relation to secure mental health services, or in relation to mental health services provided to the community (i.e. in residential care homes).

13. **Identify (and explain the rationale for identifying):**

- a) **the narrowest candidate product/service and geographic market(s) where the merger parties overlap, and (if the parties have a vertical relationship or supply related products/services) the narrowest candidate product/service and geographic market(s) at each level of the vertical supply chain and for each related product/service (the Narrowest Candidate Market(s)).**
- b) **any other plausible candidate product/service and geographic market(s) where the merger parties overlap, have a vertical relationship, or supply related products/services (together with the Narrowest Candidate Market(s), the Candidate Market(s)).**

Product market definition

- 13.1 In its recent Acadia/Priory decision,⁹ the CMA sought to identify the individual treatments at mental health hospitals which both parties provided. This approach resulted in the CMA considering separate frames of reference for each overlap service in relation to:
- (a) secure mental healthcare services;
 - (b) specialist Tier 4 mental healthcare services for children and adolescents (referred to as CAMHS);
 - (c) acute psychiatric services;
 - (d) psychiatric intensive care unit services (referred to as PICU); and
 - (e) hospital-based inpatient rehabilitation services.
- 13.2 In this regard, only (a) secure mental healthcare services, and (e) hospital-based inpatient rehabilitation services are relevant to the assessment of UHS' acquisition of CAS' business. CAS does not have any mental health hospitals that provide CAMHS, PICU or acute psychiatric services.
- 13.3 The CMA also identified a number of further distinct segments within each overlap service, which it said constitute distinct frames of reference. This included consideration of:
- (a) the level of security required (e.g. locked/unlocked, low secure, medium secure), which represents different stages on the care pathway (as referred to in section 3 above);
 - (b) the service user's gender (and, therefore, in many cases the need to treat that patient on a single-sex ward). This reflects the fact that women cannot be treated in a male-only facility, and vice versa;
 - (c) the patient's conditions or symptoms (which could require specialist clinical staff or could limit the categories of patients that could be treated alongside others with different conditions or symptoms); and
 - (d) the CMA also considered whether a further delineation could be drawn between day-case, outpatient and inpatient treatment.
- 13.4 The approach adopted by the CMA was in line with its previous decisional practice in mergers involving providers of healthcare services, which considered whether individual healthcare services were substitutable from the perspective of the patient (i.e. on the demand-side).
- 13.5 Moreover, in its Advent/Priory decision, the OFT considered residential care homes for adults with MH disorders and LD separately from (i) residential care homes for the elderly; and (ii) from the provision of treatment in mental health hospitals.¹⁰ This provides a further distinction to market definition which is relevant for the purposes of the Transaction, given that a significant proportion of CAS' business is in relation to the provision of mental health services in residential care homes (i.e. in the community sector).

⁹ Completed acquisition by Acadia Healthcare Company, INC. of Priory Group No. 1 Ltd (Case ME/6587/16).

¹⁰ OFT Decision: Completed acquisition by Advent International Corporation of Priory Investment Holdings Limited (Case ME/4897/11)

13.6 Accordingly, in light of the CMA's Acadia/Priory and Advent/Priory decisions, we have adopted a similar approach in this case. However, as requested by the CMA, we have also provided market shares on a wider basis. Please see RFI 1 Appendix 1.1.

Product markets in relation to Cambian's business

13.7 The activities of CAS' business is summarised in the following table, with each combination of security, treatment type, and gender being considered as a separate frame of reference (on the basis of the Acadia/Priory and Advent/Priory decisions).

Table 13.1: Overview of CAS' activities by product market

Security	Services by treatment type	Gender
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED].

13.8 This table and section 3 above show that CAS' business provides:

- (a) rehabilitation services;
- (b) residential care homes for the treatment of adults with MH conditions in the community; and
- (c) it also has a single low secure mental health hospital (in Nottingham), which is discussed further below.

Level of security

13.9 The Parties agree with the approach adopted by the CMA in its Acadia/Priory decision to segment the market on the basis of different levels of security.

Level of security: secure services

13.10 As explained in section 3 above, in relation to secure services, there are three recognised levels of security: high secure, medium secure and low secure. The Parties consider that each of these levels of security represent different markets, reflecting the severity of the patient's condition and the level of risk that they pose both to themselves and to others (i.e. they are not substitutable for patients).

13.11 In addition, there are material barriers to switching between low and medium secure facilities (and vice versa) due to different security requirements, different clinical needs of patients, and different skills of the specialist staff. Accordingly, in relation to CAS' single low secure facility, this has been considered within a market definition which considers low secure services only.

Level of security: Rehabilitation services

13.12 In relation to rehabilitation services, the Parties note that the CMA commented in its Acadia/Priory decision that "The CMA did not consider locked rehabilitation as a separate frame of reference [to unlocked] due to the fact that only certain patients would have security requirements and due to the ease of supply side substitutability: a locked facility

can become an open facility by simply giving the patients a key."¹¹ UHS agrees with this approach as there is no clear cut distinction between locked and open facilities. In particular, many 'open' facilities are still required to have a locked front door, and are therefore still viewed as being a locked facility by some commissioners. This is very different to secure hospitals where there are clear distinctions between the different levels of security.

13.13 By way of further detail, as explained in response to Question 4, RFI 2, patient access at locked rehabilitation sites is controlled, i.e. patients cannot leave the site without permission. Patients at locked sites fall into two categories:

- (a) most patients at locked sites are detained, either as a result of clinical advice or due to a Ministry of Justice (MoJ) requirement. Detained patients need express permission to leave a site; and
- (b) patients at a locked site on a voluntary basis are not allowed to leave the site freely, but they must be allowed to leave if they seek permission from staff.

1.2 In terms of changing the status of a locked individual, if a patient is detained as a result of clinical advice the locked status can be changed following a clinical review and risk assessment. If a patient is detained under a MoJ requirement then following a review and risk assessment the Responsible Clinician needs to seek MoJ permission to change the patient's status.

13.14 In theory patients at open sites are free to come and go as they wish. However, there is often a blurred line between locked and open sites. For example, a site may describe itself as open, but the front door to the site may be locked and patients may need to seek staff permission to leave and therefore the site is still viewed as being a locked facility by commissioners. In many cases, it is not possible to determine whether a particular competitor site is locked or open.

13.15 On the basis that it is relatively easy to convert a locked site into an open site and vice versa (see CMA's comments in Acadia/Priory above), the Parties consider locked and open rehabilitation sites to be part of the same frame of reference. In any case, the Parties note that most rehabilitation sites are locked. In particular:

- (a) All of CAS's rehabilitation sites are locked.
- (b) All of Cygnet's rehabilitation sites are locked with the exception of the Springs Wing at Cygnet Hospital Harrow. In addition, [REDACTED].

13.16 Accordingly, the Parties have carried out the overlap analysis on the basis that both locked and unlocked rehabilitation services are considered together.

Level of security: community facilities

13.17 In relation to residential care homes in the community sector, these represent a further step down in the care pathway and enable patients to be integrated back into the community. The community sector includes: residential care with nursing, residential care without nursing, supported living, and domiciliary care. Due to the low security risk, and less demanding clinical needs of patients, residential care homes do not provide alternatives for patients that require treatment within a locked/unlocked or secure mental health hospital (or vice versa). The services in the community sector are also predominantly purchased by Local Authorities ("LA") (rather than CCGs or the NHS who purchase treatment in mental health hospitals). Accordingly, there is a relatively clear

¹¹ Footnote 237. Completed acquisition by Acadia Healthcare Company, INC. of Priory Group No. 1 Ltd (Case ME/6587/16).

separation between the lowest level of treatment provided in a mental health hospital (i.e. unlocked rehabilitation services) and residential care provided in the community.

- 13.18 The Parties have, therefore, considered residential care homes, and the community sector in general, separately to treatment in mental health hospitals.

Different treatment types

- 13.19 Within each of the different levels of security for rehabilitation services, the Parties recognise that service users have different clinical needs, and the facilities are set up differently in order to accommodate patients' requirements.
- 13.20 For patients in *secure* mental health hospitals, the CMA distinguished in its Acadia/Priory decision between the following different types of rehabilitation service: PD; ABI; ASD; LD; and long-term mental health conditions ("**LTMH**"). This was on the basis that the different requirements of patients meant that the different types of treatment could not be considered alternatives for patients. In addition, the CMA acknowledged that there were difficulties on the supply-side in re-assigning wards to accommodate different types of treatment. Accordingly, in order to assess the Transaction in relation to CAS' single low secure hospital (in Nottingham), which focuses on patients with PD, we have considered the treatment of PD within a low secure mental health hospital as the narrowest frame of reference.
- 13.21 For patients of *rehabilitation services*, the CMA adopted a similar approach by distinguishing between patients with the following conditions: ABI, ASD, LD and LTMH (the treatment of PD was included within the LTMH frame of reference). The CMA also considered the market for rehabilitation services as a whole on the basis of the possibility of supply-side substitution, although it acknowledged that there were barriers to switching between treatment types, and that there was a lack of evidence that such switching would occur in response to short to medium term changes in the competitive environment. Accordingly, in order to assess the overlaps between the Parties' activities in relation to rehabilitation facilities we have focussed on the individual treatment types as the narrowest plausible frame of reference.
- 13.22 In relation to residential care homes, as mentioned above, in its Advent/Priory decision the OFT considered residential care homes for adults with MH disorders and LD separately from residential care homes for the elderly. In this regard, CAS operates 44 residential care homes that provide treatment for adults with: mental health disorders (6 sites); learning disabilities (27 sites); and ASD (11 sites). In comparison, Cygnet operates just two residential care homes. As mentioned above, both Tabley House in Cheshire and Tupwood Gate in Surrey are dedicated to providing residential care for patients aged 50+ with dementia and age related mental health conditions. These sites require specially trained clinical staff and provide treatment to patients with very different clinical needs to those at the CAS facilities. Accordingly, there is no overlap between the Parties in the community sector.

Split by gender

- 13.23 In its Acadia/Priory decision, the CMA considered separate frames of reference for male and female patients, at different levels of security and for different types of treatment. This was on the basis that male patients cannot be placed on wards dedicated to treating female patients (and vice versa), and this was supported by comments from customers. In addition, the Care Quality Commission ("**CQC**") has mandated that wards should be single sex for the dignity and respect of patients. Whilst there are some mixed sex facilities, these tend to have dedicated wards for treating male and female patients only.
- 13.24 Moreover, whilst it may be possible to re-designate a ward in the longer term from treating male to treating female patients (or vice versa), this is not a straightforward task.

(Please see further comments below.) This reflects the fact that rehabilitation patients are typically treated for long periods of time, which gives rise to a range of practical difficulties for any transition of service. In particular, as patient discharges tend to be infrequent and not aligned, this can result in running a facility inefficiently and below capacity for a significant period of time until all patients have been discharged before the transition can take place.

- 13.25 Accordingly, as there is a clear demand-side distinction between treating male and female patients, the most immediate competitive threat on the Parties is in relation to facilities that treat patients with the same condition, at the same level of security, and of the same gender. The Parties have, therefore, adopted this split in the competitive assessment.

Re-designating wards

- 13.26 As noted in response to Question 3, RFI 1 and Question 2, RFI 2, re-designating a ward is a significant task and the decision is not undertaken lightly. There are three steps involved in the re-designation of a ward: (i) discharging or relocating patients; (ii) retraining or recruiting staff and retooling the ward; and (iii) admitting new patients.

- 13.27 These steps are the same in any re-designation, but the time involved in each step can vary significantly depending on the ward and how the conversion is managed. On average re-designating a ward is expected to take around [X]. This can be broken down as follows:

- (a) approximately [X] to relocate or transfer existing patients to a different site (however, this can vary significantly depending on the site);
- (b) approximately [X] where the ward is closed in order to retrain existing employees and recruit new employees (in the case of converting a ward to a specialist service, [X], this can take significantly longer as staff require more specialised training, see further details below).¹² Depending on the re-designation it may also be necessary to retool the ward to provide a different living environment. For example, when converting a LTMH ward into a specialist ward (ABI, ASD, LD or PD) it would usually be necessary to convert some of the bedrooms into additional community space and specialist treatment rooms; and
- (c) approximately [X] to get the ward back to previous occupancy levels or a reasonable level of capacity. (In this regard, it is emphasised that as well as the direct cost of converting a ward, e.g. the cost of reconfiguring rooms and retraining staff, there is a significant loss of revenues as the ward is not operating at full capacity during this period. For example, [X] (which excludes the additional capital costs of converting the ward).

- 13.28 As requested by the CMA, please see RFI 1 Appendix 3.1 for a list of Cygnet wards which have changed use in the last four years and RFI 1 Appendix 3.2 for a list of CAS wards which have changed use in the last four years. The average time for re-designating a Cygnet ward was [X].

- 13.29 The Parties note that although Cygnet has changed the use of [X] wards in the last four years, not all of these conversions involved a rehabilitation service:

- (a) [X] converted from low secure to acute;
- (b) [X] ward (previously [X] acute ward) [X] converted to [X] CAMHS ward;
- (c) [X] LTMH rehabilitation wards changed gender; and

¹² Although in some instances this stage can be completed at the same time as relocating existing patients.

- (d) [redacted] low secure ward [redacted] highly specialised PD rehabilitation ward to treat high risk and high acuity patients.
- 13.30 As explained in response to Question 2, RFI 2, CAS has changed the use of [redacted] rehabilitation wards in the past four years. [redacted]. In relation to [redacted] CAS wards that have been converted:
- (a) Cambian Aspen Clinic was converted from a 20 bed LTMH ward to a 16 bed PD ward in 2014. Aspen Clinic was originally a specialist LTMH ward and decided to transition into a PD ward. [redacted]. The work to convert the additional bedrooms took around [redacted] as work needed to accommodate the remaining patients. The estimated capital cost of converting the rooms and renovating the site was [redacted].
- (b) Cambian Fairview, Larch Court was converted from an eight bed LD ward to a four bed ASD ward in 2014. [redacted]. It took approximately [redacted] to inform commissioning groups of the changes and a further [redacted] to review patients before moving them to other wards. The refurbishment work took approximately [redacted] and cost [redacted] as it was necessary to refurbish the entire ward, install specialist treatment rooms and re-fit the new bedrooms to a high specification, e.g. specially padded walls. It took a further [redacted] to fill the ward. It was also necessary to recruit approximately [redacted] new staff and provide specialist ASD training.
- 13.31 The Parties would not expect the time or cost of re-designating a ward to be significantly different if the ward is being re-designated to (i) treat a different gender; or (ii) treat a different specialism. The main time and cost involved in re-designating a ward depends on the time it takes to discharge or relocate existing patients and admit new patients. This is not expected to be significantly different for changing gender or treatment type.¹³
- 13.32 The time it takes to retrain or recruit new staff can be slightly longer in the case of changing the specialism of a ward depending on the additional training required. However, even when re-designating the gender of a ward it can be necessary to recruit new staff to ensure that the majority of staff are the same gender as the patients being treated. This is consistent with aiming for a mix of staff of around 70:30 in terms of the gender of the patients being treated (see further detail below).
- 13.33 In this connection, as explained in response to Question 4, RFI 1:
- (a) Most of the Parties' services comprise the following staff:
- (i) Consultant Psychiatrists (with the relevant specialist training);
 - (ii) Junior Doctors;
 - (iii) Registered Mental Nurses (RMNs);
 - (iv) Support Workers;
 - (v) Occupational Therapists (OTs) and Assistants;
 - (vi) Psychologists and Assistants;
 - (vii) Social Workers; and
 - (viii) Other therapists/ specialists as required (such as dieticians, substance misuse, art therapists etc.)
- (b) Consultants require specialist training to work in some services (e.g. consultants should be a Consultant Forensic Psychiatrist to work in secure services, as per the NHS England service specification, or need CAMHS or LD experience to work in CAMHS or LD etc.). Therefore, for secure and specialist services (including specialist rehabilitation services), consultants are generally not interchangeable.

¹³ The time to discharge existing patients and admit new patients is significantly shorter in the case of Acute psychiatry and PICU wards. However, the length of stay at rehabilitation wards means it takes longer to discharge/relocate existing patients and to fill a new ward.

For non-specialist rehabilitation services (i.e. patients with LTMH conditions), consultants generally choose to work in this as an area in its own right, so would not be easily moved to alternative services, and could not easily work in specialist or secure services without re-training. Consultants who work in adult PICU or acute are more interchangeable between these two services.

- (c) Certain rehabilitation services have a proportion of RMNs with specialist training, which are not interchangeable with other types of rehabilitation services. For example, a high proportion of LD staff often have specialist training and qualifications. Equally, it is difficult to move a RMN from a general (non-specialist) rehabilitation service to a specialist service as this would require a level of training (and preferably experience) to deliver that specialism. For example, [X]. However, it is relatively easy to interchange RMNs between adult PICU and acute.
- (d) Moreover, there is an expectation from CCGs that patients are treated by a higher proportion of nursing staff of the same gender, a general rule is a mix of around 70:30, e.g. at least 70 per cent of nursing staff on a female ward should be female. There are a number of reasons for this: (i) it is deemed clinically inappropriate to have a higher proportion of men caring for women who may be considered to be vulnerable; and (ii) RMNs who work on a female ward will often require different knowledge and skills, such as the ability to run women's health groups. As such, it is often difficult to change the gender of a ward even where clinical staff have the right training and qualifications as it will involve recruiting and moving nursing staff. (The Parties also note that they do not have any mixed rehabilitation wards. This is in line with the 'Eliminating Mixed Sex Accommodation' guidance that is part of all NHS contracts.)
- (e) Support Workers are more interchangeable as they have no specialist training as such, however, there would still be a level of re-training required to move between services. For example, moving to a secure service has very different physical and relational security requirements, which need learning and practice. The reverse also applies if a support worker moved from a secure ward to a rehabilitation ward. Likewise on specialist services, the support workers undergo some specialist training, e.g. [X].
- (f) OTs, Psychologists and Social Workers are more interchangeable, although they often come with a special interest based on experience, so it is not always straightforward to move staff. Equally, to be a Psychologist, for example, on a secure or specialist service, a provider (and commissioners) would expect a certain level of experience – e.g. they would need to be experienced in a particular line of work.
- (g) Other therapists are usually very specific to the service that they work in.

13.34 Therefore, the Parties' best estimate of the time involved in re-designating a ward is [X] as per the assumptions set out above.

13.35 It is more difficult to estimate the cost of re-designating a ward as this can vary significantly depending on the specific circumstances. For example, it is usually more costly to re-designate a larger ward as operating at low capacity for any period has a significant cost.

13.36 The largest cost in re-designating a ward is usually the lost revenues due to the ward not operating at a financially feasible occupancy. The average EBITDA loss from re-designating the Cygnet wards converted in the last four years was [X].

- 13.37 Moreover, in the past [REDACTED]. The time and cost of converting a ward could be significantly higher than set out above if significant capital expenditure was required (e.g. as demonstrated by the [REDACTED]).

NHS versus private provision

- 13.38 In relation to NHS versus private provision, in the Acadia/Priory decision the Parties note that the CMA focussed on competition for "overspill" patients (i.e. those that cannot be served by the NHS) in the provision of mental health hospitals. This appears to be on the basis that private providers will often only be considered if the NHS trust is unable to admit the patient (e.g. due to capacity constraints).
- 13.39 The CMA acknowledged, however, that NHS trusts may compete when they have spare capacity. The Parties remain strongly of the view that NHS-funded services compete with private providers in the provision of mental health treatment. In particular, CCG's (the customer of mental health services) have a range of options available when looking to source treatment for mental health patients. Even if there is insufficient capacity at the NHS trust within the CCG area, they can choose to send patients to other publicly funded providers further afield, rather than choosing a private sector provider. In this regard, [REDACTED].
- 13.40 The Parties also note that while patients for Acute, PICU and secure services need to be admitted immediately (due to the risk they pose to themselves and others), admitting patients for rehabilitation services can often be delayed until a suitable facility has spare capacity. This means that for rehabilitation services, NHS hospitals constrain private sector providers as CCGs have the option to postpone admitting a patient to a private hospital until space becomes available at a local NHS facility.
- 13.41 However, for the purposes of assessing the Transaction, the Parties have presented market shares below for private sector providers only (i.e. excluding the NHS), although they note that this is likely to overstate the Parties' positions.

Geographic market definition

Mental health hospitals

- 13.42 In relation to mental health hospitals, the CMA concluded in its Acadia/Priory decision that competition takes place at a local level. Even in relation to services which are negotiated on a national basis (i.e. with a single national contract with the NHS), the CMA considered that quality may still vary on a local basis and therefore considered it appropriate to consider competition at the local level.
- 13.43 In order to inform the geographic market assessment, the CMA used as a starting point the catchment areas in which each of the target's sites derive the closest 80 per cent of its patients (measuring the road distance between the patient's home and hospital postcodes).¹⁴ This is broadly consistent with the approach adopted by the CMA in other cases assessed at the local level. The CMA also flexed its approach in order to take account of issues such as a limited number of observations (e.g. by aggregating service users across a number of facilities for a particular treatment type, or using patients at the acquirer's sites as a proxy).
- 13.44 In relation to rehabilitation services, the CMA found in its Acadia/Priory decision that the catchment area was consistently calculated as being **75-100 miles** for each of LD, LTMH,

¹⁴ Paragraph 56. Completed acquisition by Acadia Healthcare Company, INC. of Priory Group No. 1 Ltd (Case ME/6587/16).

and ABI (as well as when aggregated together across all rehabilitation services).¹⁵ For low secure mental health services, the parties calculated a catchment area of **100-125 miles** for each of the different treatment types. Accordingly, given the factual evidence contained in this decision, and that it considered a number of different facilities across the different treatment types, these catchment areas have been used as the basis for assessing the competitive effects of this Transaction. Using a range also provides a means to sensitivity test the analysis.

- 13.45 In addition, we have also tested whether these catchment areas are consistent with the catchment areas for the Parties' sites based on patient postcode data. We have, therefore, undertaken a similar catchment area analysis focussing on the closest 80 per cent of patients around each site for CAS and Cygnet, respectively.
- 13.46 However, the Parties note that for many patients a home address is not available due to the nature of the rehabilitation services they provide. In particular, many patients have come from a different stage in the care pathway, e.g. low secure, and as a result do not have a fixed address, or they have been in the care pathway for a substantial period of time. [REDACTED]. Where a patient postcode was not available, we have used the address of the CCG funding that patient's treatment as a proxy for their home address. Whilst this inevitably introduces some uncertainty into the catchment area analysis, the Parties consider that it provides a reasonable approximation for the original home address of the patient as the CCG where the patient was originally based usually continues to pay for services throughout their treatment. [REDACTED].
- 13.47 We have calculated the average catchment areas for each treatment type rather than calculating catchment areas for individual sites. We consider this to be a far more robust estimate for the following reasons:
- (a) the number of data points available at many of these sites is limited, which reflects the fact that many patients are treated for long periods of time and therefore there is limited natural churn;
 - (b) we have had to rely on the address of the CCG funding the patient as a proxy for the patients home address, which introduces a degree of uncertainty into the postcode analysis (which is compounded by the limited number of data points); and
 - (c) an average figure provides a better representation of the behaviour of CCGs and NHS commissioners (by treatment type) across England and Wales, and, in particular, how that purchasing behaviour changes from year to year.
- 13.48 [REDACTED]. Where patient postcode data is available, we calculated the distance between each Cygnet site and the patient's home postcode. Where the patient home postcode was not available, we calculated the distance between the site and the address of the CCG funding the patient (as a proxy for their home address, although we note this adds some uncertainty to the analysis).
- 13.49 The table below summarises the average catchment areas, by treatment type, for all of CAS' rehabilitation sites. [REDACTED].

