L.E.K. European Hospital Survey Series 2023 | Part 2 of 5

EXECUTIVE INSIGHTS

European Hospital Survey: UK Hospitals Seek to Innovate Amid Challenges

Executive summary

The UK has a well-established, largely public healthcare system that offers a broad range of services and access to quality care. However, several economic factors have recently placed the system under significant strain. Hospitals have been under staffing pressure for many years, but this problem has reached unprecedented levels. Junior doctors and nurses have been on strike, the National Health Service (NHS) vacancy rate is high, and existing staff are being asked to work longer and harder to meet patient care demands. Long waits for some services at public hospitals have caused increased private insurance and self-pay uptake, which offered an opportunity for the private hospital market to grow. Simultaneously, inflation affecting the UK is driving up hospital costs, presenting an additional headwind to the primary focus on improving patient outcomes.

These challenges continue to reshape the UK hospital landscape. Today hospitals are focused on a wide-ranging set of improvement initiatives, including managing widespread staffing challenges and raising the quality of patient care; increasing outpatient services provision, especially in primary care; advancing digital health capabilities; achieving cost savings and efficiencies in hospital supply chains; implementing environmental, social and governance (ESG) initiatives; and exploring outcome-based pricing models.

In this *Executive Insights*, L.E.K. Consulting shares key findings from UK respondents in its 2023 European Hospital Survey and discusses some of the trends affecting UK hospitals.

Key findings

We have identified seven key themes from the European Hospital Survey that are of particular importance to hospitals in the UK:

1. UK hospitals' top strategic priorities are to attract and retain staff during the ongoing staffing shortage while continuing to improve patient outcomes and clinical care
2. The majority of hospitals expect to provide outpatient services more often in the next three years, particularly in primary care, due to the current pressure on clinician capacity
3. Deploying digital health tools to enhance surgical treatment and core clinical systems and enabling advanced patient engagement are top digital priorities for many hospitals
4. Supply chain priorities include cost reduction and efficient supply of products in non-acute settings
5. Hospitals have implemented (or are implementing) ESG initiatives, in particular those relating to governance and communication, and medicine and consumables usage
6. A significant proportion of hospitals is interested in services from medtech or other medical suppliers and sees value in a broad range of services including equipment support and outsourced clinical services
7. Clinical decision-makers at many hospitals are increasingly interested in exploring outcome-based pricing options for a range of products

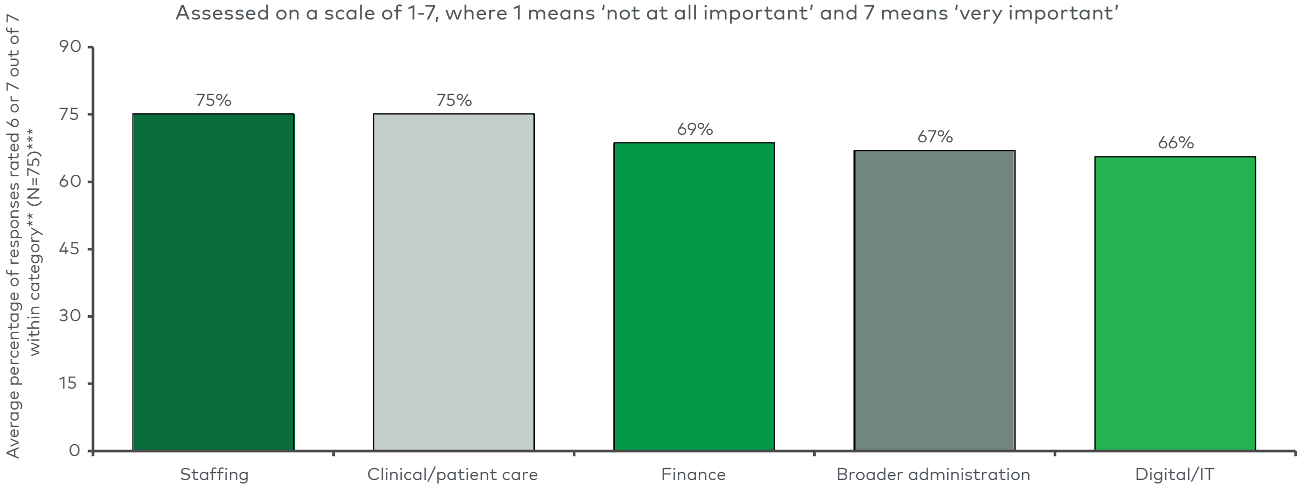
1. UK hospitals' top strategic priorities are to attract and retain staff during the ongoing staffing shortage while continuing to improve patient outcomes and clinical care

Hospitals in the UK are balancing a broad range of priorities across staffing, clinical and patient care, financial performance, administrative goals, and digital/IT priorities, with staffing and clinical and patient care considered to be the most important (see Figure 1).

