

Orthopaedic procedures such as hip and knee replacements have long been the bread and butter of independent hospitals in the UK, but changes at a local level are shifting market shares. Partner at Candesic **Dr Michelle Tempest**, examines the latest trends and explores what providers can do to stay ahead of the game

Stripped to the bone

In a year dominated by politics and politicians – hard and soft Brexit, President Macron, President Trump and the Teresa May swing that never swung – it’s easy to be sceptical about data. However, this article focuses on real data, not asking people about their future intentions, but concentrates on what has actually been happening. It metaphorically and literally delves into the raw bones of facts by reviewing data from the National Joint Registry (NJR).

The NJR was set up in 2002 by the Department of Health and Welsh Government to collect information on all hip, ankle, elbow

and shoulder replacement operations to monitor the performance of joint replacement implants and the effectiveness of different types of surgery. The NJR data has also complemented two key national reviews and healthcare movements:

- *The Carter review*, which has already successfully helped to reduce the cost to the State of prosthetic implants by reducing price variation within the NHS.
- *The Get It Right First Time (GIRFT) review*, which started in orthopaedics but has since expanded to multiple specialties and uses clinical data returns to drive up standards.

instigated GIRFT, is a friend, but any current or future Health Secretary should have him on speed dial as GIRFT deserves a healthcare Oscar.

This article brings common orthopaedic procedures into sharp focus, and reviews the primary hip and knee replacement market across England. It goes onto a deep dive analysis of hospital chains to gain insights into the ups and down of the independent hospital healthcare economy.

Primary hip and knee replacement activity

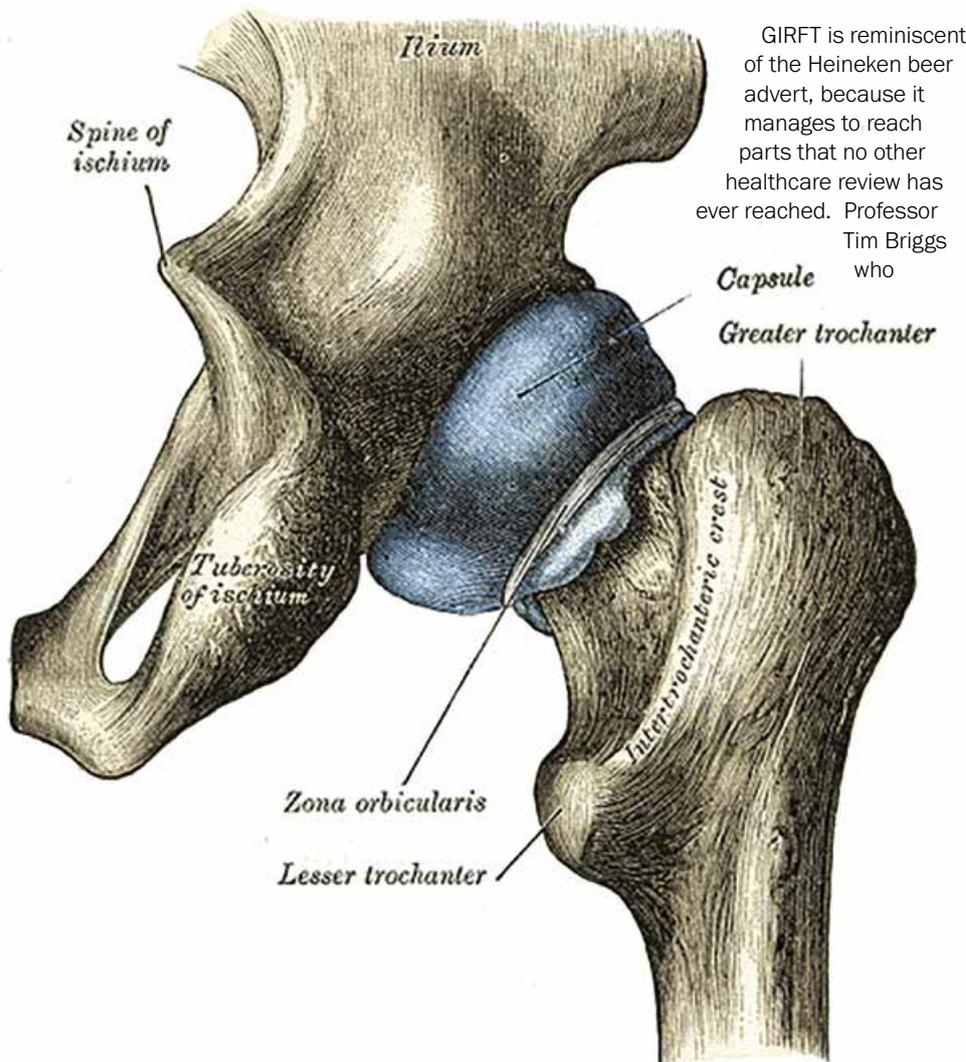
Figure One highlights that the volume of primary hip and knee replacements has increased with a CAGR of 4.2% between 2013/16.