¹⁵ See Table 13. Completed acquisition by Acadia Healthcare Company, INC. of Priory Group No. 1 Ltd (Case ME/6587/16). The range is due to the fact that the exact distances of the catchment areas were not disclosed in the decision.

Table 13.2: Estimated catchment areas for CAS' sites

Treatment type	Security Level	Number of sites	Number of patients' data	Average catchment area (miles) ¹⁶
LTMH	Rehabilitation	15	[X]	[X]
PD	Rehabilitation	3	[X]	[X]
LD	Rehabilitation	7	[X]	[X]
ASD	Rehabilitation	1	[X]	[X]
ABI	Rehabilitation	3	[X]	[X]
All services (average)	Rehabilitation	29	[X]	[X]

Source: Cambian

13.50 Overall, CAS's patient data is consistent with the 75-100 mile range identified by the CMA in the Acadia/Priory decision for rehabilitation services: the average catchment area across all CAS's sites for all rehabilitation services is [X] miles. For LTMH patients, the estimated catchment area is [X] miles, whilst the catchment area for the treatment for PD ([X] miles) is [X]. The catchment area for LD and ABI is [X] and [X] miles, respectively. The catchment area for ASD services is outside the range identified by the CMA, however this is based on a sample of just [X] patients.

13.51 Accordingly, in light of the catchment areas calculated using CAS's patient postcode data, the Parties consider that it provides further support for the 75-100 mile catchment areas for rehabilitation services identified by the CMA in its Acadia/Priory decision.

13.52 In addition, the Parties have also conducted a similar catchment area analysis for the Cygnet hospitals. In this regard, the table below summarises the average catchment areas, by treatment type, for the overlapping Cygnet sites that provide rehabilitation services. The analysis is based on patient postcode data from 2014 - 2016.

Table 13.3: Estimated catchment areas for Cygnet sites

Treatment type	Security Level	Number of sites	Number of patients' data	Average catchment area (miles)
LTMH	Rehabilitation	9	[X]	[X]
PD	Rehabilitation	4	[X]	[X]
LD	Rehabilitation	1	[X]	[X]
ASD	Rehabilitation	1	[X]	[X]
MH – 65+	Rehabilitation	3	[X]	[X]
All services (average)	Rehabilitation	18	[X]	[X]

Source: Cygnet

13.53 Cygnet's data shows that the catchment area for patients with LTMH conditions treated at Cygnet's facilities is [X] miles, [X] mile range identified by the CMA, and consistent with CAS data. In relation to the treatment for ASD, the catchment area ([X] miles), [X], whilst the catchment areas for the treatment of PD and LD are broader, which reflects the more specialist and higher acuity nature of the service provided. The average catchment area across all Cygnet's sites for all rehabilitation services is [X] miles.

¹⁶ In Acadia/Priory the CMA reports catchment areas in terms of road distances. Accordingly we have adopted this approach using the road distance between two sites/patients from Google Maps.

- 13.54 As a result of the high degree of consistency in the catchment area analysis, we have therefore conducted the competitive assessment on the basis of:
- (a) the average distances identified by the CMA in its Acadia/Priory decision (i.e. using a 75 miles and 100 miles catchment area for each of the different types of rehabilitation services); and
 - (b) using the patient postcode data at the CAS sites for the different types of rehabilitation services.

Residential care homes

- 13.55 As mentioned above, in its Advent/Priory decision the OFT concluded that there were separate markets in relation to (i) residential care homes for adults with LD; and (ii) residential care homes for adults with MH disorders. The OFT also concluded that competition takes place at the local level, on the basis that individuals typically receive care locally and are referred by their relevant LA.
- 13.56 However, as mentioned above, there is no overlap between the Parties in relation to residential care homes (see paragraphs 13.22).
- 13.57 Cygnet operates just two residential care homes. Both Tabley House in Cheshire¹⁷ and Tupwood Gate in Surrey¹⁸ are nursing homes dedicated to providing residential care for patients aged 50+ with dementia and age related mental health conditions.
- 13.58 In comparison, all of CAS' 40 residential care homes are dedicated to the treatment of adults with MH disorders (6 sites), LD (23 sites), or ASD (11 sites), which serve patients with different needs and require different skills of the clinical staff. Accordingly, as there is no overlap between the Parties in relation to residential care homes in the community sector, they have not been considered further.
- 13.59 For further detail, see response to Question 14, RFI 1, which explains that:
- (a) In relation to Tupwood Gate there are no CAS residential care homes within 20 miles and therefore there is no geographic overlap between the Parties.
 - (b) In relation to Tabley House, there is one CAS residential care home within 20 miles: Cambian Broughton Lodge in Macclesfield is located 16 miles from Tabley House.
- 13.60 However, as mentioned above, while Tabley House provides residential care for patients aged 50+ with dementia and age related mental health conditions, Cambian Broughton Lodge is a residential care home that treats ASD patients aged 18–30. Given Cambian Broughton Lodge does not treat elderly patients there is no overlap with Tabley House.
- 13.61 Nonetheless, as requested by the CMA, [X].

Horizontal effects

14. **Provide a description of how competition works in each Candidate Market where the merger parties overlap.**
- 14.1 As explained above, the Parties overlap in relation to the provision of rehabilitation services in mental health hospitals.

¹⁷ <https://www.cygnetnursinghomes.co.uk/locations/tabley-house/>

¹⁸ <https://www.cygnetnursinghomes.co.uk/locations/tupwood-gate/what-we-offer/>

- 14.2 The vast majority of mental health rehabilitation services are paid for by the NHS. For rehabilitation services in England, NHS commissioning is devolved to CCGs who purchase services on behalf of patients within the CCG area. There are 209 CCGs in England responsible for commissioning mental health services for their area.
- 14.3 Individual CCGs set the service specifications that a hospital has to meet in order for the CCG to send patients to that hospital. The service specification typically covers:
- (a) the process involved in admitting a new patient, e.g. orientation on first day of admission and requirement to notify next of kin;
 - (b) provisions for establishing a care plan and managing a patient's medication;
 - (c) accommodation requirements including features of personal and communal areas;
 - (d) security requirements, e.g. the need to keep a log of visitors; and
 - (e) qualifications of staff and the training staff are required to receive.
- 14.4 In addition to setting service levels, [REDACTED].
- 14.5 The following table sets out the factors which UHS considers are important to a CCG's purchasing decision for mental health rehabilitation services. The most important priorities tend to be quality and location (with CCGs aiming to keep patients close to home if possible), although price and length of stay are also key parameters that influence a CCG's purchasing decisions.

Table 14.1: Factors considered important for a referrer of rehabilitation services

Factor	Importance	Explanation
Location	[REDACTED]	Treatment close to home if possible
Quality	[REDACTED]	Safe and clinically effective
Length of stay	[REDACTED]	This is both a standard of care and a cost issue
Price	[REDACTED]	CCGs look to achieve the best value for their budget.

Source: Cygnet

- 14.6 In some instances CCGs may delegate their responsibility for a group of patients to an NHS trust. In these cases the NHS trust will look for a suitable placement from within its own sites or refer a patient to a local independent hospital or to a neighbouring NHS trust.
- 14.7 In Wales, mental health rehabilitation services are commissioned by NHS Wales ("**NHSW**"). [REDACTED]. The NHSW framework is managed nationally, with referral decisions made by seven Local Health Boards who have to act in accordance with the national framework. NHSW [REDACTED]. Competition for rehabilitation services in Wales therefore takes place at the national level within Wales (the Parties do not overlap in Wales as Cygnet does not have any sites outside of England) (see Figure 3.2 above).
- 14.8 As explained in response to Question 2, RFI 3, the Parties do not generally treat private rehabilitation patients. ([REDACTED] the cost of rehabilitation services associated with the long length of stay is prohibitive for most individuals. [REDACTED].)
- 14.9 For further details, please also see the following responses to the various RFIs listed below:

- (a) Question 8, RFI 1, in relation to pricing. Further detail concerning pricing and competitive constraints is also provided in response to: (i) Question 6, RFI 3; and (ii) Question 18, RFI 1;
- (b) Question 9, RFI 1, in relation to the tendering process and history. Further details on tendering are also provided in response to (i) Question 5, RFI 2;; and (ii) Question 7, RFI 3;
- (c) Question 10, RFI 1, in relation to [REDACTED]; and
- (d) Question 11; RFI 1, in relation to the [REDACTED].

1.3 [REDACTED].

15. **For each Candidate Market where the merger parties overlap, explain to what extent the merger may give rise to unilateral effects (see section 5.4 of the Merger Assessment Guidelines), that is, to what extent it is likely to cause loss of competition. Include:**

- a) information on the competitive constraint posed by each of the merger parties on each other, and**
- b) information on the competitive constraint posed by the other principal suppliers in the Candidate Market(s). Include the merger parties' and each of their principal competitors' shares of supply (by value and volume) specifying the total market size(s) together with an explanation as to how these are calculated**
- c) a discussion of the extent to which the merger parties' products or services are substitutes and any supporting data (including, in sectors in which it is relevant, bidding data).**

15.1 As set out above, the Parties do not overlap in the provision of residential care homes in the community sector. The only overlaps are in relation to:

- (a) CAS's single low secure hospital; and
- (b) the provision of mental health rehabilitation services.

Low secure mental health hospitals

15.2 CAS has only one low secure facility (Cambian Ansel Clinic) based in Nottingham. This is a specialist facility which provides treatment to male only patients with PD.¹⁹ Whilst Cygnet has a number of low secure mental health hospitals, it has only one facility which provides low secure treatment for patients with PD (the Alvaston ward of Cygnet Hospital Derby).²⁰ However, this Cygnet facility provides treatment to female only patients.

15.3 Accordingly, whilst these facilities offer the same security level (i.e. for low secure services) and particular treatment type (i.e. for patients with PD), the Parties' low secure sites do not compete as they do not represent alternatives for patients (i.e. female patients with PD cannot be admitted to the CAS low secure facility, whilst male patients with PD cannot be treated at the Cygnet facility). The Parties' sites are not, therefore, viewed as competitors by patients or NHSE Commissioners. This is also consistent with the approach adopted by the CMA in its Acadia/Priory decision.

¹⁹ <http://www.cambiagroup.com/ourservices/service/home.aspx?Id=179&s=29>

²⁰ All of Cygnet's other low secure sites are either in relation to the treatment of Aspergers/ASD or other mental health conditions, [REDACTED].

- 15.4 Whilst the CMA also looked (in its Acadia/Priory decision) at whether it may be possible to re-assign a low secure facility to either provide a different treatment type, or to provide treatment for a different gender, the CMA considered that such supply-side substitution was unlikely as there are a number of significant barriers to switching. For example, changing the treatment type will often require a change in specialist staff, and require additional investment in the site in order to accommodate different patients' needs. The CMA was also informed by third parties (commissioners and private providers) that the limited availability of specialist staff has become an issue in the industry.²¹ In addition, as mentioned in response to Question 13 above, there are significant practical difficulties in re-designating wards from treating male to treating female patients (or vice versa) due to the long-time lags involved in the transition process. Accordingly, the Parties' low secure sites are not competitors on the supply-side either.
- 15.5 It is also relevant to note that Cygnet has one secure facility (Cygnet Hospital Bury) which provides treatment for male patients with PD, but this is at a higher level of security (being a medium secure mental health hospital). As set out above, in its Acadia/Priory decision, medium secure facilities were considered to constitute distinct frames of reference to low secure facilities. This was on the basis that they are neither demand-side substitutes (i.e. patients in low secure hospitals cannot be treated in medium secure hospitals, and vice versa), whilst the different security requirements meant that it is difficult and costly to re-assign wards between low and medium secure sites. Accordingly, consistent with the CMA's Acadia/Priory decision, there is no competition between Cygnet's medium secure sites and CAS's low secure facility in relation to male patients with PD.
- 15.6 In light of the above, the Parties consider that there is no prospect that the Transaction could give rise to an SLC in relation to CAS's low secure mental health hospital.

Rehabilitation services

- 15.7 In line with the CMA's approach in its Acadia/Priory decision, the Parties have considered the overlap between the Parties as a three-stage process:
- (a) Firstly, identify the areas in which the Parties overlap (both in relation to specific treatment type, gender and in relation to geographic areas);
 - (b) Second, identify the non-NHS competitors in the areas in which the Parties overlap, and calculate the Parties' share of supply (by number of beds);²² and
 - (c) Third, in areas where the Parties' combined market share exceeds 30 per cent, consider each of CAS's sites on a site-by-site basis to assess the closeness of competition between the Parties' sites.
- 15.8 The next section provides a brief overview of how we have calculated market shares. The subsequent sections are structured to follow the three-stage process identified above. Maps of the Parties' and competitors' sites are provided in RFI 1 Appendix 16.1.

Calculation of market shares

- 15.9 As requested by the CMA the Parties have calculated market shares (by number of beds) on the following basis:

²¹ Paragraph 107. Completed acquisition by Acadia Healthcare Company, INC. of Priory Group No. 1 Ltd (Case ME/6587/16).

²² In calculating market shares, if a competitor site provides treatment for both male and female patients (i.e. a mixed ward) we have assumed 65 per cent of beds are used for the treatment of male patients and 35 per cent of beds are used for the treatment of female patients. This is consistent with the CMA's approach in Acadia/Priory.

- (a) the number of beds at both current and planned sites have been included for the Parties and competitor sites; and
- (b) where a competitor site is classed as providing multiple treatment types the number of beds has been allocated equally between treatment types.

15.10 However, the Parties are concerned that this approach is likely to overstate the Parties' combined market shares for a number of reasons:

- (a) [REDACTED]. In order to carry out a like-with-like assessment, either all planned sites ([REDACTED]) should be included within the market share calculations, or all planned sites (including those of the Parties and their competitors) should be excluded (as was the case with the previous market share calculations provided in the Draft Merger Notice and in response to RFI 1). We would encourage the CMA to ask competitors about their plans for development in their market questionnaires (see response to Question 1(a) of RFI 3 for further information);
- (b) in situations where rival hospitals do provide more than one treatment type on the same ward, in most cases we consider it would be appropriate to include the total number of beds in both markets. As the market shares are calculated on the basis of capacity, if a ward or site treats more than one mental health condition it is reasonable to assume that all beds could readily be used for either treatment, i.e. this would not be double counting, but reflects the nature of the competitive constraint that they provide (see response to Question 1(b) of RFI 3 for further information); and
- (c) as the Parties are not aware of any national database of providers of mental health hospitals, the list of competitors does not represent an exhaustive list of all providers of rehabilitation services (see response to Question 1 and Question 5 of RFI 1).

Overlap areas – initial filtering

15.11 CAS has 25 sites (35 wards) providing rehabilitation services, and Cygnet has 14 sites (22 wards). The following table shows the breakdown of the Parties' facilities by treatment type and gender:

Table 15.1: Breakdown of the Parties' rehabilitation services by treatment

Treatment type	Male/Female	No. of CAS wards	No. of Cygnet wards
ABI	M	3	0
	F	0	0
LD	M	9	0
	F	3	1
PD	M	0	0
	F	3	4
ASD	M	1	1
	F	0	0
LTMH for adults	M	11	6
	F	5	4
LTMH for the elderly	M	0	5
	F	0	1

15.12 The locations of the CAS and Cygnet facilities for the different treatment types are shown in Figures 15.1 and 15.2 below:

Figure 15.1: Map of CAS rehabilitation sites by treatment type

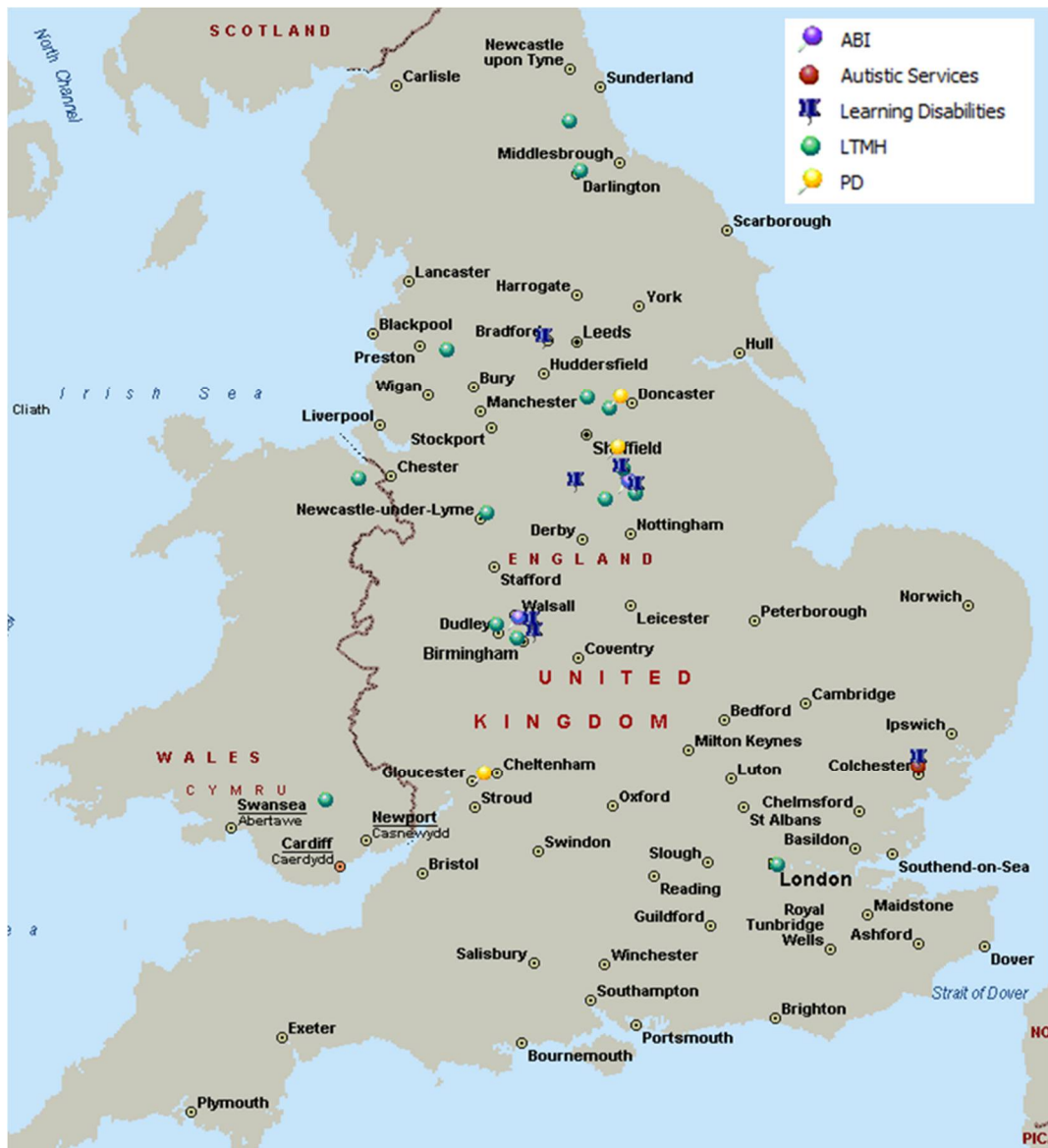
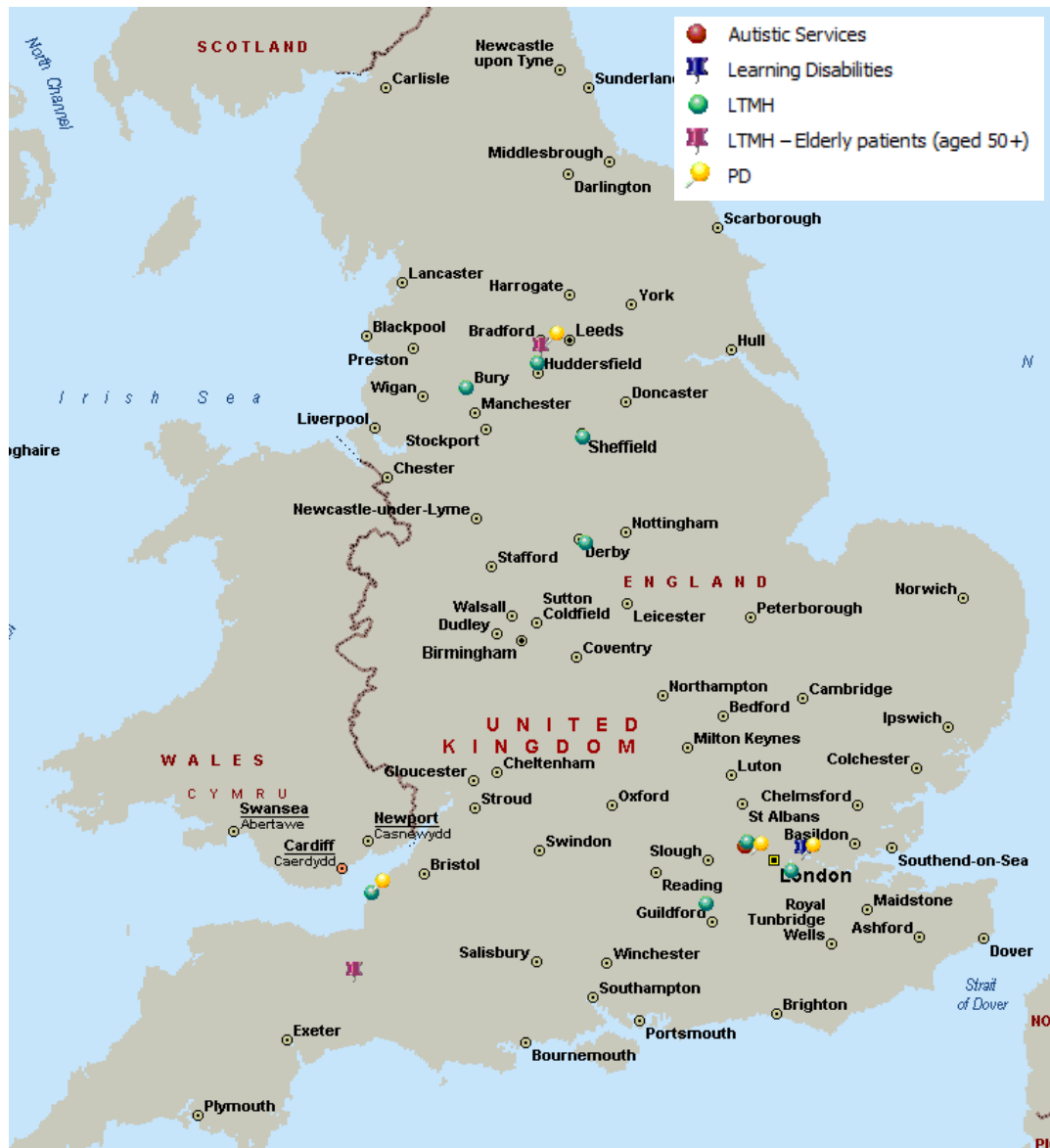


Figure 15.2: Map of Cygnet rehabilitation sites by treatment type



Acquired Brain injury (ABI)

- 15.13 Table 15.1 shows that, whilst CAS has three existing wards that provide ABI treatment (36 beds in total) [X], Cygnet does not have any sites that provide ABI treatment.
- 15.14 Accordingly, there is no overlap between the Parties in relation to ABI services, and therefore this treatment type is not considered further in this Merger Notice.

Mental health for the elderly

- 15.15 Table 15.1 also shows that, whilst Cygnet operates six wards (at Cygnet Hospital Taunton and Cygnet Hospital Wyke) that provide rehabilitation treatment for elderly patients with dementia and age-related mental health conditions (five male and one female ward), CAS does not operate any facility that provides this treatment type. As mentioned in response to question 13 above, rehabilitation services for elderly patients with age-related mental health conditions represents a distinct frame of reference to other forms of rehabilitation services.