Figure 1

Strategic priorities for UK hospitals*

Assessed on a scale of 1-7, where 1 means 'not at all important' and 7 means 'very important'



*Survey question: Looking at your hospital's strategic priorities, how important are each of the following strategic priorities for your hospital?
**Data represent the category-average percentage of 6 or 7 scores for multiple individual strategic priorities within that category
***Respondents who selected 'I don't know' for any individual variable were included in N above but excluded from the analysis (0-1 respondents per priority)
Source: L.E.K. 2023 European Hospital Survey, UK respondents

Staffing

Staffing remains a priority for many public and private hospitals across the UK; despite past efforts by the government, however, the total number of NHS vacancies is still very high. The number of vacancies in NHS England in September 2022 was c.133,000, c.9,000 of which were for medical posts and c.47,000 of which were for nursing positions.[1] Many hospitals are using internal 'banks' of staff or external agencies to fill some of the vacancies,[2] but this is an expensive option that does not present a long-term solution.

In addition to this, junior doctors, nurses, physiotherapists and ambulance workers have pursued strike action this year due to pay and working conditions, which has resulted in an offer of a 5% pay raise for non-doctor, non-dentist NHS staff in England.[3] In a 2022 survey of junior doctors in England, 45% said they struggled to pay their mortgage or rent, and c.30% had to use their overdraft to pay bills for consecutive months,[4] illustrating how challenging the current pay conditions can be.

Accordingly, UK respondents in L.E.K.'s survey highlight staffing as one of the most important areas of strategic priorities for respondents. Indeed, c.80% of respondents consider having flexible clinical staffing moderately to very important, and c.75% consider attraction and retention of nurses and physicians similarly important. Public sector respondents consider attraction and retention of both physicians and nursing staff more important than their private hospital counterparts do.

Quality of clinical and patient care

Continuing to improve quality of care also remains an important focus for hospitals in the UK. Specific initiatives in this regard include reducing medical errors, reducing length of stay, improving infection control and reducing readmission rates. Of these, public hospital respondents consider the areas of patient length of stay, infection control and readmission rates more important on average than private hospital respondents do. By addressing staff retention in parallel with these areas, hospitals are more likely to achieve their long-term patient care goals.

> In addition, many hospitals are considering expanding their footprint across the patient journey, such as by acquiring or partnering with imaging centres, GP (general practitioner) practices, diagnostic centres and pathology labs.

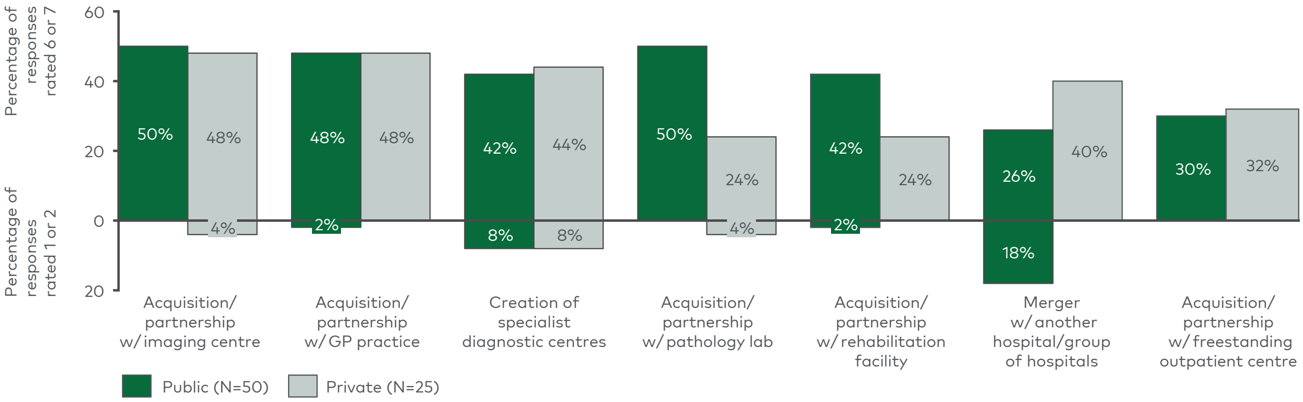
In order to diversify or expand their patient reach, some hospitals in the UK are considering acquisitions, partnerships or organic growth options.

