



CO-OPERATION & COMPETITION PANEL
FOR NHS-FUNDED SERVICES

Cooperation and Competition Panel

**Merger of Royal Free London NHS Foundation Trust and Barnet and Chase
Farm Hospitals NHS Trust**

19 April 2013

Decision to Proceed to Phase II

Merger of Royal Free London NHS Foundation Trust and Barnet and Chase Farm Hospitals NHS Trust

1. Royal Free London NHS Foundation Trust (Royal Free Foundation Trust) and Barnet and Chase Farm Hospitals NHS Trust (Barnet and Chase Farm Trust) informed the Cooperation and Competition Panel (CCP) in December 2012 of their intention to merge. The CCP accepted the merger transaction for review under Principle 10 of the Principles and Rules on 20 February 2013.¹ The CCP will provide advice on this transitional case under the framework of Principle 10.

PARTIES

Royal Free Foundation Trust

2. Royal Free Trust provides hospital-based elective and non-elective services (including accident and emergency services) from a site in Hampstead, North London, which has 622 beds. Royal Free Trust also provides a number of specialist services to patients resident throughout the south-east of England. In the year 2011/ 2012 the trust received income of approximately £561 million.

Barnet and Chase Farm Trust

3. Barnet and Chase Farm Trust also provides hospital-based elective and non-elective services (including accident and emergency services). These services are provided from Barnet Hospital, which has 436 beds and Chase Farm Hospital, which has 456 beds. In November 2013, non-elective services are due to be moved from the Chase Farm site and an urgent care centre created, though this is dependent on an external assurance assessment in September and full sign off from commissioners. In 2011/12 the trust received income of approximately £351 million.

ISSUES

4. The merger transaction bring together, under common management and control, two previously independent organisations what each provide a number of hospital-based elective and non-elective services in north London. The merger is likely to remove a competitor to each of the merger parties for these services.
5. The CCP assesses mergers pursuant to Principle 10 of the Principles and Rules for Cooperation and Competition (Principles and Rules).² Where a merger does not materially reduce the competitive pressure upon the merged organisation (because there remains sufficient competitive constraint from other effective competitors) then the merger is unlikely to have a material adverse effect on patients and taxpayers.

¹ The Notice of Acceptance is available at www.ccp-panel.org.uk and <http://www.monitor-nhsft.gov.uk/regulating-health-care-providers-commissioners/cooperation-and-competition>.

² Principle 10 provides: 'Mergers, including vertical integration, between providers are permissible when there remains sufficient choice and competition or where they are otherwise in patients' and taxpayers' interests, for example because they will deliver significant improvements in the quality of care.'

6. In Phase I, the CCP assessed the effect that the removal of a competitor in north London and the surrounding area may have on choice and competition for the relevant services. This assessment covered hospital-based standard elective services; non-elective services; specialist/ tertiary services; outpatient services and community services.
7. We decided that there is a realistic prospect that the merger transaction may lead to costs to patients and taxpayers in respect of standard elective care by reducing patient choice and competition for the services. We also decided that there is a realistic prospect that the merger transaction may lead to costs to patients and taxpayers in respect of non-elective care, because of the reduction in choice for commissioners of providers of these services.

INTENTION TO PROCEED TO PHASE II

8. As set out in the CCP's Merger Guidelines³, at the end of its initial Phase I review, the CCP will proceed to a further Phase II assessment if it considers there is a realistic prospect that the merger transaction will result in material adverse effects on patients and taxpayers as a result of a reduction in patient choice and competition. In the case of the merger between Royal Free Foundation Trust and Barnet and Chase Farm Trust, the Panel concluded that this threshold has been met. The investigation will therefore now proceed to Phase II.
9. The CCP has become an integral part of Monitor, as Monitor's Cooperation and Competition Directorate. The members of the Panel remain as a panel providing independent advice to Monitor. We will gather further information and carry out further analysis, to decide whether or not the merger transaction is likely to have a material adverse effect on patients and taxpayers. We will consider in detail the extent to which other providers of standard elective and non-elective care in respect of the relevant services would place a competitive constraint on the merged services provided by Royal Free Foundation Trust or Barnet and Chase Farm Trust. We will also assess further whether the merger parties overlap in the provision of specialist/ tertiary services and, if so, we will analyse the effect of removing a competitor for these services.
10. We will also evaluate the arguments and evidence submitted by the parties in relation to any benefits to patients and taxpayers that may arise from the merger transaction. The deadline for completion of Phase II is 13 August 2013.

Cooperation and Competition Panel, 19 April 2013

³ http://www.ccpanel.org.uk/content/Merger_Guidelines.pdf