15.16 Accordingly, as there is no overlap in relation to the treatment of elderly patients with age-related mental health conditions. However, as requested by the CMA, the Parties' have included a more detailed assessment of Cygnet Hospital Taunton below.

15.17 In light of the above comments, the focus of this competitive assessment is on the overlap that exists in relation to ASD, LD, PD and LTMH. Below we discuss each of these services individually.

Autistic Spectrum Disorder (ASD)

15.18 The following table provides a summary of the overlap between the Parties in relation to rehabilitation services for ASD patients.

Table 15.2: Overlap in relation to ASD

Treatment type	Male/Female	No. of CAS wards	No. of Cygnet wards
ASD	M	1	1
	F	0	0

15.19 Table 15.2 shows that the Parties each have one rehabilitation ward that provides treatment for male patients with ASD:

- (a) CAS's Fairview site (in Colchester) has one ward (Larch Court) that specialises in the treatment of male ASD patients (with just four beds); whilst
- (b) Cygnet's hospital in Harrow also has one [redacted] ward that specialises in the treatment of male ASD patients (with 10 beds). [redacted].²³

15.20 These hospitals are located over 75 miles apart (by road distance). On the basis of a 75 mile catchment area there would be no overlap between the Parties' sites. On the basis of a 100 mile catchment area, the Parties' sites would overlap, and have a combined market share of [redacted] on the basis of market definition which considers male ASD patients only.²⁴

Table 15.3: Overlaps in male ASD

Catchment area centred on	Cygnet site (s)	CMA catchment area (75 miles)	CMA catchment area (100 miles)
Fairview (Larch Court)	Cygnet Harrow	No overlap	[redacted]

15.21 The Parties note that [redacted].

15.22 In addition, as set out in Table 13.2, the catchment area for CAS's ASD sites based on the closest 80 per cent of its patients is [redacted] miles. On this basis the Parties have a combined market share of [redacted] per cent (although this catchment area is based on a sample of just [redacted] patients).

15.23 Moreover, the CAS site is a highly specialised locked unit providing treatment for ASD patients at the highest end of the acuity spectrum with an average cost of around [redacted] per day. As explained in response to Question 6, RFI 2, the facilities at Fairview, Larch Court are specially adapted to the patient's needs. For example, facilities include rooms with padded walls and separate sensory integration rooms. In comparison, the Cygnet site is

²³ [redacted].

²⁴ See Annex 15.2 for a full list of the Parties' and competitors' market shares for each Cambian sites at which there is an overlap.

an unlocked facility costing [X] per day, and treats patients with a dual diagnosis of less severe ASD conditions and LTMH. The Parties' sites are not, therefore, close competitors for male patients with ASD.

15.24 Nonetheless the Parties have considered Fairview (Larch Court) in the site-by-site analysis below.

Learning Disabilities (LD)

15.25 The following table provides a summary of the overlap between the Parties in relation to rehabilitation services for LD.

Table 15.4: Overlap in relation to LD

Treatment type	Male/Female	No. of CAS wards	No. of Cygnet wards
LD	M	9	0
	F	3	1

15.26 The table above shows that there are no overlaps between the Parties in relation to CAS's nine male LD wards. Accordingly, these wards are not considered further.

15.27 In relation to CAS's three wards that provide treatment for female patients with LD, these are:

- (a) Fairview (Cherry Court) in Colchester, which has 11 beds;
- (b) Cambian Elms in Birmingham, which has 10 beds; and
- (c) Cambian Views in Matlock, which also has 10 beds.

15.28 Cygnet operates just one site that provides treatment for female patients with LD. This is the Hansa ward of the Cygnet Hospital in Beckton, London (with 13 beds).

15.29 Based on catchment areas of 75 and 100 miles (as used by the CMA in its Acadia/Priory decision) there is no overlap between the Parties in relation to the following:

- (a) Cambian Elms, which is located 133 miles from the Hansa Ward at the Cygnet Hospital in Beckton; and
- (b) Cambian Views, which is located 166 miles from the Hansa Ward at the Cygnet Hospital in Beckton.

15.30 Given that these two CAS sites are over 130 miles away from the Cygnet facility, and well outside the range of the catchment area used by the CMA in its Acadia/Priory decision and the catchment area based on CAS patient data ([X]), there is no overlap between the Parties in relation to the treatment of female patients with LD at these two sites.

15.31 In relation to the remaining CAS site, Fairview (Cherry Court) is located 62 miles away from the Cygnet facility in Beckton, and has 11 beds for treating female patients with LD. The Cygnet facility in Beckton is a specialist mental health hospital with a low secure unit (the Bewick Ward), a PICU (The Hooper Ward), a ward that treats female patients with PD (the New Dawn ward), and a locked ward with 13 beds that provides treatment for female patients with LD (the Hansa Ward).

15.32 On the basis of both a 75 mile catchment area and a 100 mile catchment area the Parties have a combined market share of less than 30 per cent, this is shown in the following table.

Table 15.5: Overlaps in female LD sites

Catchment area centred on	CAS Site	CMA catchment area (75 miles)	CMA catchment area (100 miles)
Cambian Elms	Cygnets Beckton	[REDACTED]	[REDACTED]
Cambian Views	Cygnets Beckton	[REDACTED]	[REDACTED]
Fairview (Cherry Court)	Cygnets Beckton	[REDACTED]	[REDACTED]

15.33 On a fascia count basis, there will be five other different operators (in addition to the Parties) providing treatment for female patients with LD within a 75 mile catchment area of the Fairview site. Accordingly, the Transaction represents either a 7-6 or 8-7 merger on the basis of the number of competing operators.

15.34 Moreover, it is clear that the Parties face a number of significant competitors within the catchment area of the Cambian Fairview site, including:

- (a) Sequence Care has three sites (The Constance House, Olive Grove and Jasmine Court/Ivy mews) located 60 miles, 62 miles and 63 miles respectively from Cambian Fairview (and all sites are less than 15 miles from Cygnets Hospital Beckton). Sequence Care has a market share of [REDACTED] per cent;
- (b) Jeasal Group, has one existing site (Cawston Park Hospital) 74 miles away with 42 mixed beds, and one site in development (in Southgate, London) 64 miles away with 14 mixed beds. Once the site in development is opened (which, according to the Jeasal Group's website, is expected to be in early 2017),²⁵ the Jeasal Group will have a market share of [REDACTED] per cent in the catchment area of Cambian Fairview;
- (c) Danshell Yew Trees, which has ten female beds, is located 18 miles away from Cambian Fairview ([REDACTED]) with 10 female beds, and a market share of [REDACTED] per cent; and
- (d) Nouvita, Baldock Manor is located 59 miles away and has 10 mixed beds.

15.35 As set out in Table 13.2, the catchment area for LD services at the CAS sites (based on the closest 80 per cent of patients) is [REDACTED]. A catchment area on this basis gives rise to the same market share, i.e. [REDACTED] per cent.

15.36 Accordingly, there is no risk of the Transaction giving to a SLC in relation to Cambian Fairview (Cherry Court), and therefore it is not considered further below.

Personality disorders (PD)

15.37 The following table provides a summary of the overlap between the Parties in relation to rehabilitation services for PD.

Table 15.6: Overlap in relation to PD

Treatment type	Male/Female	No. of CAS wards	No. of Cygnets wards
PD	M	0	0
	F	3	4

²⁵ <http://www.jeesal.org/our-services>.

- 15.38 In relation to the treatment of male patients with PD, the table above shows that there is no overlap between the Parties.
- 15.39 In relation to the treatment of female patients with PD, the table above shows that CAS has three wards. These are.
- (a) Cambian Aspen Clinic in Rotherham, which has 16 beds;
 - (b) Cambian Alders Clinic in Gloucester, which has 20 beds; and
 - (c) Cambian Acer Clinic (Female ward) in Chesterfield, which has [redacted] beds and [redacted] beds.
- 15.40 Cambian Acer Clinic and Cambian Aspen Clinic both overlap with Cygnet Bierley (Bowling ward) which is located in Bradford (54 miles from the Cambian Acer Clinic and 41 miles from the Aspen Clinic), whilst Cambian Alders Clinic overlaps with Cygnet Kewstoke (Knightstone ward) which is located in Weston-Super-Mare. There is no overlap on either a 75 mile or 100 mile basis in relation to Cygnet's other two sites (Cygnet Beckton (New Dawn Ward) and Cygnet Ealing (New Dawn Ward)).
- 15.41 In addition, [redacted] (see response to Question 20 for further information).
- 15.42 Cygnet's PD sites all provide highly specialised DBT within a semi-secure hospital environment, and accept patients with a high level of challenging behaviour and risk (i.e. who are towards the upper end of the PD acuity spectrum). In comparison, CAS's PD sites treat female patients with PD with less challenging needs, and are generally seen as a step down from the Cygnet sites in a community facing unit ([redacted]).
- 15.43 In particular, (see response to Question 6, RFI 2) a key distinction between the highly specialised PD services provided by Cygnet is that the Cygnet wards are within large Cygnet hospitals, and this support enables the facilities to accept service users that have higher levels of risk ([redacted]) and who could not therefore be treated in a standalone facility. In particular, the hospitals provide access to seclusion facilities, and have the back-up of more secure services, which are not available at other, standalone, sites.
- 15.44 Secondly, these specialist facilities offer different, more intense programmes, than other less-specialised wards. [redacted].
- 15.45 Finally, due to the acuity of patients and the intensity of the programme offered on Cygnet's highly specialised PD wards, the average length of stay is shorter and the price is generally higher. For example, the average length of stay in Kewstoke (Knightstone Ward) is around [redacted], rather than the usual [redacted] in a normal locked rehabilitation ward.
- 15.46 Accordingly, whilst CAS and Cygnet both treat female patients with PD, they are treating patients with different levels of acuity and risk. The Parties do not, therefore, consider that the CAS and Cygnet sites are close competitors.
- 15.47 Nevertheless, for completeness the table below sets out the Parties' combined market shares for catchment areas centred on each of the CAS sites based on a 75 miles and 100 miles (road distance) catchment area, which was the range identified by the CMA in its Acadia/Priory decision.

Table 15.7: Overlaps in female PD sites

Catchment area centred on	Cygnets sites	CMA catchment area (75 miles)	CMA catchment area (100 miles)
Cambian Acer Clinic	- Cygnet Bierley (Bowling ward)	[X]	[X]
Cambian Alders Clinic	- Cygnet Kewstoke (Knightstone ward)	[X]	[X]
Cambian Aspen Clinic	- Cygnet Bierley (Bowling ward)	[X]	[X]

15.48 On the basis of both a 75 mile and 100 mile catchment area, the Parties would have a market share above 30 per cent. Accordingly, we have included these three sites in the site-by-site analysis below.

Adults with long term mental health conditions (LTMH)

15.49 The following table provides a summary of the overlap between the Parties in relation to rehabilitation services for LTMH for adults.

Table 15.8: Overlap in relation to LTMH for adults

Treatment type	Male/Female	No. of CAS wards	No. of Cygnet wards
LTMH for adults	M	11	6
	F	5	4

15.50 The above table shows that both Parties operate LTMH facilities for male and female patients: CAS has five wards that offer treatment for female LTMH patients, and 11 wards for male patients. Cygnet has four female LTMH wards and six male wards. The following maps show the locations of the Parties' sites for male and female patients, respectively.

Figure 15.3: Locations of the Parties' male LTMH sites

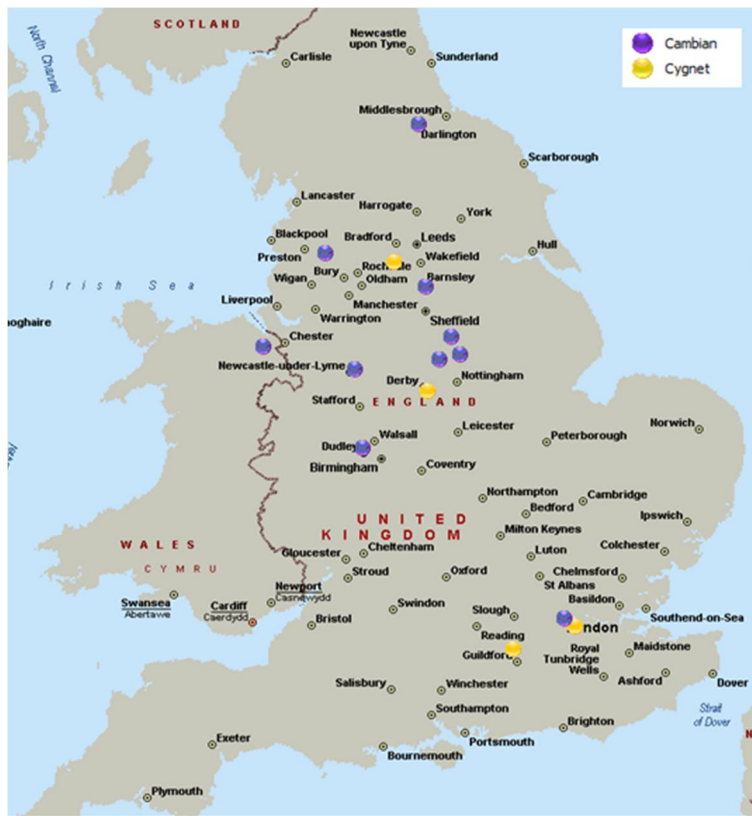
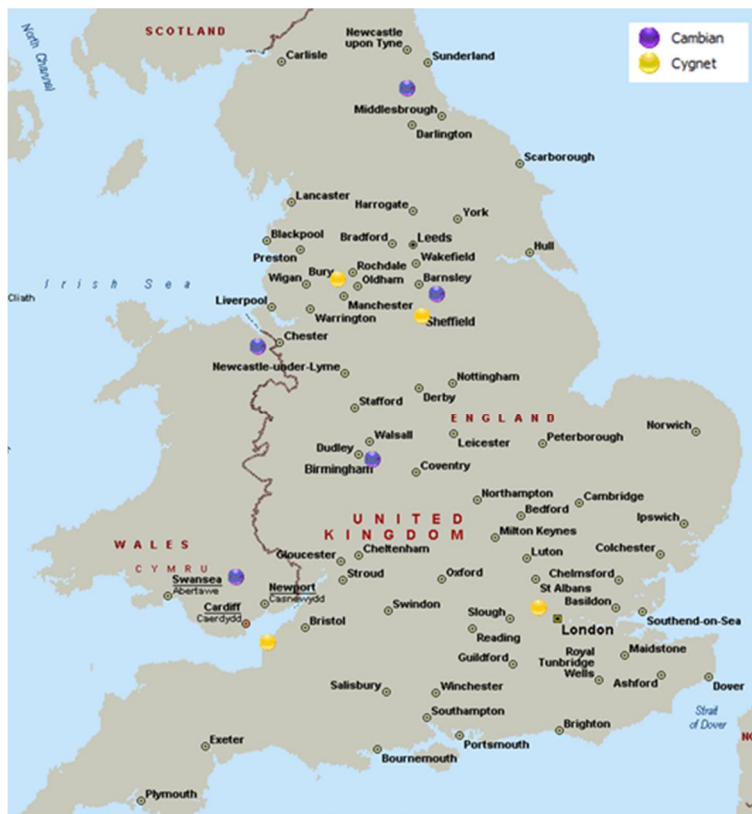


Figure 15.4: Locations of the Parties' female LTMH sites



15.51 The tables below set out the Parties' combined market shares for catchment areas centred on each of the CAS LTMH sites (for female and male patients respectively).

Table 15.9: Overlaps in female LTMH sites

Catchment area centred on	Cygnets sites	CMA catchment area (75 miles)	CMA catchment area (100 miles)
Aspen House	- Cygnets Bury (South Hampton ward) - Cygnets Sheffield (Shepherd ward)	[X]	[X]
Delfryn Lodge	- Cygnets Bury (South Hampton ward) - Cygnets Sheffield (Shepherd ward)	[X]	[X]
Raglan House	- Cygnets Bury (South Hampton ward) - Cygnets Sheffield (shepherd ward)	[X]	[X]
St. Teilo House	- Cygnets Kewstoke (the Lodge)	[X]	[X]
Cambian Appletree	None	[X]	[X]

Table 15.10: Overlaps in male LTMH sites

Catchment area centred on	Cygnets sites	CMA catchment area (75 miles)	CMA catchment area (100 miles)
Cambian Churchill	- Cygnets Lodge Lewisham - Cygnets Lodge Woking	[X]	[X]
Cambian Fountains	- Cygnets Lodge Brighouse	[X]	[X]
Cambian Oaks	- Cygnets Lodge Brighouse - Cygnets Hospital Derby (Wyvern ward)	[X]	[X]
Cambian Victoria House	- Cygnets Lodge Brighouse	[X]	[X]
Delfryn House	- Cygnets Lodge Brighouse	[X]	[X]
Sedgley House and Sedgley Lodge ²⁶	- Cygnets Hospital Derby (Wyvern ward)	[X]	[X]
Sherwood House	- Cygnets Lodge Brighouse - Cygnets Hospital Derby (Wyvern ward)	[X]	[X]
St. Augustine's	- Cygnets Lodge Brighouse - Cygnets Hospital Derby (Wyvern ward)	[X]	[X]
Storthfields House	- Cygnets Lodge Brighouse - Cygnets Hospital Derby (Wyvern ward)	[X]	[X]
The Limes	- Cygnets Lodge Brighouse - Cygnets Hospital Derby (Wyvern ward)	[X]	[X]

²⁶ Sedgley House and Sedgley Lodge are two separate wards on the same site. Both wards treat male LTMH patients and therefore they have been considered together below.

Female LTMH

15.52 In relation to CAS's female LTMH wards, table 15.9 shows that there is no overlap in relation to Cambian Appletree on the basis of either a 75 mile or 100 mile catchment area (it is located 112 miles from the nearest Cygnet female LTMH hospital, Shepherd Ward at Cygnet Hospital Sheffield). Accordingly, there is no risk of the Transaction giving to a SLC in relation to the Cambian Appletree site.

15.53 In addition, table 15.9 also shows that three of the female wards, Aspen House, Delfryn Lodge and Raglan House, have a market share below 30 per cent on both a 75 mile and 100 mile catchment area, and therefore are excluded by the filter. As set out in Table 13.2, the catchment area for LTMH services at the CAS sites (based on the closest 80 per cent of patients) is [X] miles, which does not materially change the analysis.

Raglan House

15.54 Raglan House is located in Birmingham and the nearest existing female LTMH Cygnet hospital is 87 miles away in Sheffield (Shepherd Ward at Cygnet hospital Sheffield). Accordingly, there is no overlap between the Parties existing sites on the basis of a 75 mile catchment area (which is consistent with the CAS patient postcode data).

15.55 Cygnet is [X]. Cygnet Hospital Coventry will be 28 miles from Raglan House. However, there is a significant amount of competition within the catchment area. On the basis of a 75 mile catchment area the Parties have a combined market share of [X] per cent (which includes the planned site at Coventry).

15.56 On the basis of a 100 mile catchment area, there will be 19 other different operators (in addition to the Parties) providing treatment for female patients with LD. These include:

- (a) PiC/Priory, which operates Beverley House (two miles away with 24 female beds), Lakeside View (13 miles away with 24 female beds), Lichfield Road (13 miles away with 28 mixed beds), Annersley House (62 miles away with 19 female beds), Park Villa (68 miles away with 12 female beds), Llanarth Court (84 miles away with four female beds), the Willows (85 miles away with six female beds) and Bristol (88 miles away with 10 mixed beds);
- (b) St Matthews Healthcare, which operates Dallington House (55 miles away with 20 female beds), St Matthews Unit (57 miles away with 58 mixed beds) and St Matthews Hospital (57 miles away with 14 mixed beds);
- (c) Options for Care, which operates Harriet Tubman House (three miles away with 15 female beds);
- (d) Inmind, which operates the Sturdee Community Hospital (45 miles from Raglan House with 17 female beds);
- (e) Lighthouse, which operates Ballington House, which is 55 miles from Raglan House and has 10 female beds, and Y Hafan which is 64 miles away with six female beds; and
- (f) a large number of other smaller operators including Alternative Futures, Elysium, Equilibrium, Deepdene Care, John Munroe Group etc.

15.57 Accordingly, there is no risk of the Transaction giving rise to a SLC in relation to the CAS Raglan House site.

Delfryn Lodge

- 15.58 Delfryn Lodge is located in Mold, North Wales and provides treatment for 24 female patients with LTMH conditions. As explained above, Cygnet does not have any sites in Wales. Given that NHSW commissions rehabilitation services at a national level within Wales, [X], the Parties submit that the relevant catchment area for Cambian's Delfryn Lodge site is Wales. On the basis of a national market for Wales, there is no overlap between the Parties.
- 15.59 However, for completeness, we have also looked at the extent of the overlap on both a 75 mile and 100 mile catchment area, although we recognise that this does not reflect commissioning behaviour within Wales or England. The nearest existing female LTMH Cygnet hospital is 59 miles away in Bury (South Hampton Ward at Cygnet Hospital Bury). The Cygnet Hospital Bury is a large specialist mental health hospital with:
- (a) four CAMHS PICU wards (Mulberry Ward, Buttercup Ward, Primrose Ward and Blueberry Ward) with a total of 32 mixed beds;
 - (b) one CAMHS ward (Wizard House) with ten mixed beds;
 - (c) four medium secure wards (Upper West Ward, Lower East Ward, Columbus Ward and Madison Ward) which provide treatment for patients with LTMH and PD. Across the four wards there are 13 female beds and 39 male beds;
 - (d) five low secure wards (Lower West Ward, East Hampton Ward, Upper East Ward, Bridge Hampton Ward and West Hampton Ward). Three of these wards specialise in providing treatment for deaf patients with mental health conditions. Across the five wards there are 13 female beds and 48 male beds; and
 - (e) one locked rehabilitation ward (South Hampton Ward) which provides LTMH treatment for up to 12 female patients.²⁷
- 15.60 On a fascia count basis, there will be nine different operators (in addition to the Parties) providing treatment for female patients with LTMH conditions within a 75 mile catchment area of the Delfryn Lodge site, and 12 different operators within a 100 mile catchment area. These include:
- (a) PiC/priory, which operates Park Villa (52 miles away with 12 female beds), Park Lodge (52 miles away with 10 mixed beds), Lakeside View (77 miles away with 24 female beds), Beverley House (88 miles away with 24 female beds) and Lichfield Road (92 miles away with 28 mixed beds);
 - (b) Elysium, which operates Brierley Court (60 miles away with 21 mixed beds), Spring Wood Lodge (93 miles away with 22 female beds) and Three Valleys Hospital (96 miles away with 16 female beds);
 - (c) MHC Holland House, which is in Wales, 17 miles from Delfryn Lodge and has 18 mixed beds; and
 - (d) Lighthouse operates Y Hafan in Wales (6 female beds) located 40 miles from Delfryn Lodge.
- 15.61 It is also clear from the above, that there are a number of competitor sites within Wales. As mentioned above, given that NHSW commissions rehabilitation services at a national level within Wales, [X], these sites are likely to represent some of the closest competitors to Delfryn Lodge.

²⁷ The locked rehabilitation ward for female patients with LTMH largely provides a step down for patients from a secure environment, and a transfer of patients from acute services ([X]).

15.62 Accordingly, there is no risk of the Transaction giving rise to a SLC in relation to the CAS Delfryn Lodge site.

Aspen House

15.63 Aspen House is located in Doncaster. Although the nearest existing female LTMH Cygnet hospital is located 16 miles away in Sheffield (Shepherd Ward at Cygnet Sheffield), there is a significant amount of competition that will remain within the catchment area.