UK respondents view acquisition or partnership with an imaging centre and with a GP practice as the two most likely growth strategies to pursue over the next three years, with c.50% of respondents rating the pursuit of these options as moderately to very likely in both the public and private sectors (see Figure 2). Imaging and GP consultations often occur prior to hospital treatments, which indicates the desire for some hospitals to extend their reach ‘upstream’ along the patient journey, to aid with improved triage and provide greater visibility over patient flows into their facilities. In addition, respondents also highlight creation of specialist diagnostic centres as a likely growth option over the next three years — here, similar motivations are likely to be in play.

Figure 2

Growth strategies for hospitals in the next three years*

Assessed on a scale of 1-7, where 1 means 'not at all likely' and 7 means 'very likely' to pursue



*Survey question: How likely is your hospital to pursue the following strategic options in the next three years?
Note: GP=general practitioner
Source: L.E.K. 2023 European Hospital Survey, UK respondents

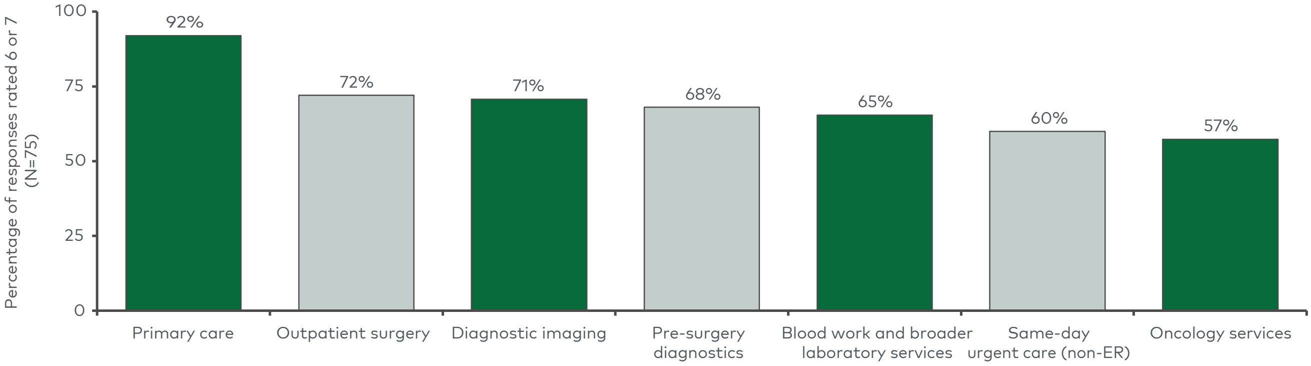
2. The majority of hospitals expect to provide outpatient services more often in the next three years, particularly in primary care, due to the current pressure on clinician capacity

There is a trend towards greater care delivery in outpatient settings, and the majority of UK hospital respondents expect an increase in the frequency of providing a broad range of outpatient service types (primary care, outpatient surgery, diagnostic imaging and others) over the next three years (see Figure 3). Over 90% of UK hospital respondents expect the frequency of primary care, for example, to be provided moderately or significantly more often by 2025. Meanwhile, c.70% of respondents expect the frequency of outpatient surgery, diagnostic imaging and pre-surgery diagnostics to be provided moderately to significantly more often in 2025. While there is some variation between the expectations in public and private hospitals, in general the provision of services across categories is expected to increase.

Figure 3

Hospitals' expected increase in frequency of providing various outpatient services from 2022 to 2025*

Assessed on a scale of 1-7, where 1 means 'providing significantly less often in 2025 vs today' and 7 means 'providing significantly more often in 2025 vs today'



	Primary care	Outpatient surgery	Diagnostic imaging	Pre-surgery diagnostics	Blood work and broader laboratory services	Same-day urgent care (non-ER)	Oncology services
Public (N=50)	94%	70%	72%	64%	68%	54%	60%
Private (N=25)	88%	76%	68%	76%	60%	72%	52%

*Survey question: Please indicate whether your hospital expects to provide each of the below services more often or less often in the next three years (2025 compared to today)
Note: ER=emergency room
Source: L.E.K. 2023 European Hospital Survey, UK respondents

The expected increase in primary care is likely driven by the insufficient level of capacity and staffing currently within this setting. The situation may improve over the coming years due to increased spending and governmental policies aimed at increasing community care provision. For example, the government is currently targeting delivery of 50 million more GP appointments by the end of March 2024.[5] The NHS long-term plan published in 2019 pledged £4.5 billion of funding for health services in primary medical and community services by 2023-24, to increase staff working in the sector and expand the range of services they are able to offer.[6]

Clinical innovations that are shortening recovery times, as well as the emergence of remote patient monitoring systems that allow hospital staff to monitor patient status and post-surgery progress at home, are enabling this shift towards outpatient care. Given the potential to reduce hospital staffing needs as some patients are moved into outpatient settings, UK hospitals are highly motivated to pursue this option as a way to cope with the current workforce crisis.