This growth is not surprising considering the demand for hip and knee replacements, driven by an aging population and an increase in risk factors, such as obesity. It’s also not surprising that the vast majority of hip and knee replacements are paid for by the State, NHS funded. However, look closer and a picture starts to form.

NHS funded activity carried out in NHS hospitals has increased by a meagre 1% p.a. between 2013-16, yet, in contrast, independent (private and charity) hospitals have increased their activity by almost 16% p.a. over the same time period.

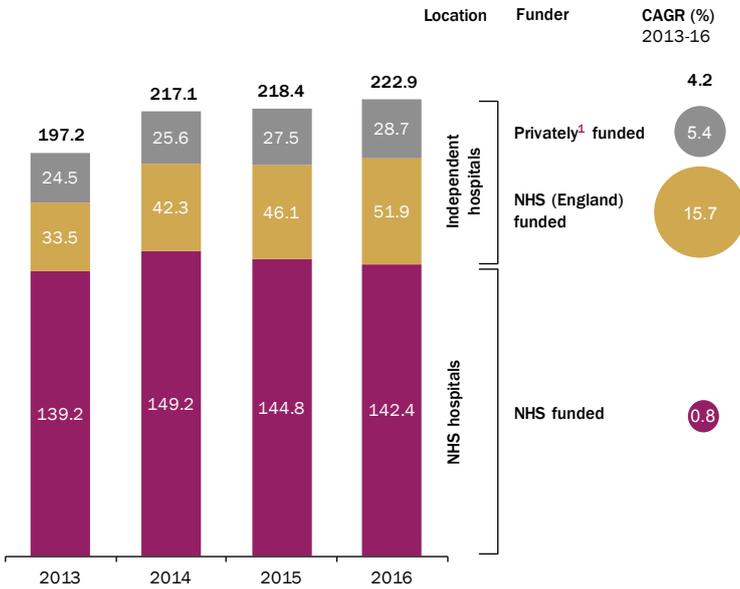
There are many factors at force, here to name a few:

- **Patient choice** Patients can choose to go to any hospital that accepts the NHS tariff. Choice is driven not only by location but also by waiting time and often independent hospitals offer lower waiting times than their NHS counterparts.
- **NHS outsourcing** Some CCGs and NHS Trusts have got so behind



GIRFT is reminiscent of the Heineken beer advert, because it manages to reach parts that no other healthcare review has ever reached. Professor Tim Briggs who