15.64 On the basis of a 75 mile catchment area, there will be 12 other different operators (in addition to the Parties), and 13 other operators within a 100 mile catchment area, that will remain providing treatment for female patients with LTMH. These include:

- (a) PiC/Priory, which operates Annersley House (37 miles away with 19 female beds), Park Lodge (39 miles away with 10 mixed beds), The Willows (40 miles away with six female beds), Park Villa (55 miles away with 12 female beds), Lichfield Road (80 miles away with 28 mixed beds), Middleton St George (85 miles away with 15 female beds), Lakeside View (90 miles away with 24 female beds), and Beverley House (96 miles away with 24 female beds);
- (b) Elysium, which operates Spring Wood Lodge (46 miles away with 22 female beds), Brierley Court (48 miles away with 21 mixed beds) and Three Valleys Hospital (55 miles away with 16 female beds);
- (c) Equilibrium, which operates Jigsaw Independent Hospital, which is 50 miles from Aspen House and has 18 female beds;
- (d) Turning Point, which operates The Corner House (9 miles away with 12 mixed beds), Nottingham Transition Unit (48 miles away with 12 mixed beds) and Douglas House (50 miles away with 12 mixed beds); and
- (e) Inmind, which operates Waterloo Manor (30 miles from Aspen House, with 12 female beds) and the Sturdee Community Hospital (74 miles from Aspen House with 17 female beds).

15.65 Accordingly, there is no risk of the Transaction giving rise to a SLC in relation to the CAS Aspen House site.

Male LTMH

15.66 In relation to CAS's male LTMH wards, Table 15.10 shows that five of the male wards, Cambian Churchill, Cambian Fountains, Delfryn House, Sedgley House and Sedgley Lodge, have a market share below 30 per cent on both a 75 mile and 100 mile catchment area, and therefore are excluded by the filter. As set out in Table 13.2, the catchment area for LTMH services at the CAS sites (based on the closest 80 per cent of patients) is [X] miles, which does not materially change the analysis.

Cambian Churchill

15.67 Cambian Churchill is located in London. Although the nearest existing male LTMH Cygnet hospital is located seven miles away in Lewisham, there is a significant amount of competition within the catchment area from operators including:

- (a) PiC/Priory, which operates Avesbury House (20 miles away with 25 male beds), The North London Clinic (20 miles away with 19 male beds), Hemel Hempstead – Dove Ward (41 miles away with 11 male beds), Ticehurst (50 miles away with 28 mixed beds), Kneesworth House (52 miles away with 42 male beds), The Cloisters (64 miles away with 20 male beds) and Nelson House (80 miles away with 14 male beds);

- (b) Elysium, which operates Bromley Road (7 miles away with 24 mixed beds), Sturt House (22 miles away with 21 male beds), Rosebank House (44 miles away with 13 mixed beds) and St Neots (58 miles away with 34 mixed beds);
- (c) Inmind, which operates Woodleigh Community Hospital (8 miles away) with 23 mixed beds, and Southleigh Community Hospital (10 miles away) with 25 mixed beds;
- (d) Deepdene Care, which operates Deepdene House, which is five miles away and has 20 mixed beds; and
- (e) Whitepost, which operates Shrewsbury Court Independent Hospital, which is 20 miles away and has 35 male beds.

15.68 Accordingly, there is no risk of the Transaction giving rise to a SLC in relation to the CAS Churchill site.

Cambian Fountains

15.69 Cambian Fountains is located in Blackburn with 32 beds. Cygnet Brighthouse is 44 miles away and Cygnet Hospital Derby (Wyvern Ward) is 109 miles away (i.e. outside of the catchment area).

15.70 On the basis of both a 75 mile and 100 mile catchment area, there will be nine other different operators (in addition to the Parties), that will remain providing treatment for male patients with LTMH. These include:

- (a) PiC/Priory, which operates Kemple View (8 miles away with 26 male beds), Highbank Centre (15 miles away with 10 male beds), The Spinney (24 miles away with three male beds), Park Lodge (36 miles away with 10 mixed beds), Cheadle Royal (41 miles away with 17 male beds), Dewsbury (59 miles away with 22 male beds) and Mill Garth Hospital (61 miles away with 21 male beds);
- (b) Elysium, which operates Brieley Court (26 miles away with 21 mixed beds), Three Valleys Hospital (28 miles away with 18 existing male beds and 10 planned male beds) and Braeburn House (30 miles away with 28 male beds);
- (c) Alternative Futures, which operates Fir Trees (23 miles away with 14 mixed beds), Oak Lodge (27 miles away with 12 mixed beds), Lea Court (32 miles away with 24 male beds), Millbrook (40 miles away with 12 mixed beds), Weaver Lodge (52 miles away with 20 mixed beds) and Meadow Park (60 miles away with 20 mixed beds);
- (d) Active Pathways, which operates Brookhaven and The Hamptons, located seven miles away with 36 male beds in total;
- (e) MHC, which has three sites with a total of 42 male beds and 18 mixed beds including one site (Newton House) located 26 miles from Cambian Fountains; and
- (f) Equilibrium, which has one site (Jigsaw Independent Hospital) 39 miles from Cambian Fountains with 19 male beds.

15.71 Accordingly, there is no risk of the Transaction giving rise to a SLC in relation to the CAS Fountains site.

Delfryn House

15.72 CAS's Delfryn House is located in Mold, North Wales, and provides treatment for 28 male patients with LTMH conditions. As explained above, Cygnet does not have any sites in

Wales. Given that NHSW commissions rehabilitation services at a national level within Wales, [X], the Parties submit that the relevant catchment area for Cambian's Delfryn House site is Wales. On the basis of a national market for Wales, there is no overlap between the Parties.

15.73 However, for completeness, we have also looked at the extent of the overlap on both a 75 mile and 100 mile catchment area, although we recognise that this does not reflect commissioning behaviour within Wales or England. The closest Cygnet site that treats male LTMH patients is Cygnet Brighthouse, 77 miles away, and Cygnet Hospital Derby is 103 miles away. Accordingly, there is no overlap between the Parties within a 75 mile catchment area ([X]), and only Cygnet Brighthouse overlaps within a 100 mile catchment area.

15.74 On a fascia count basis, there will be 12 different operators (in addition to the Parties) providing treatment for male patients with LTMH conditions within a 100 mile catchment area of the Delfryn House site. These include:

- (a) PiC/Priory, which operates eight sites with a total of 99 male beds and 38 mixed beds. This includes Cheadle Royal (45 miles away with 17 mixed beds), The Spinney (48 miles away with three male beds), Park Lodge (52 miles away with 10 mixed beds), Highbank Centre (60 miles away with 10 male beds) and Kemple View (72 miles with 26 male beds);
- (b) Alternative Futures, which operates Meadow Park (14 miles away with 20 mixed beds), Weaver Lodge (31 miles away with 20 mixed beds), Lea Court (32 miles away with 24 male beds), Millbrook (43 miles away with 12 mixed beds), Fir Trees (47 miles away with 14 mixed beds) and Oak Lodge (54 miles away with 12 mixed beds);
- (c) MHC, which operates three sites (New Hall, Holland House and Newton House) all in Wales, located 15 miles, 17 miles and 83 miles from Delfryn House with 42 male beds and 18 mixed beds; and
- (d) Elysium, which operates Braeburn House (50 miles away with 28 male beds), Brieley Court (60 miles away with 21 mixed beds) and Three Valleys Hospital (96 miles away with 18 existing male beds and 10 planned male beds).

15.75 It is also clear from the above, that there are a number of competitor sites within Wales. These include Lighthouse Phoenix House, and MHC's New Hall, Holland House and Newton House. As mentioned above, [X], these sites are likely to represent some of the closest competitors to Delfryn House.

15.76 Accordingly, there is no risk of the Transaction giving rise to a SLC in relation to the CAS Delfryn House site.

Sedgley House and Sedgley Lodge

15.77 Sedgley House and Lodge are located in Wolverhampton. Both wards provide treatment for male LTMH patients with a total of 34 beds. The nearest Cygnet male LTMH ward is in Derby (Cygnet Hospital Derby, Wyvern Ward), 48 miles away with 19 male LTMH beds.

15.78 There are 13 different providers (excluding the Parties) within a 75 mile catchment area of the Sedgley House and Sedgley Lodge wards and 18 different providers within a 100 mile catchment area. These include:

- (a) PiC/Priory, which has eight sites with a total of 86 male beds and 48 mixed beds. This includes two sites (Lichfield Road and Woodland View) less than 30 miles from Sedgley House and Lodge;

- (b) Elysium, which operates Braeburn House (86 miles away with 28 male beds), Aderyn (90 miles away with 19 male beds), Brieley Court (91 miles away with 21 mixed beds) and Ty Gwyn Hall (93 miles away with 34 mixed beds);
- (c) St Mathews Healthcare, which operates Broomhill (60 miles away with 15 male beds), Dallington Lodge (63 miles away with 20 male beds), St Matthews Unit (65 miles away with 58 mixed beds) and St Matthews Hospital (65 miles away with 14 mixed beds);
- (d) Huntercombe, which operates one site (Huntercombe Centre Birmingham) located seven miles away with 15 male beds; and
- (e) A number of other providers including Options for Care, St Andrews, MHC, John Munroe Group, Lighthouse etc.

15.79 Accordingly, there is no risk of the Transaction giving rise to a SLC in relation to the CAS Sedgley House and Lodge wards.

15.80 In summary, the remaining female ward in Table 15.9 (St Teilo House) and six male wards in Table 15.10, which gives rise to a combined market share in excess of 30 per cent on either the 75 mile or 100 mile catchment area are considered in further detail in the site-by-site analysis below.

Site-by-site analysis

15.81 As set out above, we have carried out the initial filter analysis on the basis of both a 75 mile and 100 mile road distance catchment area (which is the range presented in the CMA's Acadia/Priority decision). In relation to the sites that give rise to a combined market share in excess of 30 per cent (on either the 75 mile or the 100 mile catchment area), we have considered these sites on a site-by-site basis below (as shown in the following table).

Table 15.11: Summary of facilities considered in the site-by-site assessment

Treatment type	Facility	75 mile	100 mile
ASD male	Fairview (Larch Court)	[X]	[X]
PD female	Cambian Acer Clinic	[X]	[X]
	Cambian Alders Clinic	[X]	[X]
	Cambian Aspen Clinic	[X]	[X]
LTMH female	St. Teilo House	[X]	[X]
LTMH male	Cambian Oaks	[X]	[X]
	Cambian Victoria House	[X]	[X]
	Sherwood House	[X]	[X]
	St. Augustine's	[X]	[X]
	Storthfield House	[X]	[X]
	The Limes	[X]	[X]

15.82 The following section discusses each of the sites listed in Table 15.11 above.

ASD male

Fairview (Larch Court)

15.83 Cambian Fairview is a 63 bed LD and ASD site in Colchester. The site consists of seven wards:

- (a) Oak Court, Laurel Court, Redwood Court, Elm Court and Sycamore Court treat male patients with LD, across the five wards there are a total of 48 beds;
- (b) Cherry Court is a 11 bed unit for female patients with LD; and
- (c) Larch Court is a unit for male patients with ASD, consisting of just four beds.

15.84 The only Cygnet site that treats male patients with ASD is Cygnet Hospital Harrow which has 10 beds for male patients (Springs Wing). At the request of the CMA, [X]. Cygnet Hospital Harrow is located just over 75 miles from Cambian Fairview. Therefore, on the basis of a 75 mile catchment area the Parties sites do not overlap.

15.85 Moreover, Larch Court is a highly specialised locked unit providing treatment for ASD patients at the highest end of the acuity spectrum with an average cost of around [X]. In comparison, the Cygnet site is an unlocked facility costing around [X], and treats patients with a dual diagnosis of less severe ASD conditions and LTMH. Accordingly, in most cases the two sites treat distinct groups of patients. The Parties' sites are not, therefore, close competitors for male patients with ASD.

15.86 Nonetheless, the table below summarises the key competitive information for Larch Court on a 100 mile catchment area.

Table 15.12: Analysis of Cambian Fairview (Larch Court), male ASD site

	75 miles	100 miles
Combined market share	No Overlap	[X]%
Increment	-	[X]%
Number of competing sites in area (excluding the Parties)	-	2
Number of competing providers in area (excluding the Parties)	-	2
Largest competitor in area	-	Brookdale
Largest competitors market share	-	[X]%
Second largest competitor in the area	-	PiC/Priory
Second largest competitors market share	-	[X]%

15.87 The above table shows that there is no overlap between the Parties on a 75 mile catchment area. In addition, on a 100 mile catchment area the increment to the Parties' combined market share is just [X] per cent, which reflects the fact that Fairview (Larch Court) has just 4 beds for the treatment of male patients with ASD.

15.88 Moreover, [X].

15.89 The table above also shows that the Parties face a strong and significant competitive constraint from Brookdale Milton Park Campus, which has a market share of [X] per cent (on a 100 mile catchment). This site is a purpose built autism hospital located 82 miles from Cambian Fairview (51 miles from Cygnet Hospital Harrow) and has 39 beds for male patients with ASD and seven beds for male patients with ASD/LD. It is noteworthy that, following Brookdale's recent acquisition by Trascare, the Chief Executive stated that "As an expert provider in autism, Brookdale has a fantastic and well-deserved reputation", and that "We are absolutely delighted to become the largest specialist provider of care and support for people with autism in the country".²⁸

²⁸

<http://careindustrynews.co.uk/2015/07/trascare-and-brookdale-create-largest-autism-provider/>

- 15.90 In addition, PiC/Priory has one site (Keston Unit at Hayes Grove) with nine mixed beds for ASD patients. This site is located 69 miles from Cambian Fairview.
- 15.91 As mentioned above, the catchment area for ASD services based on the closest 80 per cent of CAS' patients is [X] miles (although this is based on a sample of [X] patients). This reflects the specialist nature of services provided at Larch Court which attracts patients from a wide catchment area.
- 15.92 On the basis of a [X] catchment area the Parties have a combined market share of [X] per cent (increment [X] per cent). On this basis the Parties' face competition from a number of additional sites including:
- (a) PiC/Priory has two additional sites (Mildmay Oaks and Knightbridge House) with 22 male beds for patients with ASD/LD. In total (i.e. including Hayes Grove) PiC/Priory has a combined market share of [X] per cent on a [X] mile catchment area;
 - (b) Danshell has one site (Cedar Vale Independent Hospital) with 16 male beds for patients with ASD/LD; and
 - (c) St Andrews has one site (Garden Cottage, Northampton) with five male beds for patients with ASD.
- 15.93 Given that the Parties' sites provide treatment to patients with different levels of acuity, the increment from the Transaction is [X] per cent, the Parties' sites are more than 75 miles apart, and [X], the Parties consider that there is no risk of the Transaction giving rise to a SLC in relation to Fairview (Larch Court).

PD female

Cambian Acer Clinic

- 15.94 Cambian Acer Clinic is a female PD site located in Chesterfield with 28 beds.²⁹ The only existing Cygnet Hospital providing treatment to female patients with PD within 100 miles of Cambian Acer Clinic is Cygnet Hospital Bierley, which is located 54 miles away by road.
- 15.95 Cygnet Hospital Bierley is a large mental health hospital located in Bradford and has the following four wards:
- (a) Bronte Ward provides treatment for up to 12 female patients with LTMH conditions in a low secure setting;
 - (b) Shelly Ward is a low secure ward for up to 16 male patients with LTMH conditions;
 - (c) Denholme Ward is a PICU ward with up to 15 beds for female patients; and
 - (d) Bowling Ward is a female PD rehabilitation ward with 20 beds. It provides highly specialised DBT within a semi-secure hospital environment, and accepts patients with a high level of challenging behaviour and risk (i.e. who are towards the upper end of the PD acuity spectrum).
- 15.96 In addition to Cygnet Hospital Bierley, the planned site Cygnet Hospital Coventry is located 75 miles from Cambian Acer Clinic. This site will include [X] (a full description of Cygnet Hospital Coventry is provided in response to question 20).

²⁹ This includes 14 beds in Acer 2nd Wing due to open in February 2017. For completeness we have included these beds in our competition analysis.

- 15.97 In comparison to the Cygnet sites, Cambian Acer Clinic treats female patients with PD with less challenging needs, and is generally seen as a step down from the Bowling Ward in a community facing unit ([REDACTED]).
- 15.98 Accordingly, whilst Cambian Acer Clinic and Cygnet Bierley (Bowling Ward) both treat female patients with PD, they are treating patients with different levels of acuity and risk. The Parties do not, therefore, consider that the Cambian Acer Clinic and Cygnet Bierley (Bowling Ward) to be close competitors.
- 15.99 Nonetheless, for completeness, the table below summarises the key competitive information for Cambian Acer Clinic on both a 75 mile and 100 mile catchment area.

Table 15.13: Analysis of Cambian Acer Clinic, female PD site

	75 miles	100 miles
Combined market share	[REDACTED]%	[REDACTED]%
Increment	[REDACTED]%	[REDACTED]%
Number of competing sites in area (excluding the Parties)	6	8
Number of competing providers in area (excluding the Parties)	4	5
Largest competitor in area	Inmind	St Andrews
Largest competitors market share	[REDACTED]%	[REDACTED]%
Second largest competitor in the area	The Retreat	PiC/Priory
Second largest competitors market share	[REDACTED]%	[REDACTED]%

- 15.100 The table above shows that on a fascia count basis, there will be five different operators (including the Parties) and six other competing sites providing treatment for female patients with PD within a 75 mile catchment area of the Cambian Acer Clinic, and six different operators within 100 miles of the site. Accordingly, the Transaction represents either a 6-5 or 7-6 merger on the basis of the number of competing operators.
- 15.101 Moreover, it is clear that the Parties face a number of significant competitors within the catchment area of Cambian Acer Clinic, including:
- PiC/Priory, which has three sites with a total of 54 female PD/LTMH beds (27 beds are allocated to the treatment of PD patients for the purpose of the market share calculation), and a combined market share of [REDACTED] per cent on a 75 mile catchment area and [REDACTED] per cent on a 100 mile catchment area. One PiC/Priory site (The Willows with six female beds) is located within 30 miles of Cambian Acer Clinic, [REDACTED];
 - Inmind has two sites with a total of 22 female PD beds and a combined market share of [REDACTED] per cent on a 75 mile catchment area and [REDACTED] per cent on a 100 mile catchment area. The Inmind sites (Waterloo Manor and Sturdee Community Hospital) are located 46 and 57 miles from Cambian Acer Clinic;
 - The Retreat (with 20 female PD beds) is located 62 miles from Cambian Acer Clinic, and has a combined market share of [REDACTED] per cent on a 75 mile catchment area and [REDACTED] per cent on a 100 mile catchment area; and
 - St Andrews has one site in Northampton with 37 female beds and a market share of [REDACTED] per cent on a 100 mile catchment area. This site is located 93 miles from Cambian Acer Clinic; and

- (e) Northern Pathways (a joint venture between Turning Point and The Retreat) has one site (Garrow House) located 62 miles from Cambian Acer Clinic with 12 female beds and a combined market share of [%] per cent on a 75 mile catchment area and [%] per cent on a 100 mile catchment area.

15.102 Moreover, the Parties note that while Cygnet Bierley and Cygnet Coventry provide highly specialised PD treatment, Cambian Acer Clinic treats patients with less challenging needs. [%]. On the basis of a PD-LTMH female market the Parties would have a combined market share of [%] per cent (increment [%] per cent) for a 75 mile catchment area and [%] per cent (increment [%] per cent) for a 100 mile catchment area centred on Cambian Acer Clinic, i.e. less than the 30 per cent filter threshold used by the CMA.

15.103 On the basis of the differences in the treatment/level of acuity of patients at the Parties' sites, the constraint from LTMH sites and the number of other PD competitors that remain in the area, the Parties consider that there is no risk of the Transaction giving rise to a SLC in relation to this site.

Cambian Alders Clinic

15.104 Cambian Alders Clinic is a female PD site with 20 beds in Gloucester. The only existing Cygnet Hospital within 100 miles is Cygnet Hospital Kewstoke, located 50 miles from Alders Clinic in Weston-Super-Mare. In addition to Cygnet Hospital Kewstoke, the planned site Cygnet Hospital Coventry is located 62 miles from Cambian Alders Clinic.

15.105 Cygnet Hospital Kewstoke is a large mental health hospital and has the following five wards:

- (a) Milton Ward is a low secure ward for up to 16 female patients with LTMH conditions;
- (b) The Lodge is a locked rehabilitation ward that treats up to 12 female LTMH patients;
- (c) Nash Ward is a PICU ward with up to 12 beds for male patients;
- (d) Sanford Ward is an Acute psychiatry ward for up to 16 male patients; and
- (e) Knightstone Ward is a female PD ward with 16 beds which offers highly specialised DBT in a semi-secure hospital environment.

15.106 Like Bowling Ward at Cygnet Hospital Bierley, Knightstone Ward at Cygnet Hospital Kewstoke is a highly specialised PD service that accepts women with the most challenging behaviour and highest risk. Patients would usually step-down from Knightstone Ward to a facility like Cambian Alders Clinic, which is considered to be the next stage on the care pathway ([%]). This is reflected the average daily fees for the two sites; the average daily fee for Knightstone Ward is [%], compared to [%] for Cambian Alders Clinic.

15.107 Accordingly, whilst Cambian Alders Clinic and Cygnet Kewstoke (Knightstone Ward) both treat female patients with PD, they are treating patients with different levels of acuity and risk. The Parties do not, therefore, consider Cambian Alders Clinic and Knightstone Ward or Cygnet Coventry to be close competitors.

15.108 Nonetheless, for completeness, the table below summarises the key competitive information for Cambian Alders Clinic on both a 75 mile and 100 mile catchment area.

Table 15.14: Analysis of Cambian Alders Clinic, female PD site

	75 miles	100 miles
Combined market share	[X]%	[X]%
Increment	[X]%	[X]%
Number of competing sites in area (excluding the Parties)	4	8
Number of competing providers in area (excluding the Parties)	3	6
Largest competitor in area	PiC/Priory	St Andrews
Largest competitors market share	[X]%	[X]%
Second largest competitor in the area	Ludlow Street Healthcare	PiC/Priory
Second largest competitors market share	[X]%	[X]%

- 15.109 The table above shows that on a fascia count basis, there will be four different operators providing treatment for female patients with PD within a 75 mile catchment area of the Cambian Alders Clinic, and seven different operators that remain within 100 miles of the site. Accordingly, the Transaction represents either a 5-4 or 8-7 merger on the basis of the number of competing fascia operators, which is above the threshold at which the CMA typically identifies competition concerns in local markets.
- 15.110 Moreover, it is clear that the Parties face a number of significant female PD competitors within the catchment area of Cambian Alders Clinic, including:
- (a) PiC/Priory, has three sites, with a total of 48 female PD/LTMH beds (24 beds are allocated to the treatment of PD patients for the purpose of the market share calculation) and 11 female PD beds. PiC/Priory has a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. The three PiC/Priory sites (Beverley House, Lakeside View and Chadwick Lodge) are located 53, 65 and 81 miles from Cambian Alders Clinic;
 - (b) Ludlow Street Healthcare has one site (Heatherwood Court) located 68 miles from Cambian Alders Clinic with 11 female beds and a market share of [X] per cent on 75 mile catchment area and [X] per cent on a 100 mile catchment area; and
 - (c) St Andrews has one site in Northampton with 37 female beds and a market share of [X] per cent on a 100 mile catchment area. This site is located 88 miles from Cambian Alders Clinic.
- 15.111 As mentioned above, the catchment area for PD services based on the closest 80 per cent of CAS's patients is [X] miles. On this basis the Parties would have a combined market share of [X] per cent (increment [X] per cent).
- 15.112 If the planned [X] at Cygnet Hospital Coventry are excluded from the market share calculation the Parties have a combined market share of [X] per cent (increment [X] per cent) on a 75 mile catchment area and [X] per cent (increment [X] per cent) on a 100 mile catchment area.
- 15.113 On the basis of the differences in the treatment/level of acuity of patients at the Parties sites, and the number of other competitors that remain in the area, the Parties consider that there is no risk of the Transaction giving rise to a SLC in relation to this site.