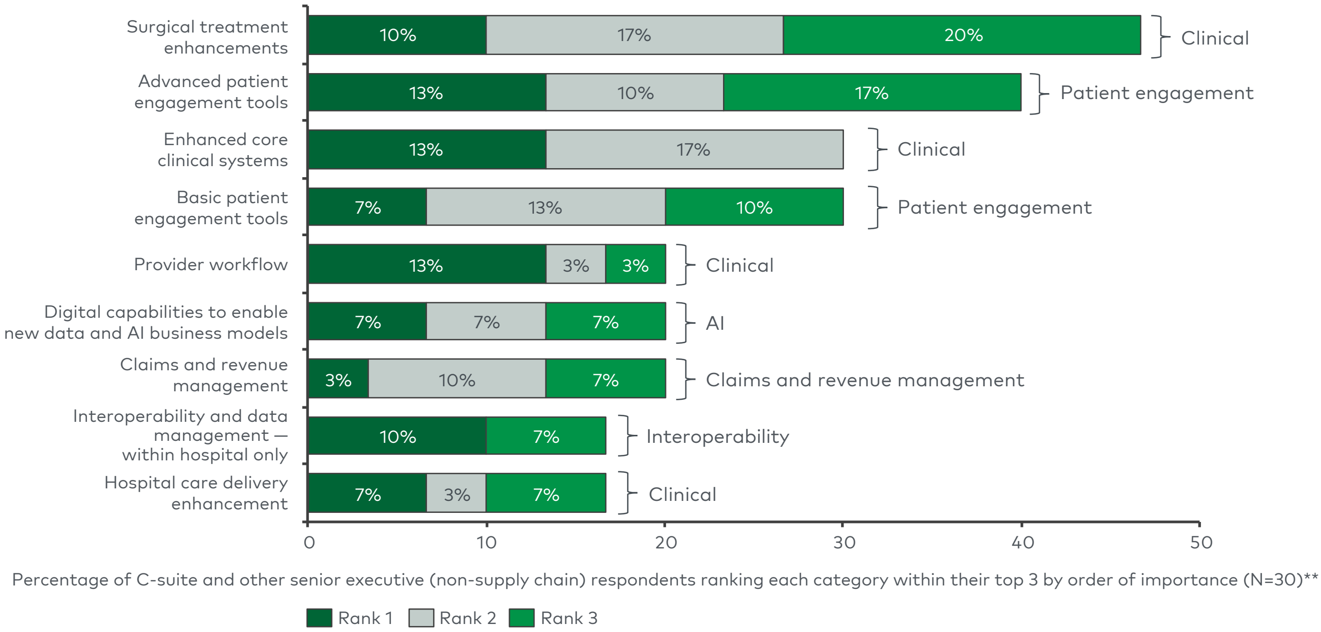
3. Deploying digital health tools to enhance surgical treatment and core clinical systems and enabling advanced patient engagement are top digital priorities for many hospitals

Hospitals have been investing in a broad range of digital health areas, driven by the growing need to find efficiencies and cost savings. In L.E.K.'s survey, UK respondents indicate that investments have been greatest in patient engagement and clinical digital health tools, including c.65%, c.60% and c.60% of hospitals having invested significantly in advanced patient engagement tools, provider workflow and basic patient engagement tools, respectively, in the past three years.

The future of digital health for hospitals in the UK continues to be focused on improving clinical outcomes and patient experience. When ranking areas of digital health by importance, non-supply chain respondents indicated that surgical treatment enhancements, advanced patient engagement tools and enhanced core clinical systems are most frequently the top three areas (see Figure 4).

Figure 4

Most important* areas of digital health for hospitals over the next three years**



*Only the top 9 most important areas of digital health have been shown; others surveyed include, for example, hospital-at-home programs leveraging digital tools, remote patient monitoring for patients at home and architecture upgrades
**Survey question: Please indicate the three most important areas for your organisation when it comes to digital health in the next three years (2025)
Note: AI=artificial intelligence
Source: L.E.K. 2023 European Hospital Survey, UK respondents

- **Surgical treatment enhancements** (e.g. digital surgery, virtual reality visualisation and robotics tools) may help reduce patient recovery times, reduce the risk of medical errors and decrease length of surgeries, all of which have the potential to increase the number of patients who can be treated per day
- In addition, **advanced patient engagement tools** could improve the patient experience through providing patient education resources, decision support services and interactive patient communities
- **Enhancing core clinical systems** is another way that hospitals could improve their efficiency in treating patients — for example, through more widespread use of electronic medical records to support healthcare practitioners

