In Focus: Efficiency

Healthcare and education
In the current funding climate, businesses are stepping up and generating real change.
Efficiency for the future

In a changing NHS landscape, we look at how the drive for efficiency is creating innovative solutions and how consumers are looking further afield for their healthcare needs.

We’ve been investing in healthcare at Livingbridge over almost two decades, during which we’ve seen the sector continue to innovate and evolve in response to ever changing pressures. In this ‘In focus: Efficiency’ report we look at the spaces where, in the current funding climate, businesses are stepping up and generating real change.

As NHS managers have to make tough decisions about which services they should prioritise, Simon Peet looks at the increasing gap between consumer demand and provision.

As we continue to hear of rising waiting lists in many areas of elective surgery, such as optometry, dermatology and orthopaedics, we see this gap being actively bridged by a number of organisations, which have an opportunity to respond to ever-rising patient expectations.

These tough decisions are being made due to the unprecedented pressure on the NHS to meet demand and generate efficiency savings. Sanjay Panchal challenges that we need to also make the conversation about productivity, with less focus on simplistic cost reduction and more on the quality of experience and how public services can try to achieve more with less.

A great example of this is our investee company, Four Eyes Insight, a clinical consultancy that has worked with a number of NHS trusts to deliver operating theatre productivity increases across the UK.

So a focus on efficiency is also a focus on opportunity. With demanding targets and ever increasing demographic pressures, we continue to see opportunities for the public and private sector to respond. We are also delighted to see innovative businesses and entrepreneurs rising to the challenge with services and technologies that can transform provision and patient care. It is exciting to see these organisations emerging and growing with the aim of delivering high quality healthcare solutions.

Liz Jones
Investment team
Into the breach: how consumer businesses can ease the NHS funding crisis

The NHS is already facing a funding deficit...

53% the proportion of NHS provider trusts likely to be in financial deficit for 2017–18 financial year

The potential funding shortfall the NHS will face by 2021

... despite record spending.

£140bn the NHS budget for 2016–17, more than 10 times the amount spent on health 60 years ago in inflation adjusted terms

£4bn the additional annual investment required by the NHS according to independent think tanks, compared to the £2.8bn planned for a three year period

... and demographic pressures continuing to bite...

65.6m the UK population in 2016, already the highest ever but expected to grow to 74 million by 2039
Longer term, the economics of the UK’s growing and ageing population means funding will only get tougher.

One practical consequence of the squeeze on resources is that NHS managers and policymakers will have to make tough choices about services they provide over and above emergency care. Numerous trusts have been forced to cancel elective surgeries over the winter period, a real example of the ongoing trade-offs they are being forced to make.

Rationing is an emotive term, but it’s a realistic description of what is already taking place in many parts of the healthcare system.

Bridging the gap

The British Medical Journal reports that treatments once considered relatively routine, from hip and knee replacements to cataract surgery, are becoming more difficult to secure from the NHS, as local health managers respond to funding pressures by toughening up the eligibility criteria for such operations.

Private sector businesses may be able to offer consumers an alternative if those services are no longer available or if the wait time is deemed unacceptable.

… it is likely we’ll see further rationing of non-emergency care and treatment.

This represents an opportunity to both meet an important societal need and to build a sustainable business model in a marketplace where the long-term drivers of demand remain strong.

What does it mean in practice?

Dentistry is an obvious example where the availability of NHS dental treatment has been under pressure for some years and very few cosmetic procedures have ever been free of charge.

This has created a culture where patients are more willing to pay towards their dental care rather than wait longer for treatment. That has underpinned the development of businesses such as Portman Dental Care, a private led group Livingbridge backed in 2014; it has added more than 30 practices to the group over the past three years.

Rationing is an emotive term, but it’s a realistic description of what is already taking place in many parts of the healthcare system.

3 months

potential minimum wait under consideration for non-urgent NHS surgery

24.7%

the proportion of the population aged 65 and over projected for 2046, up from 14.2% in 1974

47%

the increase in the number of patients using exceptional case systems to appeal for treatments
Create Fertility is another consumer healthcare business backed by Livingbridge, providing high-quality care in an area where NHS provision is being restricted. Its clinics offer a range of mild and natural IVF treatments available for those patients who are looking for an alternative to NHS provision.

New opportunities

As the NHS’s funding issues continue to bite, there will be other areas where there is scope for the private sector to play a greater role. In areas such as physiotherapy, occupational health and even dermatology we’re seeing a growing number of private organisations offering services that might once have been the domain of the NHS. Varicose vein removal is another good example.