FIGURE ONE - HIP AND KNEE REPLACEMENT ACTIVITY
REPLACEMENT ACTIVITY, AS PER NJR, 000s BY CALENDAR YEAR



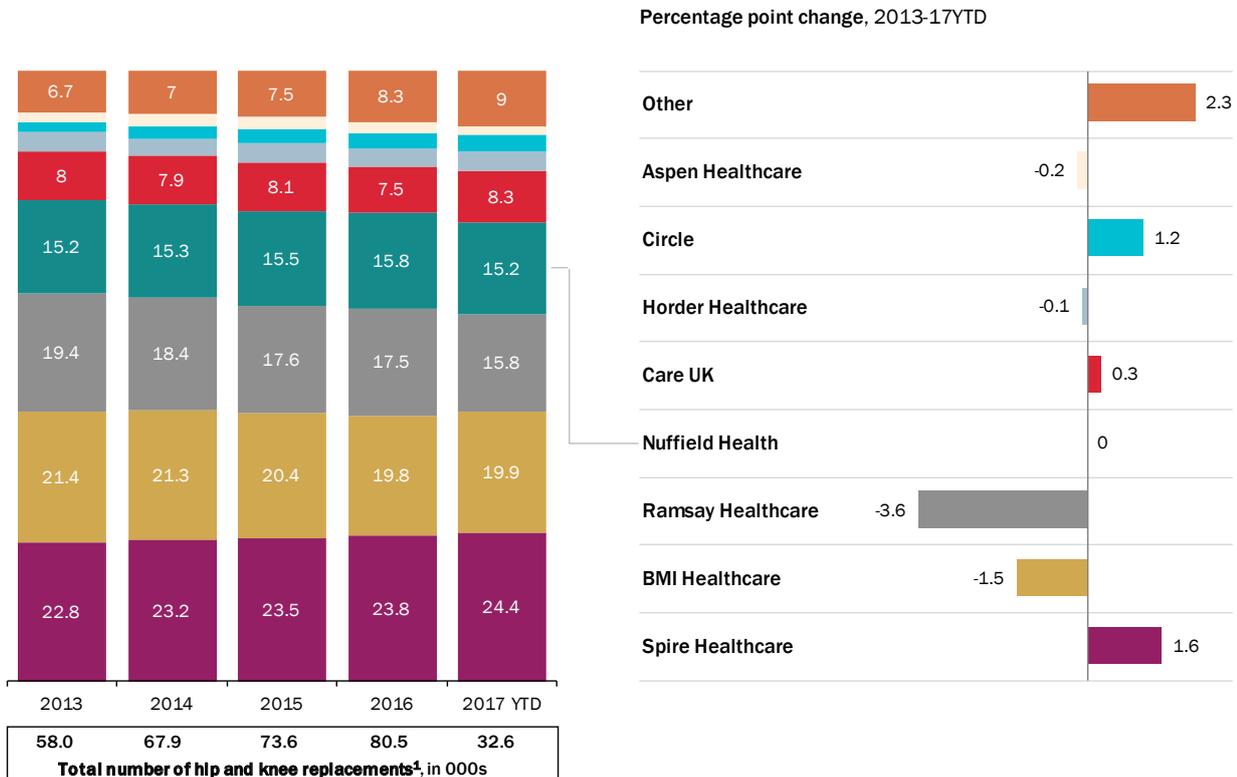
The number of primary hip and knee replacements performed in England has risen year on year since 2013, at a CAGR of 4.2%.

NHS-funded operations carried out in independent hospitals grew at the highest rate, CAGR of 15.7%.

- The Choose & Book system (e-referral) enables NHS funded patients to choose the hospital provider, so NHS patients can choose to have their operation in any hospital registered on choose and book, which includes some independent hospitals.
- The stability of NHS funded operations carried out in NHS hospitals is mainly a reflection of a system already operating at maximum capacity.