4. Supply chain priorities include cost reduction and efficient supply of products in non-acute settings

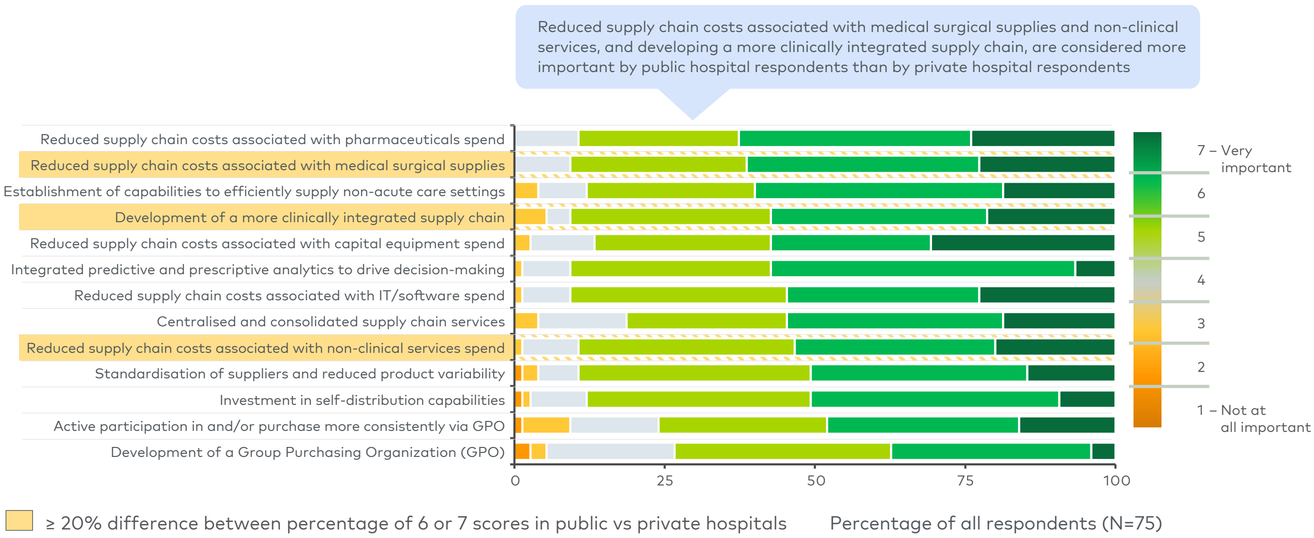
The energy crisis, high inflation rates and increasing labour costs needed to retain staff are driving up overall costs for hospitals. As a result, hospitals are looking for ways to reduce costs, and this extends to improving the efficiency of their supply chains.

In L.E.K.'s survey, hospital respondents note a broad range of supply chain priorities alongside cost considerations as they continue to improve functions and capabilities. UK respondents rate reducing supply chain costs associated with pharmaceuticals and medical and surgical supplies, as well as capabilities to support their supply of non-acute care settings, to be their top priorities (by percentage of 6 or 7 scores, meaning moderately to very important) (see Figure 5).

Figure 5

Hospital supply chain priorities in the next three years*

Assessed on a scale of 1-7, where 1 means 'not at all important' and 7 means 'very important'



*Survey question: Which of the following supply chain priorities do you expect to be most important for your hospital in the next three years (by 2025)?
Source: L.E.K. 2023 European Hospital Survey, UK respondents

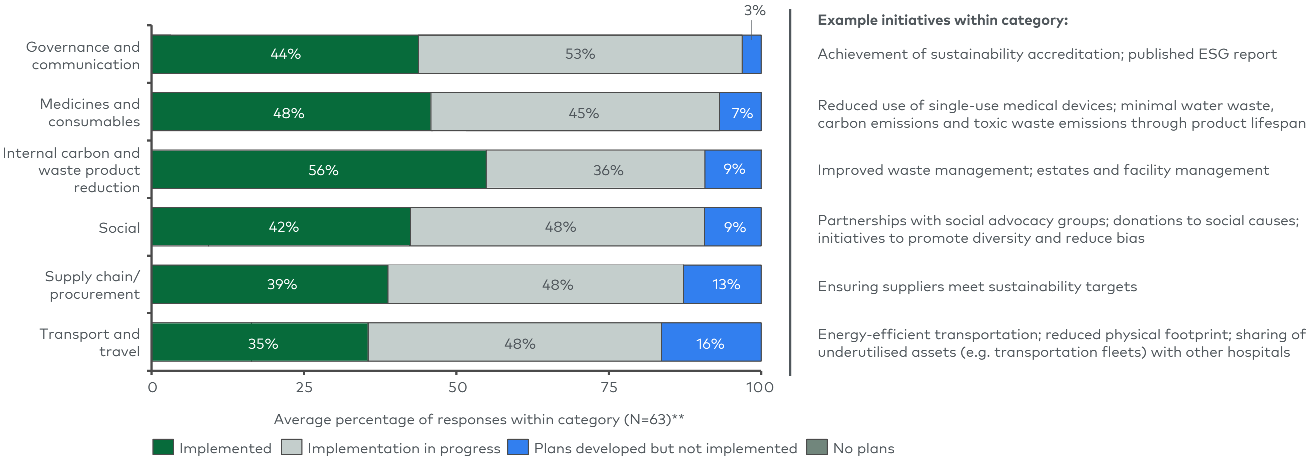
Given the focus on finding cost savings, significant change in hospital supply chain operations is likely in the coming years, with hospitals trialling different solutions or digital innovation to achieve this end.