For operators exploring these opportunities, it will be important to understand where NHS funding pressures are most likely to be felt in the future – the King’s Fund cites examples ranging from orthopaedic care to mental health – but also what is currently available privately and where patients are inclined to spend rather than wait. Individuals’ propensity to access private care will inevitably vary according to the nature of the treatment.

Building a winning business

Private sector operators will face another challenge: building and funding a sustainable business model with accelerated growth prospects. Currently, many industries in this sector are small and fragmented, operating from a handful of clinics, or even a single unit.

“We believe the most successful businesses in this marketplace will build a high quality and stable base from which to expand. While individual clinics and practices will continue to be responsible for delivering high-quality care, the most successful ones will have access to central resources such as finance, IT and recruitment.

As healthcare operators are increasingly dealing with tighter regulations those with a larger platform will also be better placed to deal with legislative changes and the scrutiny of regulators, a time-consuming and difficult task for individual practices who want to focus on providing excellent care. Marketing support will also be crucial; in a competitive market, a strategic approach to customer acquisition will be imperative.

Consolidation is likely to be an important part of that story, with leading platforms pursuing buy and build strategies – and supported with funding from investors with expertise in the sector. Through acquisitions, as well as continued roll-outs of new practices, leading operators should be able to grow rapidly.

The opportunity here is not simply commercial. There certainly is potential to build businesses with real prospects of accelerated and profitable growth, but these enterprises can also play a crucial role in relieving the pressure on frontline NHS services.
Medical productivity and clinical service consultancy

Livingbridge invested in clinical consulting business Four Eyes Insight in 2016. The business works closely with acute NHS trusts to find clinical efficiencies and translate these into effective change.

As they work with trusts to realise savings, the business has grown rapidly as a response to the funding pressure placed on NHS England.

Four Eyes have built their reputation by the productivity increases they have been able to deliver. At one trust in the north of England they were able to use productivity data and tools and a robust improvement programme to increase the number of patients treated by more than 30% in the same number of theatre sessions.

“Increased demographic pressures combined with a funding shortfall has created a need for NHS trusts to find long term clinical efficiencies. We are able to use our clinical expertise to analyse, identify and implement sustainable changes that can support increased productivity.”

Dr David Bennett
Chairman, Four Eyes Insight

livingbridge.com
What the NHS debate needs to focus on:

Productivity, investment and the patient experience

Much of the media refers to the NHS’ 2020 £22bn savings requirement as efficiency ‘savings’. This however misses the point – it places emphasis on cost reduction, not productivity, and more importantly removes or de-emphasises the quality of the patient experience from our definition of success.

Public debate needs to focus on how the NHS can more effectively use existing resources.

If you look at that £22bn target, the largest component – £8.6bn – is anticipated to come from productivity gains. The debate needs to focus on how the NHS can more effectively use existing resources that allow it to do more with each £ of spend and deliver better service levels and outcomes for patients.

By Sanjay Panchal
Investment team

“Efficiency” and “savings” often go hand in hand when it comes to talking about the NHS and the natural implication is that the path to the NHS becoming financially viable while meeting demand is to spend less.

Driving productivity gains

Four Eyes Insight, a medical productivity and clinical service consultancy backed by Livingbridge, is just one example of a business helping drive productivity gains. Since it was founded in 2013 it has grown by helping acute NHS trusts markedly increase the number of operations performed without increasing cost.

In other words, doing more with less. Recently Four Eyes worked with a trust to reduce surgeon “downtime” in its Trauma and Orthopaedics theatres by 50% allowing the trust to serve additional cases. That means more patients get the care they need in a timely manner while the trust can better serve its community by deploying its scarce resources more effectively – a win-win.

It is equally important to focus on the need for the NHS to make longer term capital investments to achieve step changes in productivity levels and enable service redesign.

Achieving a step change

The debate about the future of the NHS should not however only focus on operational efficiencies and expenditure. It is equally important to focus on the need for the NHS to make longer term capital investments to achieve step changes in productivity levels and enable service redesign. The Naylor review highlighted a £10bn requirement for capital investment and an area where this could be particularly effective is primary care where, according to Naylor, nearly a third of existing premises were too small.
There is widespread interest in the idea: for example, in the summer of 2017 one consortium offered to invest in 750 new primary care buildings for the NHS to lease. It is partnerships like this that when married with commercially viable agreements can deliver real change in the system, rather than just making the best of what we already have.

