

Private patient unit arrangements between HCA International Limited and University Hospital of South Manchester NHS Foundation Trust

PPU/001/15

SUMMARY

1. The Competition and Markets Authority (**CMA**) reasonably believes, for the purposes of the [Private Healthcare Market Investigation Order 2014 \(the Order\)](#), that private patient unit (**PPU**) arrangements between HCA International Limited (**HCA**) and University Hospital of South Manchester NHS Foundation Trust (**UHSM**) have been created, or are in progress or contemplation and will be carried into effect. The CMA has decided that there are no grounds for conducting a review of the arrangements in accordance with article 7.2 of the Order.

The Parties

2. HCA is a private limited company with share capital, providing healthcare services through the operation of private hospitals. It is part of HCA Holdings, Inc (**the Group**) which provides private healthcare services from hospitals and ambulatory care centres across the US and UK. HCA is predominately based in London, with currently only one centre outside London, the Christie Clinic in Manchester. HCA's head office is in London and the Group's headquarters are in Nashville, Tennessee, USA.
3. UHSM is an NHS Foundation Trust providing services at Wythenshawe Hospital and Withington Community Hospital, and community services in Greater Manchester. It provides a full range of general hospital services and specialist tertiary services through its main site, Wythenshawe Hospital.

PPU arrangements

4. In 2012, UHSM decided to invest in the provision of private patient services, and invited bids from several potential private sector partners to develop a new private hospital linked to and working in collaboration with UHSM. In

September 2013, UHSM signed a Memorandum of Understanding with HCA, as its preferred bidder.

5. The arrangement envisages the development of a new PPU as part of two construction phases. The first phase of construction is a new internal unit developed on part of the existing roof space of Wythenshawe Hospital. The second phase of construction is the development of a standalone facility adjacent to the Wythenshawe Hospital site, forming part of the emerging Manchester MediPark. The Parties expect that the internal unit will be operational by April 2016 and the standalone facility will be operational in late 2017.
6. The new PPU unit will be a generalist unit, initially offering cardiothoracic surgery and cardiology services, and, following completion of the construction of the standalone facility, also general surgery, obstetrics, and acute medicine.

JURISDICTION

7. Under article 7.1 of the Order, if the CMA reasonably believes that PPU arrangements have been created, or are in progress or contemplation and will be carried into effect, it must decide whether there are grounds to conduct a review.¹

PPU arrangements

8. The Order defines private patient unit arrangements (**PPU arrangements**) as 'any arrangements for a private hospital operator to operate, manage or otherwise provide privately-funded healthcare services at a PPU in England, Wales, Northern Ireland or Scotland'.² HCA is a private hospital operator and it is contracting with UHSM to establish a PPU at UHSM. The Operating Agreement between HCA and UHSM was entered into on 5 March 2015.
9. Therefore, the CMA reasonably believes that PPU arrangements are in progress and will be carried into effect.

Time limit

10. The Order provides that no review must be started more than four months after the day on which material facts about the relevant PPU arrangements

¹ Article 7.1 of the Order. (Article 7 does not apply to arrangements which give rise to, or would if pursued give rise to, a relevant merger situation within the meaning of section 23 of the Enterprise Act 2002, see Article 12.)

² See Article 2 of the Order.

were given to the CMA or were made public so as to be generally known or readily ascertainable.³

11. The CMA was notified of the arrangements by the Parties on 19 February 2015 and received a submission from the Parties on 2 March 2015. The CMA considers that for these purposes 'material facts' means sufficient facts to enable it to decide whether there are grounds to carry out a review. The CMA is satisfied that by 2 March 2015 the Parties had provided material facts about the relevant PPU arrangements.

ASSESSMENT

12. The purpose of a PPU review is to address the likely effect of the relevant PPU arrangements on the adverse effects on competition, which the CMA's Private Healthcare Market Investigation Report⁴ (**the Report**) decided arise from high barriers to entry and expansion for private hospitals and weak competitive constraints on private hospitals in many local markets in the provision of privately-funded healthcare by private hospital operators, including in PPUs.
13. The CMA therefore assessed whether on the available evidence there were grounds for considering that the PPU arrangements would result, or may be expected to result, in a substantial lessening of competition in the provision of privately-funded healthcare services in the relevant local area.

The relevant services

14. HCA is already active in the Manchester region through its Christie Clinic, which is a specialised NHS PPU dedicated to private cancer treatment. The Christie Clinic offers a range of cancer diagnostic services and treatments, including outpatient and diagnostic services, chemotherapy and radiotherapy, and general surgery for the removal of cancerous tumours.
15. By contrast, the PPU arrangements are intended initially to provide general cardiothoracic surgery and cardiology services and, thereafter, general surgery, obstetrics, and acute medicine services. The Parties agreed that there would be an overlap in relation to the small subset of general surgery treatments that are offered to cancer patients at UHSM.

³ Article 7.4 of the Order.

⁴ [Private Healthcare Market Investigation Report](#) (April 2014).

16. This suggests that there will be a minimal overlap in the services provided by the PPU arrangements, which will offer general hospital services, and the Christie Clinic, which is an oncology specialist.
17. The Report also identified the Christie Clinic as a hospital which was not of potential concern in the initial filter undertaken by the CMA, and found that it was sufficiently constrained in its local area.
18. In 2014, HCA also opened 52 Alderley Road, Wilmslow as an outpatient and diagnostics centre. The centre offers a number of minor treatments and surgical procedures on a day-case basis. However, the centre does not operate as a hospital, as there are no inpatient beds within the facility.

The geographic area

19. In the Report, it was found that, outside central London, the relevant geographic market in which private hospitals compete is the hospital's catchment area from which the majority of the hospital's patients are drawn.⁵
20. On this basis, HCA's share of capacity (by number of beds) in UHSM's catchment area is around [0-10]% and its estimated share of revenue is around [10-20]%. The BMI Alexandra Hospital and the Spire Manchester Hospital are in the catchment area, as well as some others. The parties submitted that the relevant catchment area hosts 5 BMI, 4 Ramsey and 3 Spire general hospitals, as well as the Fairfield general hospital and Nuffield Grosvenor general hospital.
21. The CMA therefore believes that there are no grounds for considering that HCA faces weak constraints in the provision of privately-funded general hospital services in the catchment area.

Conclusion

22. The evidence available indicates that there is jurisdiction to review the PPU arrangements under Part 2 of the Order and, for the reasons set out above, the CMA has found that there are no grounds for conducting a review of the PPU arrangements.

Sheldon Mills
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⁵ Paragraph 5.62 of the Report.