5. Hospitals have implemented (or are implementing) ESG initiatives, in particular those relating to governance and communication, and medicine and consumables usage

ESG considerations are becoming increasingly important for hospitals across Europe, including in the UK. According to L.E.K.'s 2023 survey, c.99% of UK respondents already have defined sustainability targets in place at their hospital. These targets include ESG initiatives across a range of areas, including governance and communication, medicines and consumables, and internal carbon and waste product reduction (see Figure 6).

Figure 6

Hospital implementation of ESG initiatives by category*



*Survey question: Which of the following environmental, social and governance initiatives is your hospital currently implementing?
**Data represent the category-average percentage implemented, in progress, plans developed but not implemented, or no plans for multiple individual initiatives within that category (examples shown)
Note: ESG=environmental, social, and governance
Source: L.E.K. 2023 European Hospital Survey, UK respondents

Respondents indicate that internal carbon and waste product reduction is the most advanced area, with c.56% of hospital respondents on average stating their hospital has already implemented various initiatives of this type. For example, c.60% of respondents' hospitals have already implemented initiatives for improved waste management.

The next most advanced area of ESG is in medicines and consumables, with c.93% of total UK respondents on average reporting that implementation of such initiatives is in progress or completed.

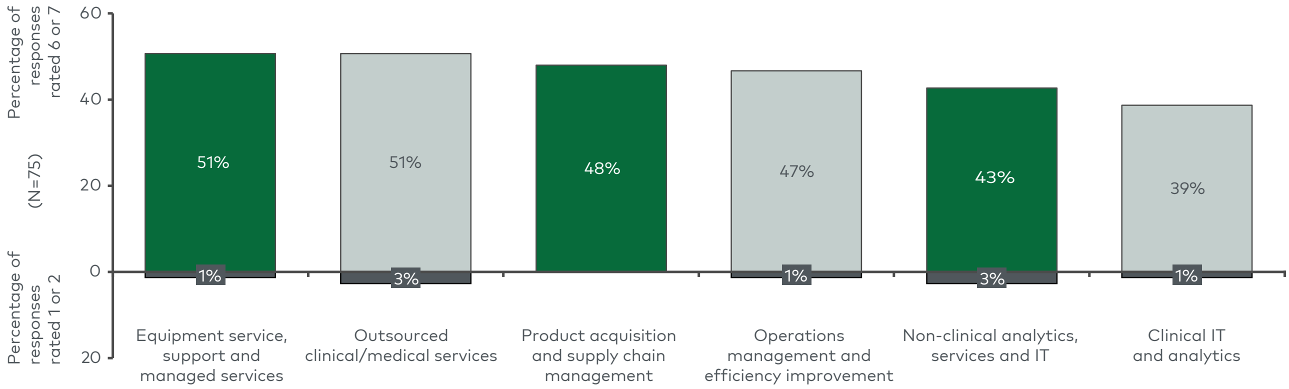
6. A significant proportion of hospitals is interested in services from medtech or other medical suppliers and sees value in a broad range of services including equipment support and outsourced clinical services

To achieve their key priorities in clinical and patient care as well as reduce the pressure on hospital staff, hospitals recognise the value of sourcing a range of services from external medical suppliers and medtech companies (see Figure 7).

Figure 7

Hospital-perceived value of services that medtech and other medical suppliers could provide*

Assessed on a scale of 1-7, where 1 means 'not at all valuable' and 7 means 'very valuable'



*Survey question: How valuable are each of the following services that medtech and other medical suppliers could provide to your hospital?
Note: IT=information technology
Source: L.E.K. 2023 European Hospital Survey, UK respondents

Hospital respondents rate multiple supplier services to be similarly valuable (with c.50% of respondents rating these 6 or 7 out of 7), including equipment service, support and managed services, outsourced clinical services, product acquisition and supply chain management, and operations management and efficiency improvement. Public sector respondents consider operations management and efficiency improvement, and analytics and IT services, more important than private sector respondents do.