Cambian Aspen Clinic

- 15.114 The Cambian Aspen site is located in Rotherham. It has two wards:

(a) Cambian Aspen House is a female LTMH locked rehabilitation ward with 20 beds (as discussed above); and

(b) Cambian Aspen Clinic is a female PD locked rehabilitation ward with 16 beds.

15.115 The only existing Cygnet female PD site within the catchment area is Cygnet Hospital Bierley (Bowling Ward) which is 41 miles from Cambian Aspen Clinic. As explained above, the Bowling Ward at Cygnet Hospital Bierley offers a highly specialist DBT, within a semi-secure hospital environment, and accepts patients with a high level of challenging behaviour and risk (i.e. who are towards the upper end of the PD acuity spectrum). In addition, the planned site Cygnet Hospital Coventry is located 92 miles from Cambian Aspen Clinic and will [REDACTED].

15.116 In comparison to the Cygnet sites, Cambian Aspen Clinic treats female patients with PD with less challenging needs, and is generally seen as step down from the Bowling Ward ([REDACTED]). Accordingly, whilst Cambian Aspen Clinic and Cygnet Bierley (Bowling Ward) both treat female patients with PD, they are treating patients with different levels of acuity and risk. The Parties do not, therefore, consider that the Cambian Aspen Clinic and Cygnet Bierley (Bowling Ward) or Cygnet Coventry to be close competitors.

15.117 Nonetheless, for completeness, the table below summarises the key competitive information for Cambian Aspen Clinic on both a 75 mile and 100 mile catchment area.

Table 15.15: Analysis of Cambian Aspen Clinic, female PD site

	75 miles	100 miles
Combined market share	[REDACTED]%	[REDACTED]%
Increment	[REDACTED]%	[REDACTED]%
Number of competing sites in area (excluding the Parties)	5	9
Number of competing providers in area (excluding the Parties)	4	5
Largest competitor in area	Inmind	PiC/Priory
Largest competitors market share	[REDACTED]%	[REDACTED]%
Second largest competitor in the area	The Retreat	Elysium
Second largest competitors market share	[REDACTED]%	[REDACTED]%

15.118 The table above shows that on a fascia count basis, there will be five different operators post-merger providing treatment for female patients with PD within both 75 catchment area of the Cambian Aspen Clinic and six different operators within a 100 mile catchment area. Accordingly, the Transaction represents either a 6-5 or a 7-6 merger.

15.119 Moreover, it is clear that the Parties face a number of significant competitors within the catchment area of Cambian Aspen Clinic, including:

(a) PiC/Priory has four sites with a total of 54 female PD/LTMH beds (27 beds are allocated to the treatment of PD patients for the purpose of the market share calculation) and 20 female PD beds. PiC/Priory has a combined market share of [REDACTED] per cent on a 100 mile catchment area. One PiC/Priory site (The Willows, with a total of six female beds) is located within 40 miles of Cambian Aspen Clinic, i.e. closer than Cygnet Hospital Bierley;

(b) Elysium has one site with 34 female PD beds, which gives rise to a market share of [REDACTED] per cent on a 100 mile catchment area. The Elysium site (Recovery First) is located 77 miles from Cambian Aspen Clinic;

- (c) Inmind has two sites with a total of 22 female PD beds and a combined market share of [%] per cent on a 75 mile catchment area and [%] per cent on a 100 mile catchment area. The Inmind sites (Waterloo Manor and Sturdee Community Hospital) are located 30 and 74 miles from Cambian Aspen Clinic;
 - (d) The Retreat is located 46 miles from Cambian Acer Clinic, has 20 female beds and a market share of [%] per cent on a 75 mile catchment area and [%] per cent on a 100 mile catchment area; and
 - (e) Northern Pathways (a joint venture between Turning Point and The Retreat) operates one site (Garrow House) with 12 female beds located 46 miles away. This site has a market share of [%] per cent on a 75 mile catchment area and [%] per cent on a 100 mile catchment area.
- 15.120 As mentioned above, the catchment area for PD services based on the closest 80 per cent of CAS's patients is [%] miles. On this basis the Parties have a combined market share of [%] per cent (increment [%] per cent).
- 15.121 If the planned [%] at Cygnet Hospital Coventry are excluded from the market share calculation the Parties have a combined market share of [%] per cent (increment [%] per cent) on a 100 mile catchment area.
- 15.122 Moreover, the Parties note that while Cygnet Bierley and Cygnet Coventry provide highly specialised PD treatment, Cambian Aspen Clinic treats patients with less challenging needs. [%]. On the basis of a PD-LTMH female market the Parties have a combined market share of [%] per cent for a 100 mile catchment area centred on Cambian Aspen Clinic, i.e. less than the 30 per cent filter threshold used by the CMA.
- 15.123 On the basis of the differences in the treatment/level of acuity of patients at the Parties' sites, and the strong competitive constraint exerted by other competitors, the Parties consider that there is no risk of the Transaction giving rise to a SLC in relation to Cambian Aspen Clinic.

LTMH female

St. Teilo House

- 15.124 St Teilo House treats up to 23 female LTMH patients and is located in Gwent, South Wales.
- 15.125 As explained above, Cygnet does not have any sites in Wales. Given that NHSW commissions rehabilitation services on the basis of a national framework, [%], the Parties submit that the relevant catchment area for St Teilo House is Wales. On the basis of a national market for Wales, there is no overlap between the Parties and therefore the Transaction does not give rise to a SLC on this basis.
- 15.126 However, for completeness, we have also looked at the extent of the overlap on both a 75 mile and 100 mile catchment area, although we recognise that this does not reflect commissioning behaviour within Wales. The closest Cygnet hospital that treats female LTMH patients is Cygnet Hospital Kewstoke (The Lodge) with 12 beds. This site is located in Weston-Super-Mare (the opposite side of the Severn estuary from St Teilo house) and is 74 miles away by road (i.e. it is just within the 75 mile catchment area).
- 15.127 Cygnet Hospital Kewstoke is a large specialist mental health hospital with the following five wards:
- (a) Milton Ward is a low secure ward for up to 16 female patients with LTMH conditions;

- (b) Knightstone Ward is a locked ward for up to 16 female patients with PD, which offers highly specialised DBT (as mentioned above in relation to Cambian Alders Clinic);
- (c) Nash Ward is a PICU ward with up to 12 beds for male patients;
- (d) Sanford Ward is an Acute psychiatry ward for up to 16 male patients; and
- (e) The Lodge is a locked rehabilitation ward that treats up to 12 female LTMH patients.

15.128 The locked rehabilitation ward for female patients largely provides a step down for patients from a secure environment, and a transfer of patients from acute services ([REDACTED]). This differentiates it from St Teilo House, which only provides treatment for female LTMH patients.

15.129 The table below summarises the key competitive information for St Teilo House on either a 75 mile or 100 mile catchment area.

Table 15.16: Analysis of St Teilo House, female LTMH site

	75 miles	100 miles
Combined market share	[REDACTED]%	[REDACTED]%
Increment	[REDACTED]%	[REDACTED]%
Number of competing sites in area (excluding the Parties)	6	8
Number of competing providers in area post-merger (excluding the Parties)	3	4
Largest competitor in area	Elysium	PiC/Priory
Largest competitor's market share	[REDACTED]%	[REDACTED]%
Second largest competitor in area	PiC/Priory	Elysium
Second largest competitor's market share	[REDACTED]%	[REDACTED]%

15.130 The table above shows that on a fascia count basis, there will be three different operators (in addition to the Parties) providing treatment for female patients with LTMH conditions within a 75 mile catchment area of St Teilo House, and four different operators (plus the Parties) within a 100 mile catchment area. Accordingly, the Transaction represents either a 5-4 or 6-5 merger on the basis of the number of competing operators.

15.131 Moreover, it is clear that on either catchment area the Parties face a large number of female LTMH competing sites including:

- (a) PiC/Priory has four sites with a total of seven female LTMH beds, 10 mixed LTMH beds and 24 female LTMH/PD beds (12 beds are allocated to the treatment of LTMH patients for the purpose of the market share calculation). PiC/Priory has a combined market share of [REDACTED] per cent on a 75 mile catchment area and [REDACTED] per cent on a 100 mile catchment area. Three of the PiC/Priory sites (Llanarth Court, Ty Catrin and Bristol, with a total of 17 female beds) are located within 65 miles of St Teilo House (22, 27 and 63 miles respectively), [REDACTED];
- (b) Elysium has two sites with a total of 58 mixed beds and a combined market share of [REDACTED] per cent on a 75 mile catchment area and [REDACTED] per cent on a 100 mile catchment area. One site (Ty Gwyn Hall) is located 19 miles from St Teilo House;
- (c) Ocean Community Services has one site (Overndale House) with seven female LTMH/PD beds (3.5 beds are allocated to the treatment of LTMH patients for the purpose of the market share calculation) located 61 miles from St Teilo House; and

(d) Lighthouse has one site (Y Hafan) with six female LTMH/PD beds (three beds are allocated to the treatment of LTMH patients for the purpose of the market share calculation) located 91 miles from St Teilo House.

15.132 [REDACTED]. In this regard, there are a number of competitor sites located close to St Teilo House in Wales including: Elysium, Ty Gwyn Hall (mixed 34 beds); PiC/Priory, Llanarth Court (female four beds); PiC/Priory, Ty Catrin (female three beds); and Lighthouse, Y Hafan (female six beds). [REDACTED].

15.133 As set out in Table 13.2, the catchment area for LTMH services based on the closest 80 per cent of CAS's patients is [REDACTED] miles. This does not significantly change the Parties combined market shares.

15.134 On the basis of the differences in the locations and services provided at Cygnet Hospital Kewstoke and St Teilo House, [REDACTED], the Parties consider that Transaction does not give rise to a SLC in relation to CAS's St Teilo House site.

LTMH male

15.135 As set out in Table 15.11 above, all of the following CAS facilities, which provide rehabilitation treatment for male patients with LTMH overlap with either Cygnet Lodge Brighouse (on its own) or Cygnet Lodge Brighouse and Cygnet Hospital Derby (Wyvern Ward). [REDACTED], whether on a 75 mile or 100 mile road distance of the respective CAS sites.

15.136 Cygnet Lodge Brighouse is a male only site, with 24 beds, that provides rehabilitation treatment for patients with LTMH in a locked environment. It is located in Brighouse (near Huddersfield) in West Yorkshire, and, unlike a number of other Cygnet facilities, it only provides treatment for male patients with LTMH.

15.137 Cygnet Hospital Derby is a large specialist mental health hospital with the following three wards:

(a) Litchurch Ward provides low secure treatment for up to 15 male patients with LTMH conditions;

(b) Alvaston Ward provides low secure treatment for up to 16 female PD patients; and

(c) Wyvern Ward is a locked LTMH rehabilitation ward with 19 beds for male patients.

15.138 Below we have looked at each of the CAS sites individually on the basis of a 75 mile and 100 mile catchment area. As set out in Table 13.2, the catchment area for LTMH services at the CAS sites (based on the closest 80 per cent of patients) is [REDACTED] miles, which does not materially change the analysis at any of the sites.

Cambian Oaks

15.139 Cambian Oaks is a 36 bed male LTMH facility located in Barnsley. The nearest competing Cygnet site is Cygnet Lodge Brighouse located 21 miles away (with 24 beds). Cygnet Hospital Derby is 55 miles away.

15.140 The table below summarises the key competitive information for Cambian Oaks on either a 75 mile or 100 mile catchment area.

Table 15.17: Analysis of Cambian Oaks, male LTMH site

	75 miles	100 miles
Combined market share	[X]%	[X]%
Increment	[X]%	[X]%
Number of competing sites in area	29	36
Number of competing providers in area	12	15
Largest competitor in area	PiC/Priory	PiC/Priory
Largest competitors market share	[X]%	[X]%
Second largest competitor in the area	Alternative Futures	Alternative Futures
Second largest competitors market share	[X]%	[X]%

- 15.141 The table above shows that on a fascia count basis, there will be 13 different operators providing treatment for male patients with LTMH within a 75 mile catchment area of Cambian Oaks, and 16 different operators that remain within 100 miles. Accordingly, the Transaction represents either a 14-13 or 17-16 merger on the basis of the number of competing operators.
- 15.142 Moreover, it is clear that on either catchment area the Parties face a large number of male LTMH competitors (with at least 29 different competing sites) including:
- (a) PiC/Priory has 11 sites with a total of 159 male beds and 38 mixed beds with a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. PiC/Priory Dewsbury (with 22 male beds) is located just 16 miles from Cambian Oaks, i.e. closer than Cygnet Lodge Brighouse;
 - (b) Alternative Futures has six sites with a total of 24 male beds and 78 mixed beds and a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. The closest Alternative Futures site is Millbrook, located 42 miles from Cambian Oaks;
 - (c) Elysium has three sites with a total of 46 existing male beds, 10 planned male beds and 21 existing mixed beds with a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. The three sites (Three Valleys Hospital, Brierley Court and Braeburn House) are located 44, 59 and 61 miles from Cambian Oaks; and
 - (d) Turning Point has four sites with a total of 10 male beds and 36 mixed beds with a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. One site (The Corner House) is located 15 miles from Cambian Oaks, i.e. closer than Cygnet Lodge Brighouse.
- 15.143 As mentioned above, the catchment area for LTMH services at the CAS sites (based on the closest 80 per cent of patients) is [X] miles. On this basis, the Parties have a combined market share of [X] per cent (increment [X] per cent), which is [X] above the 30 per cent filter threshold used by the CMA for identifying sites subject to the more detailed site-by-site analysis.
- 15.144 Given the Parties' modest combined market shares and the large number of competing sites in the catchment area, there is no risk of the Transaction giving rise to a SLC in relation to the Cambian Oaks site.

Cambian Victoria House

15.145 Cambian Victoria House is a male LTMH site with 32 beds in County Durham. The closest Cygnet Hospitals are Cygnet Lodge Brighthouse which is 83 miles away, followed by Cygnet Hospital Derby which is 131 miles away (i.e. outside both the 75 mile and 100 mile catchment areas).

15.146 Accordingly, on the basis of a 75 mile catchment area, the Parties do not overlap and therefore there is no risk the Transaction will lead to a SLC. Nonetheless we have looked at the number of competitors within a 75 mile catchment area of Victoria House, and market shares on a 100 mile catchment area, which is shown in the table below.

Table 15.18: Analysis of Cambian Victoria House, male LTMH site

	75 miles	100 miles
Combined market share	[X]	[X]%
Increment	[X]	[X]%
Number of competing sites in area	3	7
Number of competing providers in area (excluding the Parties)	2	3
Largest competitor in area	PiC/Priory-	PiC/Priory
Largest competitors market share	[X]%	[X]%
Second largest competitor in the area	Elysium-	Elysium
Second largest competitors market share	[X]%	[X]%

15.147 The table above shows that:

- (a) on the basis of a 75 mile catchment area of Victoria House, there will be three different operators providing treatment for male patients with LTMH, [X], which is outside the 75 mile catchment area. As mentioned above, the catchment area for LTMH services at the CAS sites (based on the closest 80 per cent of LTMH patients) is [X] miles, which supports a conclusion that there is no overlap between the Parties in relation to Cambian Victoria House; and
- (b) on the basis of a 100 mile catchment area, there will be four different operators (including the Parties) that remain providing treatment for male patients with LTMH conditions. On this basis, the Transaction represents a 5-4 merger in relation to the number of competing operators. These include the following competitors:
 - (i) PiC/Priory has five sites with a total of 98 male beds and a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment. Four of the PiC/Priory sites are within 80 miles of Cambian Victoria House, [X], including Middleton St George (with 15 male LTMH beds) which is just six miles away;
 - (ii) Elysium has one site with 18 existing male beds and 10 planned male beds located 66 miles from Victoria House. It has a market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area; and
 - (iii) Turning Point has one site (The Corner House) with 12 mixed beds located 98 miles from Victoria House. It has a market share of [X] per cent on a 100 mile catchment area.

15.148 Due to the distance between the Parties' sites (which do not overlap on either a 75 mile catchment area or a catchment area based on the closest 80 per cent of CAS's LTMH patients), and the strong competitive constraint exerted by a number of other competitors

[X], there is no risk of the Transaction giving rise to a SLC in relation to the Cambian Victoria House site.

Sherwood House

- 15.149 Sherwood House is located in Mansfield. The Sherwood House site includes three wards:
- (a) Sherwood House is a 30 bed male LTMH rehabilitation unit with specialist staff to treat patients that also have learning disabilities;
 - (b) Sherwood Lodge is an 17 bed male LD rehabilitation unit; and
 - (c) Sherwood Lodge Step Down is a nine bed male LD unit for patients stepping down from rehabilitation in Sherwood Lodge to the community/residential sector.
- 15.150 As explained above there is no overlap between the Parties in relation to male LD sites or community/residential sites.
- 15.151 The closest male LTMH Cygnet site to Sherwood House is Cygnet Hospital Derby (Wyvern Ward), located 29 miles away. Cygnet Lodge Brighthouse is located 72 miles from Sherwood House.
- 15.152 The table below summarises the key competitive information for Sherwood House on either a 75 mile or 100 mile catchment area.

Table 15.19: Analysis of Sherwood House, male LTMH site

	75 miles	100 miles
Combined market share	[X]%	[X]%
Increment	[X]%	[X]%
Number of competing sites in area	17	31
Number of competing providers in area (excluding the Parties)	10	16
Largest competitor in area	PiC/Priory	PiC/Priory
Largest competitors market share	[X]%	[X]%
Second largest competitor in the area	John Munroe Group	St Matthews
Second largest competitors market share	[X]%	[X]%

- 15.153 The table above shows that on a fascia count basis, there will be eleven different operators providing treatment for male patients with LTMH within a 75 mile catchment area of Sherwood House, and 17 different operators that remain within 100 miles. Accordingly, the Transaction represents either a 12-11 or 18-17 merger on the basis of the number of competing operators.
- 15.154 Moreover, on either catchment area the Parties face a large number of male LTMH competitors including:
- (a) PiC/Priory has seven sites with a total of 105 male beds and 38 mixed beds with a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. The closest PiC/Priory hospital is Park Lodge, 56 miles from Sherwood House;
 - (b) St Matthews has three sites with a total of 35 male beds and 72 mixed beds with a combined market share of [X] per cent on a 100 mile catchment area;

- (c) Elysium has three sites with 18 existing male beds, 10 planned 10 beds and 55 mixed beds and a combined market share of [%] per cent on a 100 mile catchment area;
 - (d) John Munroe Group has one site (John Munroe Hospital) with 24 male beds located 56 miles from Sherwood House. John Munroe Group has a market share of [%] per cent on a 75 mile catchment area and [%] per cent on a 100 mile catchment area.
 - (e) Turning Point has four sites with a total of 10 male beds and 36 mixed beds with a combined market share of [%] per cent on a 75 mile catchment area and [%] per cent on a 100 mile catchment area. This includes one site (Nottingham Transition Unit) which is 15 miles from Sherwood House; and
 - (f) Debdale Specialist Care has one site (Thistle Hill Hall) with 18 mixed beds located just six miles from Sherwood House.
- 15.155 The difference in the Parties' combined market shares depending on whether a 75 mile or 100 mile catchment area is used reflects the fact that there are a number of competitors located just outside the 75 mile catchment area. These include: St Matthews Dallington Lodge (76 miles away with 20 male beds), Barchester Windermere House Independent Hospital (79 miles away with 26 male beds), Turning Point Douglas House (80 miles away with 12 mixed beds), Equilibrium Jigsaw independent Hospital (80 miles away with 19 male beds), Alternative Futures Millbrook (79 miles away with 12 mixed beds), Deepdene Care Norton Street (75.2 miles away with 30 mixed beds), and St Matthews Hospital and Unit (78 miles away with 72 mixed beds). [%].
- 15.156 In addition, the Parties note that the location of Sherwood House results in road distances between Sherwood House and some competitors overstating the actual distance between sites. In particular, the Peak District National Park is located between Sherwood House (Mansfield) and Manchester, where a number of competitors are located. For some sites in Manchester, Google Maps sets a driving route that bypasses the Peak District and as a result adds significant drive distance. For example, PiC/Priory Braeburn Court ([%]) is 55 miles from Sherwood House as the crow flies but according to Google Maps a road distance of 101 miles and as such outside the catchment area. Overall the location of Sherwood House is likely to result in market shares that understate the degree of competition faced by the Parties.
- 15.157 As mentioned above, [%].
- 15.158 The Parties also note that there are a number of NHS mental health rehabilitation hospitals in the region. This includes:
- (a) Bracken House operated by Nottinghamshire Healthcare NHS Foundation Trust. This site has 18 mixed beds and is located five miles from Sherwood House;
 - (b) Audrey House operated by Derbyshire Healthcare NHS Foundation Trust. This site has 10 mixed beds and is located 28 miles from Sherwood House; and
 - (c) Discovery House is operated by Lincolnshire Partnership NHS Trust. This site has around 20 mixed LTMH beds and is located 32 miles from Sherwood House.
- 15.159 Whilst these sites are not included in the market share calculations as presented above, [%].
- 15.160 Given the Parties have a combined market share of less than 30 per cent on a 100 mile catchment area and the large number of competing providers within the catchment area there is no risk of the Transaction giving rise to a SLC in relation to Sherwood House.

St Augustine's

- 15.161 St Augustine's is a male LTMH site with 32 beds located in Stoke on Trent. The closest male LTMH Cygnet site to St Augustine's is Cygnet Hospital Derby (Wyvern Ward), located 43 miles away. Cygnet Lodge Brighthouse is 78 miles from St Augustine's.
- 15.162 The table below summarises the key competitive information for St Augustine's on either a 75 mile or 100 mile catchment area.

Table 15.20: Analysis of St Augustine's, male LTMH site

	75 miles	100 miles
Combined market share	[X]%	[X]%
Increment	[X]%	[X]%
Number of competing sites in area	30	40
Number of competing providers in area (excluding the Parties)	15	16
Largest competitor in area	PiC/Priory	PiC/Priory
Largest competitors market share	[X]%	[X]%
Second largest competitor in the area	Alternative Futures	St Matthews
Second largest competitors market share	[X]%	[X]%

- 15.163 The table above shows that on a fascia count basis, there will be 16 different operators providing treatment for male patients with LTMH within a 75 mile catchment area of St Augustine's, and 17 different operators that remain within 100 miles. Accordingly, the Transaction represents either a 17-16 or 18-17 merger on the basis of the number of competing fascia operators.
- 15.164 In addition, as the Wyvern Ward at Cygnet Hospital Derby provides just 19 male LTMH beds, the increment to the Parties' combined market share is low (at just [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area). This further indicates that the Parties' sites are not close competitors for male LTMH patients.
- 15.165 Moreover, it is clear that on either catchment area the Parties face a large number of male LTMH competitors, many of which are geographically more proximate to St Augustine's than Cygnet Hospital Derby:
- PiC/Priory has 10 sites with a total of 155 male beds and 38 mixed beds with a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. Two of the PiC/Priory sites (Cheadle Royal and Lichfield Road, with a total of 38 male LTMH beds) are located within 35 miles of St Augustine's (29 and 35 miles respectively), [X];
 - Alternative Futures has six sites with a total of 24 male beds and 78 mixed beds with a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. The Alternative Futures sites (Weaver Lodge, Millbrook, Lea Court, Fir Trees, Meadow Park and Oak Lodge) are located 23, 38, 40, 48, 53 and 54 miles from St Augustine's;
 - MHC has three sites with 42 male beds and 18 mixed beds with a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. The three sites (New Hall, Holland House and Newton House) are located 44, 82 and 83 miles from St Augustine's;
 - St Matthews Healthcare has three sites with 35 male beds and 72 mixed beds with a combined market share of [X] per cent on a 100 mile catchment area; and

- (e) John Munroe Group has one site located nine miles from St Augustines with 24 male beds.