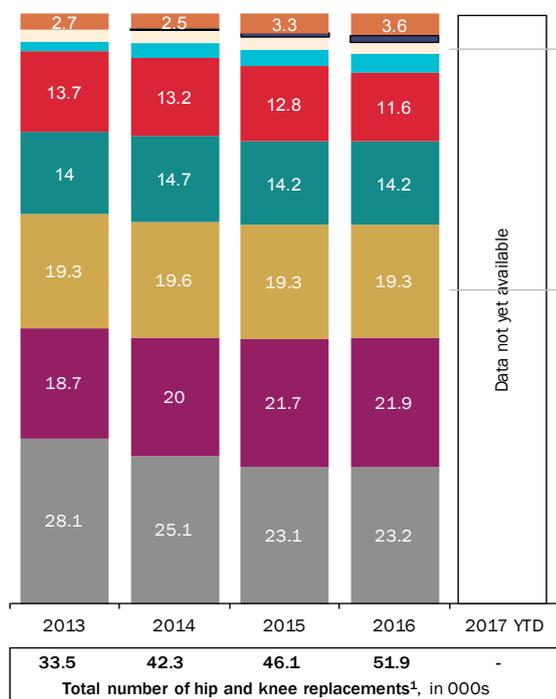
SOURCE NATIONAL JOINT REGISTRY (NJR), NHS DIGITAL, CANDESCIC ANALYSIS

FIGURE TWO - MARKET SHARE EVOLUTION
INDEPENDENT ORTHOPAEDIC MARKET % BY CALENDAR YEAR

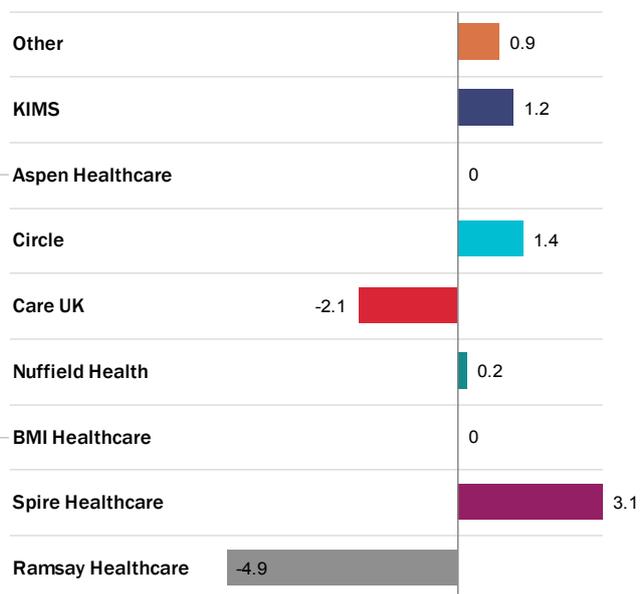


¹ DATA REPRESENTS BOTH NHS-FUNDED ACTIVITY AND PRIVATELY-FUNDED ACTIVITY IN INDEPENDENT SECTOR HOSPITALS AND TREATMENT CENTRES

FIGURE THREE - NHS FUNDED MARKET SHARE EVOLUTION
INDEPENDENT ORTHOPAEDIC MARKET % BY CALENDAR YEAR



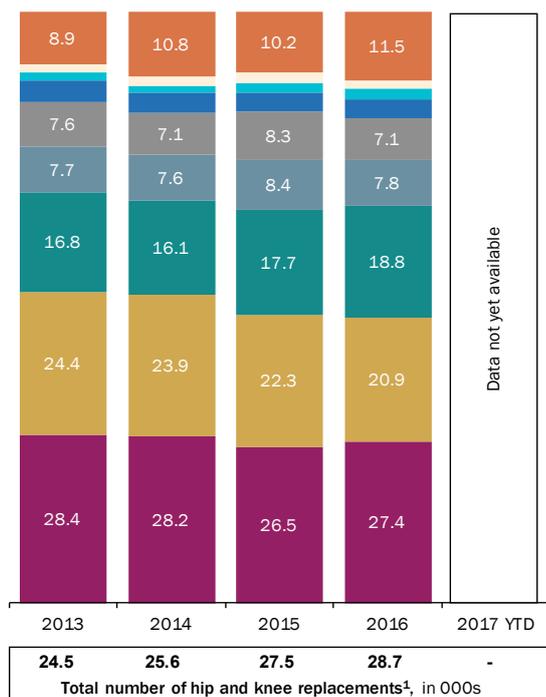
Percentage point change, 2013-16



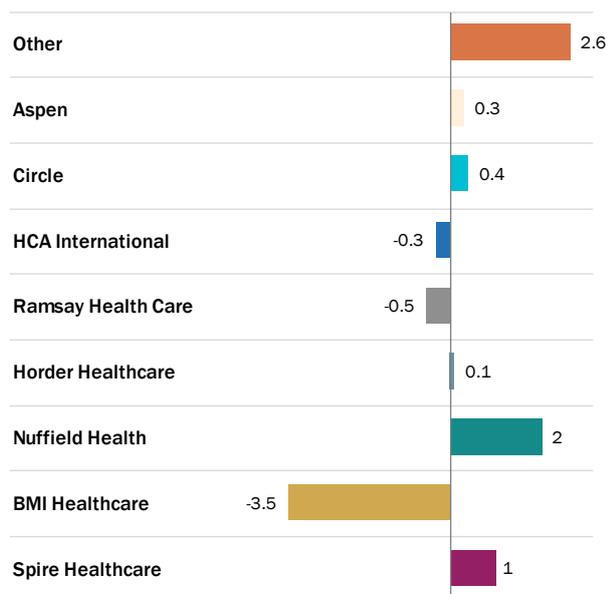
1 DATA REPRESENTS BOTH NHS-FUNDED ACTIVITY AND PRIVATELY-FUNDED ACTIVITY IN INDEPENDENT SECTOR HOSPITALS AND TREATMENT CENTRES