- **Equipment service, support and managed services** includes tasks such as product training, device maintenance and product cleaning. These tasks may require specialist knowledge relating to single machines or pieces of equipment that individual hospitals do not have across all of their medical equipment.
- **Outsourced clinical/medical services** (e.g. pharmacy, clinician/technician staffing, sub-specialty care clinic management) is considered highly valuable by hospitals in the UK, which may benefit from additional clinical team support as they continue to manage through the staffing crisis.

- **Product acquisition and supply chain management** (e.g. product selection and purchasing assistance, price benchmarking, supply chain/logistics management, reprocessing) may be helpful to relieve pressure on supply chain logistics and provide product selection and purchasing assistance, if a hospital does not have sufficient capability.

The variety of services considered valuable highlights that hospitals are open to growing their offerings through leveraging support from external suppliers to alleviate current staffing pressures.

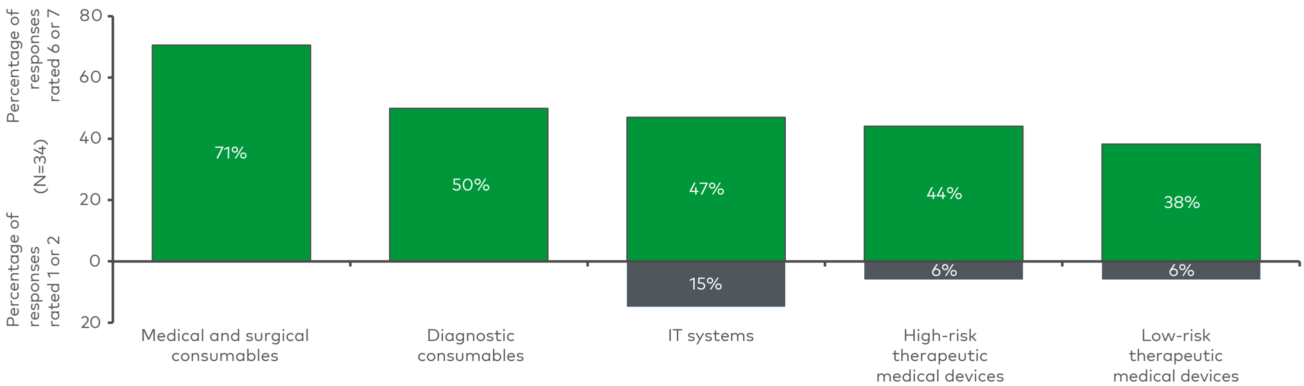
7. Clinical decision-makers at many hospitals are increasingly interested in exploring outcome-based pricing options for a range of products

With inflation driving rising energy and labour costs for hospitals, there is a growing need for suppliers to offer their hospital customers increased pricing transparency and alternative pricing options. The majority of respondents agree there is a trend towards outcome-based pricing models; despite few examples in practice, hospital respondents show significant interest in adopting these pricing models (see Figure 8). For example, for medical and surgical consumables, c.70% of respondents are moderately to very interested (rating it 6 or 7 out of 7) in using outcome-based pricing models.

Figure 8

Clinical decision-maker interest in pricing models based on patient outcomes for different product categories*

Assessed on a scale of 1-7, where 1 means 'not at all interested' and 7 means 'very interested'



*Survey question: Would you be interested in a pricing model based on patient outcomes in the following product categories?
Note: IT=information technology
Source: L.E.K. 2023 European Hospital Survey, UK respondents

Private hospital respondents show greater interest in adopting an outcome-based pricing model than do public hospital respondents. For example, c.70% of private UK respondents are moderately to very interested in outcome-based pricing models for IT systems, compared to only c.35% of public hospital respondents.

Despite the cost-of-living crisis impacting patient spending power, the long waitlists to receive treatment in some areas of the NHS (exacerbated by the COVID-19 pandemic) are likely to continue to drive more patients to consider private healthcare services. For the self-pay segment of the private hospital market, outcome-based pricing options may help make it easier for patients to access private care.

Conclusion

The UK hospital landscape is in a period of change. From rising costs to significant staffing challenges, L.E.K.'s 2023 European Hospital Survey highlights how public and private hospitals are looking for new ways to cope while simultaneously advancing their clinical and patient care, through digital innovation, prioritising attraction and retention of staff, and exploring new pricing or cost reduction strategies. Hospitals that can implement solutions which most effectively address these challenges will be best positioned to succeed and become leading hospital suppliers in the years to come.

To discuss the findings of this survey in more detail, please contact Ben Faircloth **b.faircloth@lek.com** or Andre Valente **a.valente@lek.com**.

