

Large Number Of New Private Healthcare Operator Created In UK

31 May 2021 | Opinion

All around the world, the United Kingdom is famous for its National Health Service. Founded in the 1940s as the country rebuilt itself after the end of the Second World War, the purpose of the NHS is to ensure that every British citizen receives healthcare free of charge at the point of service.



The costs of the NHS are covered by the taxpayer and ensure that nobody goes without the medication that they need. Unlike the USA, for example, nobody in the UK with diabetes is charged for insulin. Nobody is denied surgery when they need it, and nor are they required to have medical insurance to cover the costs of any work.

Despite the glorious achievement that the NHS represents, there are still those within the country who choose not to engage with it. They refer to something they call "the postcode lottery," where treatment allegedly varies depending on where in the country you live. Almost like being at a casino website, where the results one player gets compared to another vary dramatically even when the processes they follow are the same, critics of the NHS system believe it results in some people getting a better standard of care than others. Everyone pays in the same way, but just like those casino websites, some people win, and some people lose. Not everyone wants to feel like they've just logged into a popular [sister site](#) when they have medical issues, but it is just as much of a gamble as casinos, so there's still an enormous private healthcare industry within the UK despite the existence of the NHS. Now, that private healthcare industry has a new leader.

This week, the big healthcare news coming out of the UK is that Ramsay Health Care, which was already one of the country's biggest private healthcare firms, has completed a £1bn takeover of [rival company The Spire Healthcare Group](#). At surface level, the move seems surprising because almost every healthcare company in the UK posted a loss last year because of the effects of the global pandemic. However, Spire was hit worse than most. After posting an impressive pre-tax profit of just under £13m in 2019, the company recorded a loss of £18.5m in 2020, leaving it vulnerable and depleted. That put the thirty-nine hospitals and eight clinics it operates throughout the UK at risk, along with the jobs of more than fourteen thousand people. Ramsay Healthcare - a company that has its headquarters in Australia - saw the vulnerability and decided to act. Before the takeover, Ramsay operated thirty-seven healthcare centres in the UK and employed around seven thousand people. After adding all of Spire's facilities to its own, it's now the country's single largest private healthcare firm.

While the proponents of the takeover - a group which obviously included the most important of the decision-makers at Spire - believe that the move was necessary to protect both jobs and facilities, not everybody is happy. Some of Spire's shareholders believe a better price could have been both sought and obtained for the firm. On paper, the deal is worth a little more than ten times Spire's earnings in 2019. Detractors feel that the price is based on 2020's figures rather than 2019's, and so don't offer realistic value for the company's potential under normal operating conditions. On the other hand, independent investment banking company Peel Hunt believes the shareholders got excellent value for money. Their guidance priced Spire at 233p per share. The price paid by the Ramsay group exceeds that figure.

One of the most profound effects of the pandemic is that NHS waiting lists for non-essential operations are now longer than at any point in history. Essential surgery is still being performed on schedule, as is emergency surgery, but elective and non-essential surgeries have been pushed to the back of the queue. People who, for example, need hips replaced or cataracts removed may find themselves waiting several months for their operations. Because of this, those who have the resources to pay for private healthcare are increasingly tempted to do so in order to "jump the queue" and have their surgeries performed sooner rather than later. While this wasn't possible for most of 2020 due to pandemic-related restrictions, they're free to do so now. After a very rough 2020, 2021 could very well be the best year on record for private healthcare firms. Some of Spire's shareholders believe they could have cashed in if they'd held out a little longer. The general consensus is that Ramsay has got a very good deal and will go from strength to strength off the back of it.

This isn't the only significant takeover move we've seen in the UK recently. Aside from Spire and Ramsay, [the Vectura Group is in the process of being acquired](#) by a private investment firm called the Carlyle Group. Rather than providing healthcare to patients, the Vectura Group develops pharmaceuticals. It's currently in the process of developing an inhaler-based Covid-19 treatment. According to documentation, the price agreed for the takeover is £958m. In this case, there were no objections. The company's board was unanimous in recommending that shareholders accept the offer, thus guaranteeing themselves 155p for each share owned plus a 32% dividend on top.

The Spire deal may prove to be controversial because it could affect the NHS. Although the NHS remains free to use in all cases, the organisation pays private firms for some services. Spire holds numerous NHS contracts, all of which will now belong to Ramsay Health Care. That might not sit well with the British government, which has the power to reject the deal and will perform a mandatory check before granting permission for it to proceed to completion. The involvement of private firms in NHS care provision is a controversial topic in the UK, and so the British press is likely to pay attention to the specifics of the deal. That means the deal isn't fully completed yet, but most healthcare industry analysts expect it to proceed without a hitch. The current Conservative government has shown itself to be favourable to private investment in the NHS before and has no reason to change its approach now. Some citizens fear that the NHS will eventually be disbanded and replaced with a more Americanized system. That's probably an ill-founded fear, but news that a large private healthcare company just got even bigger will feed that fear regardless.