15.166 On the basis that the Parties' combined market share is [X] above the 30 per cent filter threshold applied by the CMA on a 75 mile catchment area (and below it on a 100 mile catchment), the increment from the Transaction is low at just [X] per cent, and the large number of competitors in the area, the Parties consider that there is no risk of the Transaction giving rise to a SLC in relation to the St Augustine's site.

Storthfield House

15.167 Storthfield House is a male LTMH site with 22 beds located in Alfreton. The closest male LTMH Cygnet sites to Storthfield House are Cygnet Hospital Derby (Wyvern Ward), located 31 miles away and Cygnet Lodge Brighthouse which is 50 miles from Storthfield House.

15.168 The table below summarises the key competitive information for Storthfield House on either a 75 mile or 100 mile catchment area.

Table 15.21: Analysis of Storthfield House, male LTMH

	75 miles	100 miles
Combined market share	[X]%	[X]%
Increment	[X]%	[X]%
Number of competing sites in area (excluding the Parties)	24	35
Number of competing providers in area (excluding the Parties)	13	16
Largest competitor in area	PiC/Priory	PiC/Priory
Largest competitors market share	[X]%	[X]%
Second largest competitor in the area	St Matthews	St Matthews
Second largest competitors market share	[X]%	[X]%

15.169 The table above shows that on a fascia count basis, there will be 14 different operators providing treatment for male patients with LTMH within a 75 mile catchment area of Storthfield House, and 17 different operators that remain within 100 miles of Storthfield House. Accordingly, the Transaction represents either a 15-14 or 18-17 merger on the basis of the number of competing fascia operators.

15.170 Moreover, it is clear that the Parties face a number of significant competitors within the catchment area of Storthfield House, including:

- (a) PiC/Priory has eight sites with a total of 115 male beds and 38 mixed beds with a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. The PiC/Priory sites closest to Storthfield House (Lichfield Road, Park Lodge and Dewsbury) are located 48, 50 and 51 miles away;
- (b) St Matthews has three sites with a total of 35 male beds and 72 mixed beds with a market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. The three sites (Broomhill, Dallington Lodge and St Matthews Hospital/Unit) are located 67, 71 and 73 miles from Storthfield House;
- (c) Alternative Futures has five sites with a total of 24 male beds and 58 mixed beds with a combined market share of [X] per cent on a 100 mile catchment area. The Alternative Futures sites (Millbrook, Weaver Lodge, Lea Court, Oak Lodge and Fir Trees) are located 74, 75, 92, 96 and 99 miles from Storthfield House;

- (d) John Munroe group has one site (John Munroe Hospital) with 24 male beds located 51 miles from Storthfield House; and
- (e) Debdale Specialist Care has one site (Thistle Hill Hall) located just eight miles from Storthfield House with 18 mixed beds.

15.171 The Parties also note that there are a number of NHS mental health rehabilitation hospitals in the region. This includes:

- (a) Bracken House operated by Nottinghamshire Healthcare NHS Foundation Trust. This site has 18 mixed beds and is located seven miles from Storthfield House;
- (b) Audrey House operated by Derbyshire Healthcare NHS Foundation Trust. This site has 10 mixed beds and is located 18 miles from Storthfield House; and
- (c) Discovery House is operated by Lincolnshire Partnership NHS Trust. This site has around 20 mixed LTMH beds and is located 48 miles from Storthfield House.

15.172 [REDACTED].

15.173 Given the Parties' modest combined market shares, and the large number of competing sites in the area, the Parties' consider that there is no risk of the Transaction giving rise to a SLC in relation to Storthfield House.

The Limes

15.174 The Limes is a male LTMH site in Mansfield with 18 beds. The closest male LTMH Cygnet sites to The Limes are Cygnet Hospital Derby (Wyvern Ward) located 31 miles away, and Cygnet Lodge Brighouse which is 49 miles from The Limes.

15.175 The table below summarises the key competitive information for The Limes on either a 75 mile or 100 mile catchment area.

Table 15.22: Analysis of The Limes, male LTMH

	75 miles	100 miles
Combined market share	[REDACTED]%	[REDACTED]%
Increment	[REDACTED]%	[REDACTED]%
Number of competing sites in area (excluding the Parties)	22	36
Number of competing providers in area (excluding the Parties)	12	15
Largest competitor in area	PiC/Priory	PiC/Priory
Largest competitors market share	[REDACTED]%	[REDACTED]%
Second largest competitor in the area	Elysium	Elysium
Second largest competitors market share	[REDACTED]%	[REDACTED]%

15.176 The table above shows that on a fascia count basis, there will be 13 different operators providing treatment for male patients with LTMH within a 75 mile catchment area of The Limes, and 16 different operators that remain within 100 miles of The Limes. Accordingly, the Transaction represents either a 14-13 or 17-16 merger on the basis of the number of competing operators.

15.177 Moreover, it is clear that the Parties face a number of significant competitors within the catchment area of The Limes, including:

- (a) PiC/Priory has nine sites with a total of 118 male beds and 38 mixed beds with a combined market share of [%] per cent on a 75 mile catchment area and [%] per cent on a 100 mile catchment area. The PiC/Priory sites closest to The Limes (Dewsbury) is 44 miles away;
- (b) Elysium has four sites with a total of 46 existing male beds, 10 planned male beds and 55 existing mixed beds with a combined market share of [%] per cent on a 75 mile catchment area and [%] per cent on a 100 mile catchment area. The four sites (Brierley Court, Three Valleys Hospital, Braeburn House and St Neots) are located 65, 73, 89 and 97 miles from The Limes;
- (c) St Matthews has three sites with a total of 35 male beds and 72 mixed beds with a combined market share of [%] per cent on a 100 mile catchment area. The three sites (Broomhill, Dallington Lodge and St Matthews Hospital/Unit) are located 80, 84 and 86 miles from The Limes;
- (d) Turning Point has four sites with a total of 10 male beds and 36 mixed beds with a combined market share of [%] per cent on both a 75 mile and 100 mile catchment area. Two of the Turning Point sites (The Corner House and Nottingham Transition Unit) are located within 30 miles of Sherwood House (19 miles and 27 miles respectively), [%];
- (e) Alternative Futures has five sites with a total of 78 mixed beds with a combined market share [%]per cent on a 100 mile catchment area. The Alternative Futures sites (Millbrook, Weaver Lodge, Oak Lodge, Fir Trees and Meadow Park) are located 67, 89, 89, 99 and 99 miles from The Limes; and
- (f) Debdale Specialist Care has one site (Thistle Hill Hall) located seven miles from Storthfield House with 18 mixed beds.

15.178 In addition, [%]. In comparison the Wyvern unit at Cygnet Hospital Derby is a more traditional rehabilitation unit with average length of stay of [%]. As such the Parties do not see The Limes and Cygnet Hospital Derby as being close competitors.

15.179 The Parties also note that there are a number of NHS mental health rehabilitation hospitals in the region. This includes:

- (a) Bracken House operated by Nottinghamshire Healthcare NHS Foundation Trust. This site has 18 mixed beds and is located eight miles from The Limes;
- (b) Audrey House operated by Derbyshire Healthcare NHS Foundation Trust. This site has 10 mixed beds and is located 31 miles from The Limes; and
- (c) Discovery House is operated by Lincolnshire Partnership NHS Trust. This site has around 20 mixed LTMH beds and is located 34 miles from The Limes.

15.180 Whilst these sites are not included in the market share calculations as presented above, they represent a significant competitive constraint on the Parties given they at times operate with spare capacity and due to the close proximity of the sites to The Limes.

15.181 Given the Parties' modest combined market shares ([%]), and the large number of competing sites in the area, the Parties' consider that there is no risk of the Transaction giving rise to a SLC in relation to The Limes.

Site-by-site analysis for additional CAS sites

15.182 As set out above, we have carried out the initial filter analysis on the basis of both a 75 mile and 100 mile road distance catchment area (which is the range presented in the CMA's Acadia/Priory decision) centred on each of the target CAS hospitals. We then

considered on a site-by-site basis each site giving rise to a combined market share in excess of 30 per cent (on either the 75 mile or the 100 mile catchment area).

- 15.183 During pre-notification discussions, the CMA also requested that we carry out a site-by-site analysis for the following sites. However, on the basis of the type of treatment provided, there is no overlap between the Parties on either a 75 mile or 100 mile catchment area.

Table 15.23: Summary of the additional CAS sites considered in the site-by-site assessment

Catchment area centred on	Treatment	CMA catchment area (75 miles)	CMA catchment area (100 miles)
Cambian Appletree	Female LTMH	No Overlap	No Overlap
Cambian Elms	Female LD	No Overlap	No Overlap
Cambian Views	Female LD	No Overlap	No Overlap
Cambian Manor	Male LD	No Overlap	No Overlap
Cambian Grange	Male ABI	No Overlap	No Overlap
Cambian Heathers	Male ABI	No Overlap	No Overlap

LTMH female

Cambian Appletree

- 15.184 Cambian Appletree is a 26 bed female LTMH site located in Durham. There are no Cygnet female LTMH wards within 100 miles of Cambian Appletree and therefore the Parties do not overlap on the basis of either a 75 mile or 100 mile catchment area. The closest Cygnet site that treats female LTMH patients is Cygnet Hospital Sheffield (Shepherd Ward), 112 miles away.

- 15.185 The catchment area for LTMH services based on the closest 80 per cent of CAS' patients is [X] miles. This supports the conclusion that there is no overlap between the Parties' sites.

- 15.186 Moreover, it is clear that there are a number of competing sites within 100 miles of Cambian Appletree [X], including:

- (a) Elysium has two sites (Spring Wood Lodge and Three Valleys Hospital) with a total of 48 female beds located 76 and 80 miles away;
- (b) PiC/Priory has one site (Middleton St George) with 15 female beds located just 22 miles away; and
- (c) Inmind has one site (Waterloo Manor) with 12 female beds located 77 miles away.

- 15.187 On this basis, the Parties consider that there is no risk of the Transaction giving rise to a SLC in relation to Cambian Appletree.

LD female

Cambian Elms

- 15.188 Cambian Elms is a 10 bed female LD site located in Birmingham.
- 15.189 There are no Cygnet sites which treat female LD patients within 100 miles of Cambian Elms and therefore the Parties do not overlap on the basis of either a 75 mile or 100 mile catchment area. The only Cygnet site that treats female LD patients is Cygnet Hospital Beckton (Hansa Ward), which is 133 miles away.

- 15.190 The catchment area for LD services based on the closest 80 percent of CAS' patients is [X] miles. This supports the conclusion that there is no overlap between the Parties' sites.
- 15.191 Moreover, there are a number of competing LD sites within 100 miles of Cambian Elms [X], including:
- (a) Huntercombe has one site (Ashley House Hospital) with 7 female LD/ASD beds located 48 miles away;
 - (b) Lighthouse has one site (Field House) with 10 mixed LD beds located 51 miles away;
 - (c) St Andrews has one site (Watkins House) with six mixed LD beds located 58 miles away; and
 - (d) Nouvita has one site (Baldock Manor) with 10 mixed LD beds located 91 miles away.
- 15.192 Even on the basis of a [X] mile catchment area, [X], the Parties would still only have a combined share of supply of [X] per cent ([X]).[X].
- 15.193 In addition, Hansa Ward at Cygnet Hospital Beckton [X] (see response to Question 1, RFI 2). In comparison, Cambian Elms treats patients with a main diagnosis of LD. Therefore, in general, the patients treated at Cambian Elms will be distinct from the patients treated at Cygnet Hospital Beckton.
- 15.194 On the basis of the above, the Parties consider that there is no risk of the Transaction giving rise to a SLC in relation to Cambian Elms.

Cambian Views

- 15.195 Cambian Views is a 10 bed female LD site located in Matlock.
- 15.196 There are no Cygnet female LD wards within 100 miles of Cambian Views and therefore the Parties do not overlap on the basis of either a 75 mile or 100 mile catchment area. The only Cygnet site that treats female LD patients is Cygnet Hospital Beckton (Hansa Ward), which is 166 miles away.
- 15.197 As mentioned above, the catchment area for LD services based on the closest 80 percent of CAS' patients is [X]. This supports the conclusion that there is no overlap between the Parties' sites.
- 15.198 Moreover, there are a number of competing LD sites within 100 miles of Cambian Views [X], including:
- (a) Lighthouse has two sites (Field House and Healthlinc House) with a total of 35 mixed LD beds located 9 miles and 61 miles from Cambian Views;
 - (b) Huntercombe has one site (Ashley House Hospital) with 7 female LD/ASD beds located 49 miles away; and
 - (c) St Andrews has one site (Watkins House) with six mixed LD beds located 90 miles away.
- 15.199 On the basis of [X] mile catchment area, i.e. [X], the Parties have a combined share of supply of [X] per cent ([X]),[X].

15.200 In addition, [X] (see response to Question 1, RFI 2). In comparison, Cambian Views treats patients with a main diagnosis of LD. Therefore, in general, the patients treated at Cambian Views will be distinct from the patients treated at Cygnet Hospital Beckton.

15.201 On the basis of the lack of overlap between the Parties' female LD sites, and the number of other competitors available, there is no risk of the Transaction giving rise to a SLC in relation to Cambian Views.

LD male

Cambian Manor

15.202 Cambian Manor is a 10 bed male LD site located in Shirebrook, Nottinghamshire. Cygnet does not have any sites that treat male LD patients. Therefore, the Parties' do not overlap on the basis of any catchment area.

15.203 Whilst the Parties would overlap on the basis of an all-rehabilitation market definition (the nearest Cygnet rehabilitation site is Cygnet Hospital Sheffield, 23 miles away), the Parties do not consider this to be a credible market definition due to the different needs of patients, and the different requirements of providers (as well as differences in gender at Cygnet Sheffield, which treats female LTMH patients).

15.204 As explained in the market definition section, different types of treatment cannot be considered alternatives for patients. In this regard, [X].

15.205 In any case we note that there are a number of male LD competitors within a 100 mile catchment area of Cambian Manor [X], including:

- (a) Lighthouse has two sites (Field House and Heathlinc House) with a total of 35 mixed beds located 12 miles and 41 miles from Cambian Manor;
- (b) Danshell has one site (Cedar Vale Independent Hospital) with 16 male ASD/LD beds located 24 miles from Cambian Manor; and
- (c) Huntercombe has one site (Huntercombe Centre Birmingham) with 15 male beds located 82 miles from Cambian Manor.

15.206 Accordingly there is no risk of the Transaction giving rise to a SLC in relation to Cambian Manor.

ABI male

Cambian Grange

15.207 Cambian Grange is an eight bed male ABI site located in Sutton-in-Ashfield. Cambian Grange is managed alongside Cambian Lodge, an eight bed male ABI site, located less than one mile from Cambian Grange.

15.208 Cygnet does not have any sites that treat ABI patients (male or female). Therefore the Parties do not overlap on the basis of any catchment area for this treatment type.

15.209 Whilst the Parties would overlap on the basis of an all rehabilitation market (the nearest Cygnet rehabilitation site is Cygnet Hospital Derby, 22 miles away), the Parties do not consider this to be a credible market definition due to the different needs of patients.

15.210 As explained in the market definition section, different types of treatment cannot be considered alternatives for patients. In particular, the care of ABI patients is highly specialist requiring specialist treatment, equipment and staff with specific training. [X].

15.211 In any case we note that there are a number of male ABI competitors within a 100 mile catchment area of Cambian Grange [REDACTED]:

- (a) Huntercombe has four sites with 156 male beds. Two of the Huntercombe sites (Nottingham Brain Injury Rehabilitation and Neurological Care Centre and Aspley Neurological Care Centre) are within 20 miles of Cambian Grange;
- (b) Rushcliffe Care Group has one site (Matthews Neurological Unit) with 38 male beds and 10 mixed beds located 34 miles from Cambian Grange;
- (c) PiC/Priory has two sites (Burton Park and Grafton Manor) with 66 mixed beds located 39 and 84 miles from Cambian Grange; and
- (d) The Disabilities Trust has one site (York House) with 24 male beds located 75 miles from Cambian Grange.

15.212 CAS has a standalone market share of [REDACTED] per cent on a 75 mile catchment area and [REDACTED] per cent on a 100 mile catchment area.

15.213 Accordingly there is no risk of the Transaction giving rise to a SLC in relation to Cambian Grange (or Lodge).

Cambian Heathers

15.214 Cambian Heathers is a 20 bed male ABI site located in West Bromwich. Cygnet does not have any sites that treat ABI patients (male or female). Therefore the Parties do not overlap on the basis of any catchment area.

15.215 Whilst the Parties would overlap on the basis of an all rehabilitation market (the nearest Cygnet rehabilitation site is Cygnet Hospital Derby, 22 miles away), the Parties do not consider this to be a credible market definition due to the different needs of patients.

15.216 As explained in the market definition section, different types of treatment cannot be considered alternatives for patients. In particular, the care of ABI patients is highly specialist requiring specialist treatment, equipment and staff with specific training. [REDACTED].

15.217 In any case we note that there are a number of male ABI competitors within a 100 mile catchment area of Cambian Heathers [REDACTED], including:

- (a) Huntercombe has four sites with 184 male beds. The closest Huntercombe site (Crewe Neurological Care Centre) is located 52 miles from Cambian Heathers;
- (b) Rushcliffe Care Group has one site (Matthews Neurological Unit) with 38 male beds and 10 mixed beds located 50 miles from Cambian Heathers;
- (c) PiC/Priory has three sites (Burton Park, Grafton Manor and Mount Eveswell) with 82 mixed beds located 69, 69 and 92 miles from Cambian Heathers; and
- (d) St Andrews has one site (Northampton) with 15 male beds and 6 mixed beds located 68 miles from Cambian Heathers.

15.218 CAS has a standalone market share of [REDACTED] per cent on a 75 mile catchment area and [REDACTED] per cent on a 100 mile catchment area.

15.219 Accordingly there is no risk of the Transaction giving rise to a SLC in relation to Cambian Heathers.

Site-by-site analysis centred on Cygnet sites

15.220 As set out above, we have carried out the initial filter analysis on the basis of both a 75 mile and 100 mile road distance catchment area (which is the range presented in the CMA's Acadia/Priory decision) centred on each of the target hospitals. We then considered on a site-by-site basis each site giving rise to a combined market share in excess of 30 per cent (on either the 75 mile or the 100 mile catchment area).

15.221 However, during pre-notification discussions, the CMA also requested that we carry out the same type of market share analysis centred on each of Cygnet sites (market shares on this basis are included in RFI 1 Appendix 1.1). [REDACTED]. By re-centring the analysis on each Cygnet hospital, which in many cases are some distance away from CAS sites, the Parties' combined market share may be overstated as the analysis may exclude certain competitors which were not included in the initial market share assessment of the CAS sites.

15.222 On the basis of the market share analysis centred on the Cygnet sites, the CMA has requested that the following sites should be considered on the site-by-site analysis³⁰.

Table 15.24: Summary of the Cygnet sites considered in the site-by-site assessment

Catchment area centred on	Treatment	CMA catchment area (75 miles)	CMA catchment area (100 miles)
Cygnet Taunton	Male/Female LTMH elderly	[REDACTED]	[REDACTED]
Cygnet Beckton (Hansa Ward)	Female LD	[REDACTED]	[REDACTED]
Cygnet Ealing (New Dawn Ward)	Female PD	[REDACTED]	[REDACTED]
Cygnet Bierley (Bowling Ward)	Female PD	[REDACTED]	[REDACTED]
Cygnet Kewstoke (Knightstone Ward)	Female PD	[REDACTED]	[REDACTED]
Cygnet Kewstoke (The Lodge)	Female LTMH	[REDACTED]	[REDACTED]
Cygnet Sheffield (Shepherd Ward)	Female LTMH	[REDACTED]	[REDACTED]
Cygnet Derby (Wyvern Ward)	Male LTMH	[REDACTED]	[REDACTED]

15.223 Each of these sites is considered in turn below.

LTMH elderly

Cygnet Taunton

15.224 Cygnet hospital Taunton is made up of five wards:

- (a) Four wards (Nightingale, Starling, Swift and Mulberry Ward) provide rehabilitation treatment for elderly male patients with dementia and age-related mental health conditions; and
- (b) One ward (Willow Ward) provides provide rehabilitation treatment for elderly female patients with dementia and age-related mental health conditions.

15.225 In this context "elderly" refers to patients with age related mental health conditions such as Alzheimer's disease, Huntington's disease, Korsakoff syndrome and associated late life challenging behaviour, and therefore this categorisation is based on diagnosis, rather than

³⁰ The CMA also requested that Cygnet's planned site in Coventry should be included in the site-by-site analysis. As this is a planned site, it is considered separately in response to Question 20.

purely on a patient's age. In addition, some patients have physical health issues associated with old age alongside the primary mental health condition. The average age at Cygnet's elderly wards is [REDACTED].³¹

- 15.226 The Parties consider that, for the reasons set out below, the treatment of elderly patients with mental health conditions to be a distinct frame of reference, due to the different needs of patients and the different requirements of providers. On this basis, the five wards at Cygnet Hospital Taunton do not overlap with any CAS rehabilitation sites as CAS does not treat elderly patients with mental health age related conditions (irrespective of the scope of the geographic market).
- 15.227 In this regard, the treatment of LTMH elderly patients is targeted at different mental health conditions, which is reflected in the treatment, medication and training of staff. The focus of sites that treat LTMH adult patients is rehabilitation, i.e. the primary aim is to improve the patient's condition so that they can move into a care home or back into society. Therefore, the majority of treatment provided at LTMH adult sites is psychiatric care, with a large emphasis on recovery, psychology and occupational therapy. In comparison, LTMH elderly sites focus on providing long term care (and sometimes palliative care). [REDACTED].
- 15.228 [REDACTED]. As explained above, elderly patients require treatment for specific conditions and a greater level of care, with staff being trained accordingly to meet these requirements. [REDACTED].³² It is clear, therefore, that the CAS and Cygnet sites cannot be considered alternatives for patients.
- 15.229 It is also clear on the supply-side, that the steps required to re-designate a LTMH elderly ward to treat LTMH adult patients (and vice versa) would be significant, which also points to distinct frames of reference. In particular:
- (a) all staff are likely to require additional training in order to treat different mental health conditions and provide different levels of care. LTMH elderly wards also usually employ Registered General Nurses as well as Registered Mental Nurses; and
 - (b) the capital cost (and associated time) of converting a ward could be significant as the environment at LTMH elderly wards is usually very different from LTMH adult wards. For example, some bedrooms on LTMH elderly wards require ceiling hoists to move older patients, which requires additional space and the correct equipment. There are also additional requirements specific to dementia wards, as set out in best-practice guidance, for example relating to wall colour and environment.
- 15.230 Accordingly, it is unclear why the CMA has requested the Cygnet Taunton site to be included in the site-by-site analysis, unless it has adopted an approach to market definition which fails to reflect these demand and supply-side differences as would be required for the correct application of the SSNIP test.
- 15.231 In this regard, in responding to Question 1, RFI 1, the Parties were required to provide market shares on the basis of an all LTMH market, i.e. which included sites that treat elderly patients with age related mental health conditions, as well as all other LTMH sites. On this basis, the Parties would have combined shares of supply as follows:³³

³¹ [REDACTED].

³² [REDACTED].

³³ Note that the Parties took a conservative approach to categorising competitors and did not include sites that specialise in the treatment of specific age related mental health conditions, e.g. dementia. Therefore, the estimated shares of supply in relation to the all LTMH market are likely to significantly overstate the Parties' position.