For more about L.E.K.'s Healthcare practice, visit our dedicated Healthcare page.

Related *Executive Insights* from the European Hospital Survey 2023

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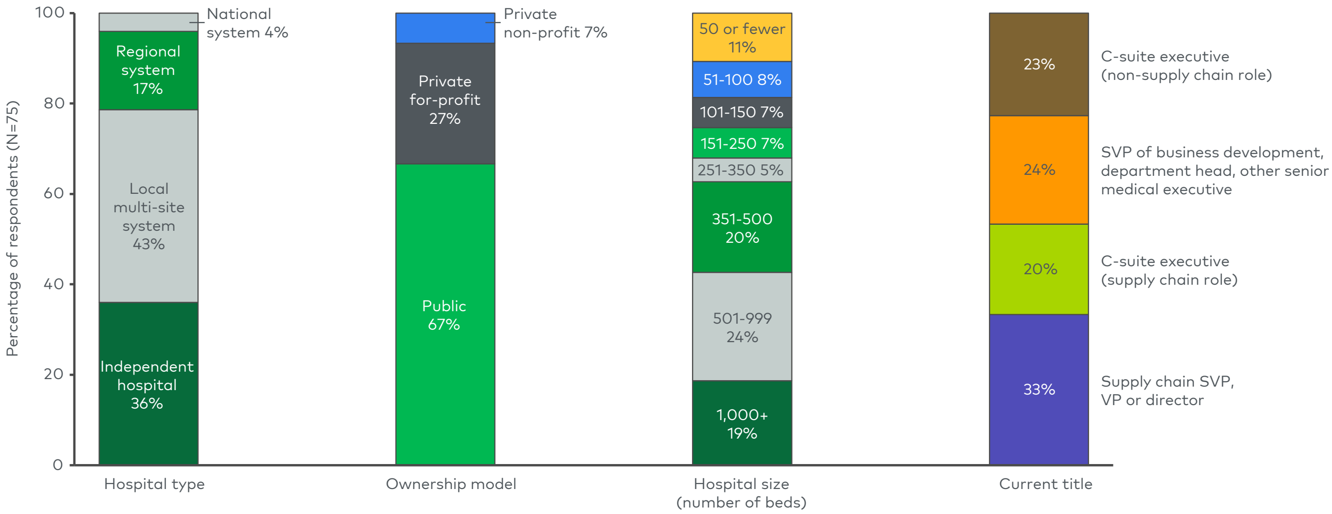
Appendix: Background and methodology

L.E.K. Consulting conducted an online survey on the views of 75 key executives and supply chain directors of public and private sector hospitals in the UK, which was fielded from October through December 2022 (see Figure 9). All respondents were involved in decision-making or were primary decision-makers for clinical and non-clinical products/services at their hospital/hospital group.

Figure 9

UK hospital survey respondent mix*



*Only respondents working primarily in hospitals or hospital groups are included; those working in outpatient settings, nursing facilities or primary care were not included
Note: SVP=senior vice president; VP=vice president
Source: L.E.K. 2023 European Hospital Survey, UK respondents

Data shown in this report are raw averages across respondents. There was no weighting/rebalancing of responses from any of the demographics indicated above.

Endnotes

[1]UK Parliament, House of Lords Library, 'Staff shortages in the NHS and social care sectors'.
https://lordslibrary.parliament.uk/staff-shortages-in-the-nhs-and-social-care-sectors/

[2]UK Parliament, House of Commons Library, 'General Debate on the future of the NHS, its funding and staffing'.
https://commonslibrary.parliament.uk/research-briefings/cdp-2023-0038/

[3]BBC, 'NHS 5% pay offer may end bitter dispute in England'.
https://www.bbc.com/news/health-64977269

[4]British Medical Association (BMA), 'Dire state of junior doctors' finances revealed in BMA survey'.
https://www.bma.org.uk/bma-media-centre/dire-state-of-junior-doctors-finances-revealed-in-bma-survey

[5]NHS Confederation, '2023/24 NHS priorities and operational planning guidance: what you need to know'.
https://www.nhsconfed.org/publications/202324-nhs-priorities-and-operational-planning-guidance

[6]National Health Service (NHS), 'Primary care'.
https://www.longtermplan.nhs.uk/areas-of-work/primary-care/

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Ben Faircloth joined L.E.K. in 2007 and serves as Head of L.E.K.'s European region. Ben is also a member of L.E.K.'s Global Board and European Regional Management Committee. He focuses on healthcare, including contract pharma services, clinical healthcare services and medical devices. Ben has more than 20 years of consulting experience across Europe, encompassing a variety of disciplines including strategic planning, market entry strategies, and transaction due diligence on both the sell and buy sides.

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