

US group plans London hospital

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Another prestigious US not-for-profit hospital group plans to open in London. That's on top of Cleveland Clinic's opening in Grosvenor Square and German group Schoen, which will open its hospital in 2017. So who is it and how could it enter?

We hear from a reliable source that the Mayo Clinic is looking to enter the London hospital market. This would be the Mayo's only hospital outside the USA, where it is present in Minnesota, Arizona and Florida. A Mayo clinic spokesperson refused to confirm or deny that it planned a London hospital.

Apart from Schoen and Cleveland, GCC/Indian group VPS is said to have bought a lease on the Royal Masonic Hospital in Hammersmith, although there has been little activity for the past 2 years leading to speculation that the Royal Masonic might still be available. A spokesman for VPS refused to confirm or deny that it plans to open a cancer centre in London, citing a cancer hospital in Abu Dhabi as the only new hospital he could confirm it currently has plans for.

Finding a home would be difficult for Mayo. Bupa has a long-term lease on The Cromwell. Aspen has two hospitals in Highgate and Wimbledon. The London Clinic is a not for profit and so also unavailable. Spire owns St Anthony's out in Worcester Park where it has spent significant capex and will be waiting for a return. But none of these assets are believed to be for sale.

Tom Morgan at surveyors CBRE says he has instructions to sell Avon House, near Kensington Palace which has planning consent primarily for a neuro/post acute rehab unit. It is relatively small at 40,000 square feet but he says there has been a big uptick of interest in London from many operators. "Investors see London as a safe haven and the currency fall after Brexit was announced makes it look particularly attractive."

Dr Leonid Shapiro, managing partner and founder of consultancy Candestic, reckons there could still be opportunities to build a private hospital in the City, but that the West End is now saturated. Any move would be expensive and limited by sites. Cleveland paid over £250m and had to wait several years before existing tenants moved out.

Morgan says anyone planning to build in central London needs to be creative in their approach.

Our Analysis: HCA's near monopoly on big private hospitals in central London is gradually being broken. The Mayo probably has the strongest brand in healthcare services worldwide. A US academic medical centre source tells us that the Mayo gets more revenue from foreign patients getting treatment in the USA than any other US group and estimates the total at around \$1bn a year, compared to \$600-700m for Johns Hopkins. The paradox is that the Mayo has been much less active in building overseas operations than Cleveland or Johns Hopkins.

The new hospitals may not impact much on the classic London hotelier model run by HCA. That reflects the fact that the newcomers are (apart from possibly VPS) much more likely to employ doctors who work on their premises full-time. But the presence of these prestige names gives a real boost to the somewhat lacklustre Harley Street outpatient-dominated London market which has been losing out to the more organised operators in Germany, Israel and the USA. And the employment model would ultimately reduce the pool of consultants available to HCA.