Table 15.25: Shares of supply on the basis of a LTMH plus LTMH elderly market definition

Market definition	75 miles	100 miles
Male LTMH + male elderly LTMH	[X]	[X]
Female LTMH + female elderly LTMH	[X]	[X]

- 15.232 In relation to a male LTMH + male elderly LTMH frame of reference (which includes four of the five wards at Cygnet Taunton), there is no overlap between the Parties until the catchment area is [X] miles from the Taunton site, with the Parties having a combined share of supply of [X] per cent (which declines to [X]). Even if the overlapping CAS sites were providing treatment to elderly male LTMH patients, which they are not, shares of supply of this level would not typically be sufficient to give rise to any material competition concerns, reflecting the number of competitors available.
- 15.233 In relation to a female LTMH + female elderly LTMH frame of reference, the only overlap that would arise would be in relation to the Willow Ward at Cygnet Taunton (consisting of just 7 female elderly LTMH beds) and Cambian's St Teilo House, which is located in Gwent, South Wales (and is 99 miles from Cygnet Taunton).
- 15.234 As mentioned above, St Teilo House treats up to 23 female patients with LTMH (i.e. it does not provide treatment for elderly female LTMH patients). Accordingly, Cambian's St Teilo House does not provide an alternative for elderly female patients treated on the Willow Ward at Cygnet Taunton, whilst the Willow Ward at Cygnet Taunton does not provide treatment for female LTMH patients, and therefore cannot be considered an alternative for patients treated at St Teilo House. It is clear, therefore, that shares of supply that conflate the market definition fails to reflect these fundamental differences.
- 15.235 Accordingly, on the basis of the demand- and supply-side differences in the treatment of elderly LTMH patients, the Parties consider that a catchment area centred on Cygnet Taunton does not give rise to any competition concerns.

Female PD

Cygnet Ealing (New Dawn Ward)

- 15.236 The Cygnet Hospital Ealing consists of two wards:
- (a) the eating disorders unit is a mixed ward consisting of 17 beds that provides treatment for patients with eating disorders (there is no overlap with CAS in this regard); and
 - (b) the New Dawn Ward is a specialist nationally funded (NHSE) Tier 4 ward providing treatment for high acuity female patients with PD, and consists of 9 female beds.
- 15.237 The only existing CAS Hospital providing treatment to female patients with PD within 100 miles of Cygnet Ealing is Cambian Alders clinic (based in Gloucester), which is located 96 miles away by road and has 20 female beds.³⁴ There is no overlap within a 75 mile catchment area.
- 15.238 The planned site at Cygnet Hospital Coventry is also located 99 miles from Cygnet Ealing and therefore just falls within a 100 mile catchment area of the Cygnet Ealing site (with

³⁴ Due to how Google Maps calculates road distances Cygnet Hospital Ealing is not within the catchment area of Cambian Alders Clinic (109 miles away), but Cambian Alders Clinic is within the catchment area of Cygnet Hospital Ealing (96 miles away).

12 beds).³⁵ As requested by the CMA, the Parties' market shares have been calculated including the beds for this planned site.

- 15.239 Like the other Cygnet female PD sites (i.e. Bowling Ward at Cygnet Hospital Bierley and Knightstone Ward at Cygnet Hospital Kewstoke) Cygnet Ealing (New Dawn Ward) is a highly specialised PD service that accepts women with the most challenging behaviour and highest risk. The service is particularly suitable for women who need: [REDACTED].
- 15.240 The New Dawn Ward offers a programme that is structured to give service users the opportunity to address and deal with their problems in a safe environment. [REDACTED]. Tier 4 services of this nature are all commissioned by NHS England, and advised by a Clinical Reference Group. No funding is required from CCGs.
- 15.241 In contrast, Cambian Alders Clinic treats patients with much less challenging needs. Patients treated at the New Dawn Ward would usually step-down from the New Dawn Ward to a facility like Cambian Alders Clinic, which is the next stage on the care pathway ([REDACTED]). This is reflected in the average daily fees for the two sites; the average daily fee for the New Dawn Ward is around [REDACTED], compared to around [REDACTED] for Cambian Alders Clinic.
- 15.242 In addition, treatment at the New Dawn Ward is a nationally commissioned (prescribed) service that is commissioned and funded by NHS England (with a national service specification reflecting the acuity needs of the patient and the high level or risk involved), whilst patients at Cambian Acer Clinic are all CCG funded (and a locally commissioned (non-prescribed) service).
- 15.243 Therefore, the customer base for the New Dawn Ward (NHS England) is distinct from the customer base for Cambian Alders Clinic (CCGs). NHS England cannot place patients at Cambian Alders and CCGs cannot place customers at New Dawn Ward. Moreover, there is a moratorium in place for any new Tier 4 PD services so CAS could not make Cambian Alders Clinic a Tier 4 PD service.
- 15.244 The difference in funding and commissioning by the customer provides a further clear distinction as to the differences in the nature of the treatment provided and the level of acuity and risk.
- 15.245 Accordingly, the Parties consider that [REDACTED]. On the basis of a PD-LTMH female market, the Parties would have a combined market share of just [REDACTED] per cent (increment [REDACTED] per cent) for a 100 mile catchment area centred on Cygnet Ealing (i.e. less than the 30 per cent filter threshold used by the CMA).
- 15.246 Notwithstanding the clear distinctions in the treatment provided and the NHS commissioning bodies that fund the care, for completeness, the table below summarises the key competitive information centred on Cygnet Ealing on both a 75 mile and 100 mile catchment area.

³⁵ [REDACTED].

Table 15.26: Analysis of Cygnet Ealing (New Dawn Ward), female PD site

	75 miles	100 miles
Combined market share	[X]	[X]
Increment	[X]	[X]
Number of competing sites in area (excluding the Parties)		4
Number of competing providers in area (excluding the Parties)		3
Largest competitor in area		St Andrews
Largest competitors market share		[X]
Second largest competitor in the area		PiC/Priory
Second largest competitors market share		[X]

15.247 The table above shows that there is no overlap on a 75 mile catchment area. On the basis of a 100 mile catchment area of the Cygnet Ealing site, there will be three different operators (plus the Parties) providing treatment for female patients with PD, all of which are located much closer to Cygnet Ealing than Cambian Alders clinic. Accordingly, the Transaction represents either a no overlap case or a 5-4 merger on the basis of the number of competing fascia operators.

15.248 Moreover, it is clear that there are a number of significant female PD competitors within a 100 mile catchment area of Cygnet Ealing, including:

- (a) St Andrews, which has a large specialist PD site in Northampton with 37 female beds and a market share of [X] per cent on a 100 mile catchment area. This site is located just 65 miles from Cygnet Ealing;
- (b) PiC/Priory, which has 3 sites, with a total of 17 female beds, and a combined market share of [X] per cent on a 100 mile catchment area. The three PiC/Priory sites (Chadwick Lodge, Kneesworth House bungalow 63, and Kneesworth House bungalow 65) are located 53, 49 and 49 miles from Cygnet Ealing; and
- (c) Inmind, which has one site (Sturdee Community hospital) located 98 miles from Cygnet Ealing with 16 female beds and a market share of [X] per cent.

15.249 As mentioned above, the catchment area for PD services based on the closest 80 per cent of Cambian's patients is [X] miles, which would not significantly alter the calculations.

15.250 On the basis of the differences in the treatment/level of acuity of patients at the Parties' sites, the differences in commissioner and funder, and the number of other competitors that remain in the area ([X]), the Parties consider that there is no risk of the Transaction giving rise to a SLC in relation to this site.

Cygnet Kewstoke (Knightstone Ward)

15.251 As mentioned above, Cygnet Hospital Kewstoke is a large mental health hospital and has the following five wards:

- (a) Milton Ward, a low secure ward for up to 16 female patients with LTMH conditions;
- (b) The Lodge, a locked rehabilitation ward that treats up to 12 female LTMH patients;
- (c) Nash Ward, a PICU ward with up to 12 beds for male patients;
- (d) Sanford Ward, an Acute psychiatry ward for up to 16 male patients; and

(e) Knightstone Ward, a female PD ward with 16 beds which offers highly specialised DBT in a semi-secure hospital environment.

15.252 The only CAS PD facility within 100 miles of Cygnet Kewstoke (Knightstone Ward) is Cambian Alders Clinic, which is a female PD site with 20 beds in Gloucester (49 miles away).

15.253 Like the other Cygnet PD sites, Knightstone Ward at Cygnet Hospital Kewstoke is a highly specialised PD service that accepts women with the most challenging behaviour and highest risk. Patients would usually step-down from Knightstone Ward to a facility like Cambian Alders Clinic, which is considered to be the next stage on the care pathway ([X]). This is reflected the average daily fees for the two sites; the average daily fee for Knightstone Ward is around [X], compared to around [X] for Cambian Alders Clinic.

15.254 Accordingly, whilst Cambian Alders Clinic and Cygnet Kewstoke (Knightstone Ward) both treat female patients with PD, they are treating patients with different levels of acuity and risk ([X]). The Parties do not, therefore, consider Cambian Alders Clinic and Knightstone Ward (or Cygnet's planned site at Coventry which has been included in the analysis at the request if the CMA) to be close competitors.

15.255 Nonetheless, for completeness, the table below summarises the key competitive information for Cygnet Kewstoke (Knightstone Ward) on both a 75 mile and 100 mile catchment area.

Table 15.27: Analysis of Cygnet Kewstoke (Knightstone Ward), female PD site

	75 miles	100 miles
Combined market share	[X]%	[X]%
Increment	[X]%	[X]%
Number of competing sites in area (excluding the Parties)	2	2
Number of competing providers in area (excluding the Parties)	2	2
Largest competitor in area	Ludlow Street	Ludlow Street
Largest competitors market share	[X]%	[X]%
Second largest competitor in the area	Ocean Community Services	Ocean Community Services
Second largest competitors market share	[X]%	[X]%

15.256 The table above shows that on a fascia count basis, there will be 3 different operators providing treatment for female patients with PD within a 75 mile and 100 mile catchment area of Cygnet Kewstoke (Knightstone Ward). Accordingly, the Transaction represents 4-3 merger on the basis of the number of competing fascia operators.

15.257 Moreover, it is clear that the Parties face a number of significant female PD competitors within the catchment area of Cygnet Kewstoke (Knightstone Ward), including Ludlow Street Healthcare (Heatherwood Court) which is located 61 miles away with 11 female beds (and has a market share of [X] per cent on both a 75 mile and 100 mile catchment area), and Ocean Community Services which operates Overndale House, which is 56 miles away. St Andrews also operates a large specialist PD site in Northampton with 37 female beds. Whilst it is outside a 100 mile catchment area of Cygnet Kewstoke, it clearly provides an alternative for some patients.

15.258 On the basis of the differences in the treatment/level of acuity of patients at the Parties sites, and the number of other competitors that remain in the area, the Parties consider that there is no risk of the Transaction giving rise to a SLC in relation to this site.

Cygnnet Bierley (Bowling Ward)

- 15.259 Cygnnet Hospital Bierley is a large mental health hospital located in Bradford and has the following four wards:
- (a) Bronte Ward, which provides treatment for up to 12 female patients with LTMH conditions in a low secure setting;
 - (b) Shelly Ward, which is a low secure ward for up to 16 male patients with LTMH conditions;
 - (c) Denholme Ward, a PICU ward with up to 15 beds for female patients; and
 - (d) Bowling Ward, which is a female PD rehabilitation ward with 20 beds. It provides highly specialised DBT within a semi-secure hospital environment, [REDACTED].
- 15.260 There are two CAS facilities within 100 miles of Cygnnet Bierley (Bowling Ward). These are Cambian Acer Clinic, which is a female PD site with 28 beds in Chesterfield (53 miles away), and Cambian Aspen Clinic which is a female PD site with 16 beds in Rotherham (40 miles away).
- 15.261 As mentioned above, both the Cambian Acer Clinic and Cambian Aspen Clinic treat female patients with PD with less challenging needs and less risk. They are, therefore, generally seen as a step down from the Bowling Ward in a community facing unit (i.e. it may treat patients once they have been discharged from the Bowling Ward, but will not accept patients with the same level of challenge or risk as the Bowling Ward). [REDACTED].
- 15.262 Accordingly, whilst Cygnnet Bierley (Bowling Ward), Cambian Acer Clinic and Cambian Aspen Clinic all treat female patients with PD, they are treating patients with different levels of acuity and risk, and therefore are not seen as being alternatives for patients. The Parties do not, therefore, consider Cygnnet Bierley (Bowling Ward), Cambian Acer Clinic and Cambian Aspen Clinic to be close competitors.
- 15.263 Nonetheless, for completeness, the table below summarises the key competitive information for Cygnnet Bierley (Bowling Ward) on both a 75 mile and 100 mile catchment area.

Table 15.28: Analysis of Cygnnet Bierley (Bowling Ward), female PD site

	75 miles	100 miles
Combined market share	[REDACTED]%	[REDACTED]%
Increment	[REDACTED]%	[REDACTED]%
Number of competing sites in area (excluding the Parties)	5	6
Number of competing providers in area (excluding the Parties)	5	5
Largest competitor in area	Elysium	Elysium
Largest competitors market share	[REDACTED]%	[REDACTED]%
Second largest competitor in the area	The Retreat	PIC/Priory
Second largest competitors market share	[REDACTED]%	[REDACTED]%

- 15.264 The table above shows that on a fascia count basis, there will be six different operators (including the Parties) providing treatment for female patients with PD within both a 75 mile and 100 mile catchment area of Cygnnet Bierley (Bowling Ward). Accordingly, the Transaction represents a 7-6 merger on the basis of the number of competing operators.

15.265 Moreover, it is clear that the Parties face a number of significant competitors within the catchment area of Cygnet Bierley (Bowling Ward), including:

- (a) Elysium, which has one large specialist PD site, Recovery First, with 34 female PD beds, which is located just 59 miles from Cygnet Bierley (Bowling Ward). This site gives rise to a market share of [%] per cent on a 75 mile catchment area, and [%] per cent on a 100 mile catchment;
- (b) PiC/Priory, which has two sites (The Willows and Middleton St George) located 72 miles and 81 miles away from Cygnet Bierley, with a total of 23 female PD beds.³⁶ PiC/Priory has a combined market share of [%] per cent on a 100 mile catchment area;
- (c) The Retreat, with one site (called The Retreat) which is located just 42 miles from Cygnet Bierley (Bowling Ward), and has 20 female beds. This site gives rise to a market share of [%] per cent on a 75 mile catchment area, and [%] per cent on a 100 mile catchment area; and
- (d) Northern Pathways (a joint venture between Turning Point and The Retreat) operates one site (Garrow House), which has 12 female beds located 42 miles away. This site has a market share of [%] per cent on a 75 mile catchment area and [%] per cent on a 100 mile catchment area.

15.266 As mentioned above, the catchment area for PD services based on the closest 80 per cent of Cygnet's patients is [%] miles. On this basis the Parties would have a combined market share of [%] per cent (increment [%] per cent), and which [%] miles.

15.267 Moreover, the Parties note that while Cygnet Bierley provides highly specialised PD treatment, Cambian Acer Clinic and Cambian Aspen Clinic both treat patients with less challenging needs, [%]. On the basis of a PD-LTMH female market, the Parties have a combined market share of just [%] per cent (increment [%] per cent) within 75 miles of Cygnet Bierley and [%] per cent (increment [%] per cent) for a 100 mile catchment area.

15.268 On the basis of the differences in the treatment/level of acuity of patients at the Parties' sites, and the strong competitive constraint exerted by other competitors, the Parties consider that there is no risk of the Transaction giving rise to a SLC in relation to Cygnet Bierley (Bowling Ward).

Female LTMH

Cygnet Kewstoke (The Lodge)

15.269 As mentioned above, Cygnet Hospital Kewstoke is a large specialist mental health hospital with the following five wards:

- (a) Milton Ward, a low secure ward for up to 16 female patients with LTMH conditions;
- (b) Knightstone Ward, a locked ward for up to 16 female patients with PD, which offers highly specialised DBT (as considered separately above);
- (c) Nash Ward, a PICU ward with up to 12 beds for male patients;
- (d) Sanford Ward, an Acute psychiatry ward for up to 16 male patients; and
- (e) The Lodge, which is a locked rehabilitation ward that treats up to 12 female LTMH patients.

³⁶ [%].

- 15.270 The only CAS facility within 100 miles of Cygnet Kewstoke (The Lodge) is Cambian St Teilo House, which treats up to 23 female LTMH patients and is located in Gwent, South Wales (73 miles away and the opposite side of the Severn estuary).
- 15.271 As explained above, Cygnet does not have any sites in Wales, and CAS does not have any LTMH sites within the South West of England. Based on the Cygnet patient data provided in RFI Appendix 6.1, [X] patients for Cygnet Kewstoke (The Lodge) come from Wales. Given that NHSW commissions rehabilitation services on the basis of a national framework in Wales, [X], and CCGs commission services in England, the Parties submit that there is minimal overlap between the Parties and therefore the Transaction does not give rise to a SLC on this basis.
- 15.272 However, for completeness, we have also looked at the extent of the overlap on both a 75 mile and 100 mile catchment area, although we recognise that this does not reflect differences in commissioning behaviour.

Table 15.29: Analysis of Cygnet Kewstoke (The Lodge), female LTMH site

	75 miles	100 miles
Combined market share	[X]%	[X]%
Increment	[X]%	[X]%
Number of competing sites in area (excluding the Parties)	6	7
Number of competing providers in area (excluding the Parties)	3	3
Largest competitor in area	Elysium	Elysium
Largest competitors market share	[X]%	[X]%
Second largest competitor in the area	PiC/Priory	PiC/Priory
Second largest competitors market share	[X]%	[X]%

- 15.273 The table above shows that on a fascia count basis, there will be four different operators providing treatment for female patients with LTMH conditions within both a 75 mile and 100 catchment area of Cygnet Kewstoke (The Lodge). Accordingly, the Transaction represents 5-4 merger on the basis of the number of competing operators.
- 15.274 Moreover, it is clear that on either catchment area the Parties face a large number of female LTMH competitors including:
- (a) PiC/Priory, which has four sites (Bristol, Llanarth Court, Priory Cloisters and Ty Catrin), which gives rise to a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. Two of the PiC/Priory sites (Llanarth Court and Ty Catrin) are located in Wales, [X];
 - (b) Elysium, with two sites (The Copse and Ty Gwyn Hall) with a total of 58 mixed beds and a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. One site (Ty Gwyn Hall) is located just 19 miles from St Teilo House; and
 - (c) Ocean Community Services, which has one site (Overndale House) with seven female beds located just 30 miles from Cygnet Kewstoke (The Lodge) ([X]).
- 15.275 On the basis of the differences in the locations and services provided at Cygnet Hospital Kewstoke (the Lodge) and St Teilo House, [X], and the significant number of competing sites that would remain post-merger, the Parties consider that Transaction does not give rise to a SLC in relation to Cygnet Hospital Kewstoke (the Lodge).

Cygnnet Sheffield (Shepherd Ward)

15.276 Cygnnet Hospital Sheffield is a large specialist mental health hospital with the following four wards:

- (a) Spencer Ward is a low secure ward for 15 female patients;
- (b) Haven Ward is a CAMHS PICU ward for 12 mixed patients;
- (c) Peak View Ward is a CAMHS ward for 15 mixed patients; and
- (d) Shepherd Ward is a locked LTMH rehabilitation ward for 13 female patients.

15.277 The low secure and CAMHS wards do not overlap with any of CAS' sites. The closest CAS female LTMH site is Aspen House, 17 miles away. In addition, Cambian Delfryn Lodge and Raglan House are 85 and 87 miles away respectively.

15.278 The table below summarises the key competitive information for Shepherd Ward at Cygnnet Hospital Sheffield on either a 75 mile or 100 mile catchment area.

Table 15.30: Analysis of Cygnnet Sheffield (Shepherd Ward), female LTMH site

	75 miles	100 miles
Combined market share	[X]%	[X]%
Increment	[X]%	[X]%
Number of competing sites in area (excluding the Parties)	24	31
Number of competing providers in area (excluding the Parties)	12	14
Largest competitor in area	PiC/Priory	PiC/Priory
Largest competitors market share	[X]%	[X]%
Second largest competitor in the area	Elysium	Elysium
Second largest competitors market share	[X]%	[X]%

15.279 The table above shows that:

- (a) on the basis of a 75 mile or 100 mile catchment area, the Parties have a combined market share of [X], i.e. below the initial filter threshold used by the CMA in its Acadia/Priory decision;
- (b) on a fascia count basis, there will be 13 different operators providing treatment for female patients with LTMH within a 75 mile catchment area of Cygnnet Hospital Sheffield, and 15 different operators that remain within a 100 mile catchment area. Accordingly, the Transaction represents either a 14-13 or 16-15 merger on the basis of the number of competing operators;
- (c) it is clear that the Parties face a number of significant competitors within the catchment area of Cygnnet Hospital Sheffield, including:
 - (i) PiC/Priory, which has eight sites with a total of 46 female LTMH beds, 38 mixed LTMH beds and 54 female LTMH/PD beds (27 beds are allocated as LTMH for the market share calculation). PiC/Priory has a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. The PiC/Priory site closest to Cygnnet Hospital Sheffield is Annersley House located 29 miles away;

- (ii) Elysium, with three sites with a total of 38 female beds and 21 mixed beds with a combined market share of [%] per cent on a 75 mile catchment area and [%] per cent on a 100 mile catchment area. The three sites (Brierley Court, Spring Wood Lodge and Three Valleys Hospital) are located 43, 48 and 57 miles from Cygnet Hospital Sheffield;
- (iii) St Matthews Healthcare, which has two sites (Dallington House and St Matthews Hospital/Unit) with 20 female beds and 72 mixed beds. St Matthews has a combined market share of [%] per cent on a 100 mile catchment area;
- (iv) John Munroe Group, with two sites with a total of 34 female beds and a combined market share of [%] per cent on a 75 mile catchment area and [%] per cent on a 100 mile catchment area. The two sites (Edith Shaw Unit and John Munroe Hospital) are located 35 miles and 38 miles from Cygnet Hospital Sheffield; and
- (v) Turning Point, which has three sites with a total of 36 mixed beds and a combined market share of [%] per cent on a 75 mile catchment area and [%] per cent on a 100 mile catchment area. One of the Turning Point sites (The Corner House) is nine miles from Cygnet Hospital Sheffield, i.e. closer than the nearest CAS hospital.

15.280 The catchment area for LTMH services based on the closest 80 per cent of Cygnet's patients is [%] miles which points to market shares [%].

15.281 On the basis of the Parties' modest combined market share ([%]) and the large number of competing operators in the catchment area, there is no risk of the Transaction giving rise to a SLC in relation to Cygnet Hospital Sheffield (Shepherd Ward).

Female LD

Cygnet Beckton (Hansa Ward)

15.282 Cygnet Hospital Beckton is a large specialist mental health hospital located in London, it has the following four wards:

- (a) Bewick Ward, a low secure ward for 15 female patients;
- (b) Hooper Ward, a PICU ward for 15 female patients;
- (c) New Dawn Ward, a specialist nationally commissioned (NHS England) Tier 4 ward providing treatment for high acuity female patients with PD, and consists of 18 female beds; and
- (d) Hansa Ward, an intensive LD ward for up to 13 female patients with a dual diagnosis of LTMH or PD.

15.283 Hansa Ward at Cygnet Hospital Beckton is a specialist LD dual diagnosis ward that provides treatment for patients that require intensive care. It caters to patients that require a short admission or are experiencing a period of acute relapse and need appropriate LD environment and specialist in-put. This is reflected in the average daily rate which is around [%] and the average length of stay which is approximately [%].