We will undoubtedly be talking about NHS improvements for years to come, but it is important to make sure we’re focusing on the right things. Cost is just one part of the equation but by placing greater emphasis on productivity and investment we make changes that benefit patients, not just the NHS’ balance sheet. We’re excited about continuing to partner with organisations that embody this ethos to unlock opportunities to drive productivity, investment and improve the patient experience.

£6.5bn
the efficiency savings the British Medical Association believes are achievable on existing Government plans

£22bn
the efficiency requirement that the NHS is struggling to hit by 2020/21

£10bn
the capital funding required by the NHS for maintenance and transformation work

£3.3bn
value of investment in new primary care buildings offered by one consortium in 2017

£6.5bn £22bn

£22bn

The NHS is under pressure to deliver substantial efficiency savings…

…but funding for capital spending is in short supply…

20%
fall in NHS capital spending over past three years

£10bn

…so we’re seeing new external capital investment to underpin organisational transformation.

23%
increase in private sector capital investment in UK health since 2000

£3.3bn
value of investment in new primary care buildings offered by one consortium in 2017
This document contains information from Livingbridge EP LLP, Livingbridge Enterprise LLP and/or Livingbridge VC LLP (together “the Livingbridge Firms”) that may be confidential and/or privileged. If you are not the intended recipient, you may not read, copy, distribute or use this information.

Livingbridge EP LLP is the Operator and Manager of Livingbridge 4 LP, Livingbridge 5 LP and Livingbridge 6 LP and invests on behalf of its institutional clients. Livingbridge EP LLP is a limited liability partnership registered in England No OC311889.

Livingbridge Enterprise LLP is the Operator and Manager of Livingbridge Enterprise 1 LP, Livingbridge Enterprise 2 LP and Livingbridge Enterprise 3 LP and invests on behalf of its institutional clients. Livingbridge Enterprise LLP is a limited liability partnership registered in England No OC401650.

Livingbridge VC LLP is the Investment Manager to and invests on behalf of the Baronsmead Venture Trust plc and Baronsmead Second Venture Trust plc, FPPE Fund plc, LF Livingbridge UK Micro Cap Fund and LF Livingbridge UK Multi Cap Income Fund. Livingbridge VC LLP is a limited liability partnership registered in England No OC320408.

The Livingbridge Firms are authorised and regulated by the Financial Conduct Authority (FCA). The registered office address for the Livingbridge Firms is: 2nd Floor, 100 Wood Street, London EC2V 7AN.

You should not rely on any information or opinions contained in this document in making an investment or other decision but should obtain appropriate and specific professional advice of your own. Nothing contained in this document constitutes or should be construed to constitute investment, legal, tax or other advice. The information supplied is not and in no way should be construed to constitute a recommendation with respect to the purchase or sale of any investment.

Whilst the contents of this document are provided in good faith for information purposes only, no representation or warranty, express or implied is given by the Livingbridge Firms or by any of their partners, members or employees as to its accuracy or completeness or that it is up to date, and it should not be relied on as such.

To the fullest extent allowed by law and the rules and regulations of the Financial Conduct Authority, the Livingbridge Firms and their partners, members and employees shall not be liable, whether in contract, tort (including negligence) or otherwise howsoever, for any losses, damages, costs or expenses of whatever nature (including (without limitation) any consequential, indirect or unforeseeable loss or loss of bargain, opportunity or profit) incurred or suffered by you or any third party arising out of or in connection with the use of the contents of this document.

1 P. Dolton, NIESR General Election 2017 – Briefing No. 5
2 www.kingsfund.org.uk/projects/nhs-in-a-nutshell/trusts-deficit
3 www.bbc.co.uk/news/health-38887694
5 ONS, Overview of the UK population: July 2017
6 2013-2014 BMJ
7 The Telegraph, 16/11/2017
8 BMA, NHS funding and efficiency savings, p2
10 House of Commons Committee of Public Accounts. Sustainability and transformation in the NHS, 21 March 2018
12 www.digitalhealth.net/2009/11/unitedhealth-buys-recipeswitch-for-50m/
Get in touch

If you would like to find out more about our approach to investing or to discuss any potential opportunities, then please get in touch with:

Liz Jones
liz.jones@livingbridge.com
+44(0)20 7506 5612