SOURCE NATIONAL JOINT REGISTRY (NJR), NHS DIGITAL, CANDESIC ANALYSIS

FIGURE FOUR - PRIVATELY FUNDED MARKET SHARE EVOLUTION: PMI, SELF-PAY
INDEPENDENT ORTHOPAEDIC MARKET % BY CALENDAR YEAR



Percentage point change, 2013-16



1 DATA REPRESENTS BOTH NHS-FUNDED ACTIVITY AND PRIVATELY-FUNDED ACTIVITY IN INDEPENDENT SECTOR HOSPITALS AND TREATMENT CENTRES

SOURCE NATIONAL JOINT REGISTRY (NJR), NHS DIGITAL, CANDESIC ANALYSIS

on their orthopaedic waiting lists that they have directly outsourced operating lists to the independent sector.

- **NHS Trusts** These are already running at full capacity, resulting in them not being able to absorb the increased demand. NHS hospitals that have not split out their orthopaedic procedures into distinct laminar flow theatres and staffing teams by running parallel elective and emergency work have found themselves particularly vulnerable to becoming overwhelmed with emergency cases, forcing them to depend on their local independent hospital for elective surgery – note over 90% of primary hip and knee replacements are elective procedures – so this is good benchmark data.

Finally, Figure One also highlights the increase in the private payor volumes which have increased by 5.4% over the same time period and this cohort includes both the self-paying clients and Private Medical Insurance (PMI).

Who are the biggest winners in this market?

Figure Two shows who is winning the extra work.

As described above, hip and knee replacement volumes are increasing across the independent sector and the bar graph draws the eyes' attention to market share.

It highlights that hospital chains Spire and Circle are doing well to capture extra volumes, while Ramsay is dropping back.

But then the next question becomes, who is winning NHS volumes and who is winning private paying volumes (with higher margins)?

Figures Three and Four go onto to answer this next layer of detail, respectively.

Figure Three shows primary hip and knee replacement volumes funded by the NHS, but performed by independent providers.

Spire, Circle and KIMS are winners in this economy, whereas Ramsay, which has traditionally been a core player in NHS

funded orthopaedic work, is slipping back by almost 5% in terms of market share.

Candesic has also collected and analysed this data on a hospital-by-hospital basis, so different micro markets around each hospital can be understood.

It is perhaps also worth noting that as providers are currently not being fined for keeping patients waiting, this NHS overspill economy continues to evolve differently across different Clinical Commissioning Groups (CCGs) and Sustainability and Transformation Partnerships (STPs).

Figure 4 shows primary hip and knee replacement volumes paid for privately.

These volumes exclude all NHS funded activity and only focus on self-pay and PMI. Here, Nuffield and Spire are doing well, while BMI is losing market share within this payor cohort.

What's interesting is that both Nuffield and Spire have concentrated their efforts on renewing their website and targeting self-paying clients, so this clearly shows a return on that investment.

potential changes of State funding from Payment by Results (PbR) to block contracts

What becomes clear is that operators need to piece together the jigsaw puzzle of their local healthcare economy. Gaining an understanding into what is driving the changes in their market share, has to be put into context and understood on a hospital-by-hospital basis because the drivers tend to be local.

Group hospital operators should closely examine their hospitals that have lost the most share and find ways to mitigate further decline as well as ways to reverse the trend early.

Their strategy on NHS volumes should be two-speared, not only tackling ways of how to win more contracted work from pressured trusts and CCGs, but to also find ways to attract patients directly and capture the growing e-referral volumes.

As for the more direct private 'business to customer' market, having a crystal clear care pathway is well worth investing in.

OPERATORS NEED TO PIECE TOGETHER THE JIGSAW PUZZLE OF THEIR LOCAL HEALTH ECONOMY

Summary

This article only has time for a limited scope using primary hip and knee replacement volumes as an indicator, but Candesic has also considered group and micro market comparative analysis of measures such as:

- Care pathway differences
- Average length of stay
- Outcomes
- Acuity of patients
- Tariffs, self-pay rates and NHS tariff
- Changes and the impact of