15.284 The only CAS site that treats female LD patients within 100 miles of Cygnet Hospital Beckton is Fairview (Cherry Court), located 75 miles away in Colchester. Therefore the Parties only just overlap on the basis of a 75 mile catchment area.

15.285 In comparison to Hansa ward, Fairview (Cherry Court) is a more traditional LD rehabilitation ward in terms of treatment (which is focussed on LD rather than a dual diagnosis) and length of stay. For example, the average daily rate at Cherry Court is [%]. Accordingly the patients treated at Fairview (Cherry Court) will be distinct from the patients treated at Cygnet Hospital Beckton and the Parties' do not consider Hansa Ward and Cherry Court to be close competitors.

15.286 Nonetheless, for completeness the table below summarises the key competitive information for Hansa Ward at Cygnet Hospital Beckton on either a 75 mile or 100 mile catchment area.

Table 15.31: Analysis of Cygnet Beckton (Hansa Ward), female LD site

	75 miles	100 miles
Combined market share	[%]	[%]
Increment	[%]	[%]
Number of competing sites in area (excluding the Parties)	6	8
Number of competing providers in area (excluding the Parties)	4	6
Largest competitor in area	Sequence Care	Sequence Care
Largest competitors market share	[%]	[%]
Second largest competitor in the area	Danshell	Danshell
Second largest competitors market share	[%]	[%]

15.287 The table above shows that on a fascia count basis, there will be five different operators providing treatment for female patients with LD within a 75 mile catchment area of Cygnet Hospital Beckton and seven different operators within a 100 mile catchment area. Accordingly, the Transaction represents either a 6-5 or 8-7 merger on the basis of competing fascia operators, which is above the threshold at which the CMA typically identifies competition concerns in local markets.

15.288 Moreover, it is clear that the Parties face a number of significant female LD competitors within the catchment area of Cygnet Hospital Beckton, including:

- (a) Sequence Care, which has three sites with a total of 20 female beds and six mixed beds with a combined market share of [%] per cent on a 75 mile catchment area and [%] per cent on a 100 mile catchment area. All three of the Sequence Care sites are within 15 miles of Cygnet Hospital Beckton, [%];
- (b) Danshell, which has one site with 10 female beds and a total market share of [%] per cent on a 75 mile catchment area and [%] per cent on a 100 mile catchment area. The Danshell site (Yew Trees) is located 75 miles from Cygnet Hospital Beckton and 18 miles from Fairview (Cherry Court);
- (c) Jeasal Group has announced a new hospital in Southgate London due to open in early 2017 with 14 mixed beds and a market share of [%] per cent on a 75 mile catchment area and [%] per cent on a 100 mile catchment area. The new hospital will be 15 miles from Cygnet Hospital Beckton;
- (d) Nouvita, which has one site with 10 mixed beds and a combined market share [%] per cent on both a 75 mile and 100 mile catchment area. This site (Baldock Manor) is located 52 miles from Cygnet Hospital Beckton; and
- (e) PiC/Priory, which has one site (Mildmay Oaks) with eight female beds and market share of [%] per cent on a 100 mile catchment area.

15.289 The catchment area for LD services based on the closest 80 per cent of Cygnet's patients is [X] miles. On this basis the Parties have a combined market share of [X] per cent (increment [X] per cent).

15.290 On the basis of the Parties' modest combined market share, the distance between the Parties' sites and the competitive constraint exerted by competing providers ([X]), there is no risk the Transaction will give rise to a SLC in relation to Cygnet Hospital Beckton.

Male LTMH

Cygnet Derby (Wyvern Ward)

15.291 Cygnet Hospital Derby is a large specialist mental health hospital with the following three wards:

- (a) Litchurch Ward, which provides low secure treatment for up to 15 male patients with LTMH conditions;
- (b) Alvaston Ward, which provides low secure treatment for up to 16 female PD patients; and
- (c) Wyvern Ward, which is a locked LTMH rehabilitation ward with 19 beds for male patients.

15.292 There are a number of CAS male LTMH sites within 100 miles of Cygnet Hospital Derby. The closest CAS site is Storthfield House located 18 miles away.

15.293 The table below summarises the key competitive information for Wyvern Ward at Cygnet Hospital Derby on either a 75 mile or 100 mile catchment area.

Table 15.32: Analysis of Cygnet Derby (Wyvern Ward), male LTMH site

	75 miles	100 miles
Combined market share	[X]%	[X]%
Increment	[X]%	[X]%
Number of competing sites in area (excluding the Parties)	19	39
Number of competing providers in area (excluding the Parties)	12	18
Largest competitor in area	PiC/Priory	PiC/Priory
Largest competitors market share	[X]%	[X]%
Second largest competitor in the area	St Matthews Healthcare	St Matthews Healthcare
Second largest competitors market share	[X]%	[X]%

15.294 The table above shows that on a fascia count basis, there will be 13 different operators providing treatment for male patients with LTMH within a 75 mile catchment area of Cygnet Hospital Derby, and 19 different operators that remain within a 100 mile catchment area. Accordingly, the Transaction represents either a 14-13 or 20-19 merger on the basis of the number of competing operators.

15.295 Moreover, it is clear that the Parties face a number of significant competitors within the catchment area of Cygnet Hospital Derby, including:

- (a) PiC/Priory, which has 10 sites with a total of 143 male beds and 38 mixed beds with a combined market share of [X] per cent on a 75 mile catchment area and

[X] per cent on a 100 mile catchment area. The PiC/Priory site closest to Cygnet Hospital Derby is Lichfield Road located 34 miles away;

- (b) St Matthews Healthcare, which has three sites with a total of 35 male beds and 72 mixed beds with a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. The three sites (Broomhill, Dallington Lodge and St Matthews Hospital/Unit) are located 55, 59 and 62 miles from Cygnet Hospital Derby;
- (c) Elysium, which has three sites with 18 existing male beds, 10 planned male beds and 55 existing mixed beds with a combined market share of [X] per cent on a 75 mile catchment area and [X] per cent on a 100 mile catchment area. The closest Elysium site is Brieley Court located 67 miles from Cygnet Hospital Derby;
- (d) Alternative Futures, which has five sites with a total of 24 male beds and 66 mixed beds with a combined market share of [X] per cent on a 100 mile catchment area; and
- (e) Craegmoor Healthcare, which operates one site (Oaklands) with eight mixed beds located two miles from Cygnet Hospital Derby, i.e. closer than the nearest CAS hospital.

15.296 Given the large number of competing providers within the catchment area there is no risk of the Transaction giving rise to a SLC in relation to Cygnet Derby (Wyvern Ward).

16. **Provide the names and contact details for both merger parties' relevant customers and competitors.**

16.1 [X].

16.2 [X].

16.3 [X].

Increase in the merger parties' buyer power

17. **For any product(s) (including raw materials) or service(s) which the merger parties both purchase, provide details of the merger parties' ability to obtain more favourable commercial conditions from suppliers as a result of this merger and the effects of any such increased ability on competition on all levels of the supply chain.**

17.1 The Parties' primary input is labour. The Transaction will not have any material impact on competition in the labour market given the size of the Parties relative to the economy as a whole.

18. **Provide contact details for relevant suppliers providing an estimate of the annual value and/or volume of purchases.**

18.1 Not applicable.

Loss of potential competition

19. **What barriers to entry or expansion exist for each merger party to start supplying product(s)/service(s)/geographic area(s) which it does not currently supply but which the other merger party is already supplying (or expected to supply)?**

19.1 See response to question 26 below.

20. **Are there any plans by either merger party to do so? Provide any internal documents setting out any plans of any merger party to expand in the overlapping product(s), service(s) and geographic area(s) or to enter a market where another merger party is operating.**

20.1 [REDACTED].

20.2 As requested by the CMA and explained in response to question 15, the Parties have included planned sites in the calculation of market shares in question 15. Nonetheless, in this section we provided a more detailed description of the Parties' planned sites, and where there are overlaps, an analysis centred on the planned site.

CAS sites

20.3 [REDACTED].³⁷

20.4 [REDACTED].

20.5 [REDACTED].

20.6 [REDACTED].

20.7 [REDACTED].³⁸

20.8 [REDACTED].

20.9 [REDACTED].

Cygnnet Hospital Coventry

20.10 Cygnnet has one site in development in Coventry, due to open in 2017. [REDACTED].

20.11 [REDACTED].

[REDACTED]

20.12 [REDACTED].

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

20.13 [REDACTED].

20.14 [REDACTED].

[REDACTED]

20.15 [REDACTED].

20.16 [REDACTED].

20.17 [REDACTED].

20.18 [REDACTED].

³⁷ [REDACTED]

³⁸ [REDACTED]

20.19 [X].

Table 20.2: [X]

[X]	[X]	[X]
[X]	[X]	[X]
[X]	[X]	[X]
[X]	[X]	[X]
[X]	[X]	[X]
[X]	[X]	[X]
[X]	[X]	[X]
[X]	[X]	[X]
[X]	[X]	[X]

20.20 [X].

20.21 [X].

20.22 [X].

20.23 On the basis of the differences in the treatment/level of acuity of patients at the Parties' sites, the distance between the Parties' sites and the number of other competitor sites available, the Parties' consider that there is no risk of the Transaction giving rise to a future SLC in relation to Cygnet Hospital Coventry.

Cygnet Hospital Harrow

20.24 [X].

20.25 As explained in response to question 15 above, [X] is the [X] CAS site that treats [X] patients, located over [X] miles from Cygnet Hospital Harrow. Therefore on the basis of a 75 mile catchment area the Parties' sites do not overlap. On the basis of a 100 mile catchment area centred on Cygnet Hospital Harrow the Parties would have a combined market share of [X] per cent (increment [X] per cent).

Table 20.3: Future overlaps in [X]

Catchment area centred on	CAS sites	CMA catchment area (75 miles)	CMA catchment area (100 miles)
Cygnet Hospital Harrow	[X]	[X]	[X]

20.26 As set out in question 15 there are a number of providers of rehabilitation services for [X] patients within the 100 mile catchment area. These include the following: [X].

20.27 Moreover, as explained in response to question 15, [X].

20.28 Accordingly, there is no risk of the Transaction giving to a SLC in relation to [X] Cambian Hospital Harrow.

[X]

20.29 [X].

20.30 In any case the planned services do not overlap with any of CAS' existing sites. The services currently planned (although not finalised) are: [X].

20.31 As mentioned above, [X]. Therefore there is no overlap in relation to any of these wards.

20.32 Accordingly, there is no risk of a SLC in relation to [X].

20.33 [X].

20.34 [X].

Coordination

21. **Describe the impact of the merger on the potential for coordinated conduct between remaining competitors in respect of the Candidate Market(s), post-merger.**

21.1 There is no prospect of the Transaction giving rise to a SLC through coordinated effects. There are a large number of competitors within the market and significant asymmetry between competitors. This will not change following the Transaction.

Vertical effects

22. **If the merger parties operate at different levels of the supply chain (that is, they have a vertical relationship), describe whether the merger would, or would be likely to, limit the supply of inputs or access to customers such that downstream or upstream rivals would face higher costs post-acquisition or full or partial foreclosure of key inputs or of access to customers.**

22.1 Not applicable. [X].

23. **For all Candidate Markets in which the merger parties have a vertical relationship, provide contact details for the relevant competitors and customers of the merger parties on the upstream and downstream markets on which each merger party is active (to the extent not already provided in response to questions 16 and 18).**

23.1 Not applicable

Conglomerate effects

24. **Provide details of any related product(s) or service(s) supplied by the merger parties.**

There is no prospect of the Transaction giving rise to a SLC through conglomerate effects as the Parties do not supply any products or services not already addressed above.

25. **Provide contact details for the relevant competitors and customers of the merger parties for the related products/services in which each of the merger parties is active identified in relation to question 24 above (to the extent not already provided in response to question 16).**

25.1 Not applicable.

Entry or expansion

26. **Provide details of any barriers to entry and expansion with respect to the Candidate Market(s).**

26.1 The Parties consider that the barriers to entry and expansion in relation to the provision of mental health services varies depending on the stage of the mental health care pathway. As discussed above, the Parties' focusses are generally on different stages of this pathway, with Cygnet focussing on providing treatment at the higher end of the security scale (i.e. medium and low secure services) and the acuity scale (e.g. acute and PICU services), and CAS focussing on providing lower security services, e.g. rehabilitation and community facilities.

26.2 In general, it is submitted that the higher the level of security, and the more acute the treatment required, the more significant the barriers to entry.

Medium/low secure services

26.3 In this respect, there are some barriers to entry in relation to the provision of medium and low secure, and acute and PICU, services. For example:

- (a) the high security requirements require purpose built/converted facilities. These are designed by clinicians and bespoke to the needs of patients, and therefore often require significant investment. Planning permission may also be required, and whether this is granted may depend upon the services being provided (for example, the higher the security levels of the service, the more stringent the planning requirements);
- (b) the different clinical and security needs of the patients also require additional, dedicated and highly trained staff, with the appropriate clinical expertise tailored to the specific conditions of the service users;
- (c) as explained above, the relatively sophisticated procurement process in relation to these services, and the regulatory environment could also act as barriers to entry. For example, the CQC registration and the Royal College of Psychiatrists AIMs accreditation requirements, along with the annual inspections and accreditation visits; and
- (d) reputation and relationships with customers is also very important in this industry, [X].

Rehabilitation services

26.4 In relation to rehabilitation services, the barriers to entry are likely to be lower than for the medium and low secure services. In particular, this will be due to:

- (a) the reduced security requirements; and
- (b) the slightly less resource-intensive nature of the care provided.

26.5 However, there remain some barriers to entry in this market. For example, [X].

26.6 In relation to rehabilitation for different types of condition, as acknowledged in the Acadia/Priory decision, and discussed above, there are barriers to switching between treatment types, and a lack of evidence that such switching would occur in response to short to medium term changes in the competitive environment. Therefore, a provider expanding rehabilitation services into a different type of treatment, and into specialist facilities in particular, may involve higher levels of investment as staff will require different skills tailored to the patients' requirements. Similarly, the initial barriers to entry may vary, as for example, staffing ratios reflect the complexity of the patients' needs, and for example, in CAS' case, are more generous in PD and ABI than in the core rehabilitation services in LD and MH.

26.7 However, the initial barriers to entry are unlikely to significantly vary depending on the distinction between locked and unlocked rehabilitation facilities. This is due to the fact that, as mentioned above, there is no clear cut distinction between locked and open facilities. Many "open" facilities are still required to have a locked front door, and are therefore viewed as locked by some commissioners.

Community services

26.8 In contrast to the services outlined above, community-related services, such as residential care homes, supported living, and domiciliary care, have a lower security risk and less demanding clinical needs of patients. As a result, they do not provide substitutes for patients requiring secure services, and have relatively low barriers to entry in comparison. In particular, facilities are generally smaller, and do not require as much specific tailoring and clinician involvement in the design.

26.9 These different resourcing requirements and cost differentials are reflected in NHSE's guidance to CQCs encouraging the implementation of "*the least restrictive care setting principle*". This aims to speed up patients' transitions down the care pathway towards less resource-intensive, e.g. community, services, to ensure people are cared for in the most economical settings that are appropriate for their needs.

27. **Provide:**

- a) **details of any expansion, entry or exit in any of the Candidate Markets over the past five years, and**
- b) **of any companies that the notifying parties consider are likely, post-merger, to enter or expand into any of the Candidate Markets in a sufficiently timely manner so as to adequately constrain the merged entity,**

including, in either case, any available evidence for that submission and contact details for any companies named.

Recent and anticipated new entrants and expansions

27.1 The Parties believe that the following providers have recently entered or expanded in the relevant markets, or intend to do so in the near future, based on publicly available online sources, including the relevant provider's website and related news articles:

PROVIDER	SERVICES/ RELEVANT DATES	CONTACT DETAILS
Nouvita - Baldock Manor	Baldock Manor provides locked rehabilitation services for men and women with a variety of conditions including MH, ABI, LD and ASD. In particular, Baldock Manor offers a: (i) c. 14-bed locked male rehabilitation service; (ii) c. 10-bed locked mixed LD service; and (iii) c. 7-bed locked male ASD service. Limited information is available, however it is understood that the London Road facility opened in January 2013.	[✂]
St Matthews Hospital, Northampton	St Matthews Hospital provides locked rehabilitation services for both male and female patients, and has a total of 72 beds. The date of the initial opening of St Matthews hospital is unclear, however the website suggests that a new project began in September 2014 to develop the St Matthews	[✂]

		<p>Broomhill site to include 14 beds for clients with dementia and other complex MH needs. (http://www.smhc.uk.com/broomhill/)</p> <p>We also understand that Maple Leaf House opened in December 2014, and provides 30 beds for service users with dementia and LTMH, and St Matthews began providing ABI rehabilitation services in Broomhill in October 2016.</p> <p>(http://www.smhc.uk.com/acquired-brain-injury-rehabilitation-st-matthews/) (http://www.smhc.uk.com/new-mental-health-services-opening-coventry/)</p>	
PiC, The Copse		<p>The Copse is a 24-bed locked rehabilitation service for men and women with MH and/or PD, which opened in March 2015:</p> <p>http://www.partnershipsincare.co.uk/news/2015/03/30/pic-expands-new-service-south-west-england</p>	[✂]
PiC, Mill Garth Hospital		<p>In 2015.2016, PiC opened a 21-bed locked male rehabilitation service in Leeds for patients with a mental illness and/or PD.</p>	[✂]
Elysium Healthcare Spring Wood Lodge		<p>In November 2015, PiC opened a locked female rehabilitation unit in Leeds, which provides 22 beds in total, 17 of which are focussed on locked rehabilitation and recovery and five of which are inpatient high dependency units.</p> <p>http://www.partnershipsincare.co.uk/news/2015/11/19/partnerships-care-opens-two-new-rehabilitation-units-coventry-and-leeds</p> <p>This facility is now part of Elysium Healthcare: http://www.partnershipsincare.co.uk/hospitals/spring-wood-lodge.</p>	[✂]
Priory Hospital Dewsbury	-	<p>This hospital offers a locked 32-bed male unit, including:</p> <p>(i) Hartley Ward, which is a 22-bed male unit providing rehabilitation services; which opened in September 2012, and</p> <p>(ii) Jubilee Ward, a new 10-bed ward dedicated to patients with dementia, which we understand opened in summer 2016.</p> <p>http://www.priorygroup.com/blog/secure-services/new-ward-opens-at-the-priory-</p>	[✂]

	hospital-dewsbury)	
Inmind, Sturdee Hospital	This facility, which has been adapted significantly in the last five years, currently includes locked female rehabilitation services split across two wards: (i) Rutland (16 beds) providing treatment for women with PD and other conditions; and (ii) Foxtton (8 beds) for women with complex MH conditions.	[REDACTED]
Ludlow Street Healthcare, Ocean Community Services	Overndale House is a 7-bed specialist care home, offering unlocked rehabilitation services for women with MH and PD.	[REDACTED]
Jeesal Healthcare, Southgate London	According to its website, Jeesal Healthcare plans to open a new service in Southgate London in the new year, which is currently at the final stage. It will be a mixed 13-bed service for people with LD. The website also states that this will be Jeesal's first service in the London area, and that it is already receiving a lot of interest for placements, suggesting that providers are willing to move into new geographic areas, and that there could potentially be significant demand which could encourage further expansion in the future. http://www.jeesal.org/our-services	[REDACTED]

27.2 As explained in response to Question 12, RFI 1, in addition to the above, please see: [REDACTED].

Countervailing buyer power

28. **Explain, with evidence where available, whether the merged entity will be subject to any countervailing buyer power.**

28.1 In the UK, as explained above, the vast majority of rehabilitation service users are publicly funded. As explained in the CMA's Acadia/Priory merger decision, in England, individual CCGs are the primary commissioners of rehabilitation services (although a CCG may delegate some responsibility to an NHS trust, which will look for a suitable placement, either from within its own services, or by referring patients to another service). In Wales, it is the responsibility of NSW and Local Health Boards.

28.2 In this case, for example: [REDACTED].

28.3 [REDACTED].

28.4 For example:

(a) during the 2016/2017 contract year, [REDACTED];

- (b) for two out of the last three annual price negotiations with NHS England, [REDACTED]; and
- (c) in order to [REDACTED].

28.5 In this regard, the high levels of countervailing buyer power can be demonstrated by the downward pressure on provider prices generally throughout the NHS, which can be evidenced by the trend in tariff rates. [REDACTED].³⁹

28.6 [REDACTED].

Competition between NHS and independent providers

28.7 In addition, as discussed in section 15 above, the Parties also consider that the NHS can provide a competitive constraint on the provision of their rehabilitation services. For example, although the local NHS trust will generally look to outsource to private providers when it has no further capacity, NHS providers in other locations do provide an alternative option for commissioners.

28.8 [REDACTED].

28.9 This possibility was acknowledged by the CMA in the Acadia/Priory merger decision,⁴⁰ which recognised that "*some NHS Trusts will from time-to-time have sufficient capacity to take patients referred from other NHS Trusts.*"

28.10 [REDACTED].

28.11 Finally, NHSE is also impacting pricing via its guidance to CCGs, which emphasises a key message of implementing "*the least restrictive care setting principle*". As a result of this, CCGs are seeking more rapid transitions down care pathways to more economical settings. [REDACTED].

28.12 [REDACTED].

28.13 In addition, as mentioned above, [REDACTED].

Efficiencies and customer benefits

29. **If the notifying parties wish the CMA specifically to consider at phase 1 any efficiencies or relevant customer benefits that the notifying parties believe will arise from the merger, describe such efficiencies and provide any documents prepared internally or by external consultants that discuss such expected efficiencies or relevant customer benefits.**

29.1 The Parties consider that the Transaction will likely give rise to efficiencies and benefits for service users, predominantly as a result of easing the transitions between different stages of the care pathway. [REDACTED], the Transaction would broaden the reach of the Parties across the mental health care pathway and enable a greater number of smoother transitions, which will be less disruptive for patients.

29.2 As mentioned above, the NICE guidelines recognise these transitions can be difficult for service users, and therefore an increase in stability is likely to be beneficial to patients, and may help them to recover more quickly. This will not only, of course, benefit the patient directly, but is likely to also have a positive impact overall, by resulting in better value for the NHS and improving the efficiency of the care pathway as a whole, which is in line with NHSE's "*least restrictive care setting principle*" referenced above.

³⁹ [REDACTED].

⁴⁰ Paragraph 65, Acadia Healthcare Company, Inc./Priory Group No. 1 Limited (ME/6587/16)

- 29.3 This is also in line with the new changes that are underfoot as regards commissioning structures, [X].
- 29.4 An example of one of the potential changes is NHSE's devolution of forensic commissioning to lead provider partnerships. [X].
- 29.5 In addition, UHS' strong financial position and access to capital will also enable it to invest and support CAS' growth plan. [X].

Other information

30. **Provide the name and contact details (including address, email address and telephone number) for any relevant regulatory authorities covering the industry in which the merger parties overlap, have a vertical relationship, or supply related product(s)/service(s).**

30.1 All Cygnet hospitals are registered with the CQC in the UK, which has offices in London and Newcastle. [X]

30.2 [X].

30.3 The Royal College of Psychiatrists (CCQI division) also have a number of quality accreditations that can demonstrate service quality, for example:

- (a) Accreditation for Inpatient Mental Health Services ("**AIMS**") - inpatient general (which covers rehabilitation services);
- (b) AIMS - LD/ASD; and
- (c) Enabling Environments - PD.

31. **Provide the name and contact details (including address, and email address and telephone number) of any trade associations which cover the industry in which the merger parties overlap, have a vertical relationship, or supply related product(s)/service(s).**

31.1 N/A

32. **Provide any other information that the notifying parties consider may be relevant to the CMA's Phase 1 investigation.**

32.1 Not applicable.