

# HealthInvestor

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# The cost of a baby

**Dr Victor Chua**, partner at Mansfield Advisors, looks at IVF and the average ‘cost’ of an IVF baby in London

IVF has attracted a fair amount of investor interest in the last two years, with private equity firms investing in Care Fertility, Bourn Hall, ARGC and Create Health.

The reasons behind this investor appetite are simple: IVF is one of the few healthcare services markets which have grown throughout the financial crisis (*figure 1*). This growth has been driven by favourable NICE guidelines and by the secular trend of women postponing childbirth for professional and social reasons. This investor interest is leading to increased consolidation amongst the 70 or so providers in the UK. Recent deals include Care Fertility’s acquisition of CRM London and Bourn Hall’s acquisition of ISIS Fertility in Colchester.

In our analyses of many of the leading IVF clinics, we have come across a lot of data on volumes, pricing, and success rates. IVF is a management consultant’s dream – there is a wealth of publicly available data on volumes and success rates from the regulatory body, the Human Fertilisation & Embryology Authority (HFEA).

The IVF customer tends to be amongst the most informed of customers in

healthcare, as they are younger, often have professional occupations, and are more used to getting information from the internet. Customers, whether funded by the NHS or privately, also have a choice of clinics, which has led almost all clinics to highlight their success rates. As the HFEA publishes success rates by age of mother, by year, and by type of procedure, a large proportion of clinics have been able to claim market leading success rates.

Mansfield Advisors thought that an interesting analysis would be to investigate the average cost of an IVF baby (*figure 2*). We calculated costs based on a ‘standard menu’ of first appointments, blood tests, ovarian stimulation drugs, and IVF cycle (without sperm injection, or ICSI [intracytoplasmic sperm injection]). ‘Real world costs’ are probably 25% higher for many women due to their particular medical conditions.

We calculated each clinic’s success rates in terms of live births per cycle, and calculated the number of cycles, over a large number of patients, to average a 100% success rate. For example, if a

clinic has a success rate of 25%, then 1/25, or 4 cycles are necessary on average for one baby.

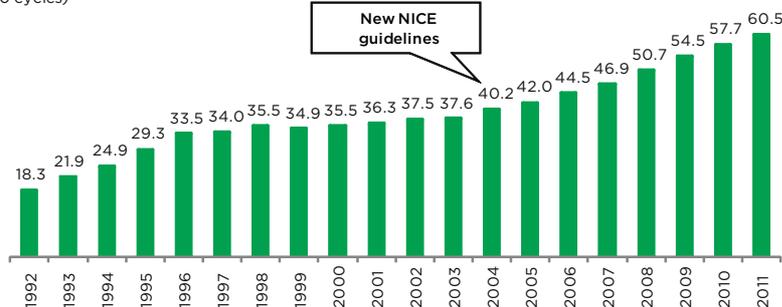
The results show quite a large variation between providers – our graph shows some of the larger providers in London.

Interestingly, Create Health’s favoured approach of “natural” and “mild IVF” comes out positively in this analysis. The reason is, costs per cycle at this clinic are lower due to the absence of, or lower dose of, ovarian stimulation drugs. These drugs, on which clinics typically charge a 50-100% margin, are a significant contributor to IVF costs in other clinics. Natural and mild IVF has a reputation for lower overall success rates per cycle, but this one particular clinic in this one particular year had very good success rates.

ARGC, which is known for its very high raw success rates, also comes out well on this analysis. However, as ARGC patients typically have more frequent visits to the clinic, more frequent and more esoteric blood tests, and sometimes have novel but expensive types of treatment, we believe that the ‘real world’ cost of a baby is considerably higher than this analysis suggests. ■

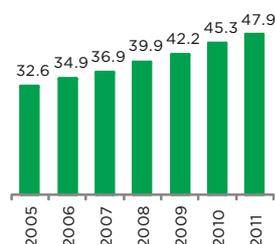
**FIGURE 1  
MARKET GROWTH**

**IVF volume growth**  
(‘000 cycles)\*



**CAGR '06-'11**  
6.3%

**Total patient growth**  
(‘000)



**CAGR '06-'11**  
6.5%

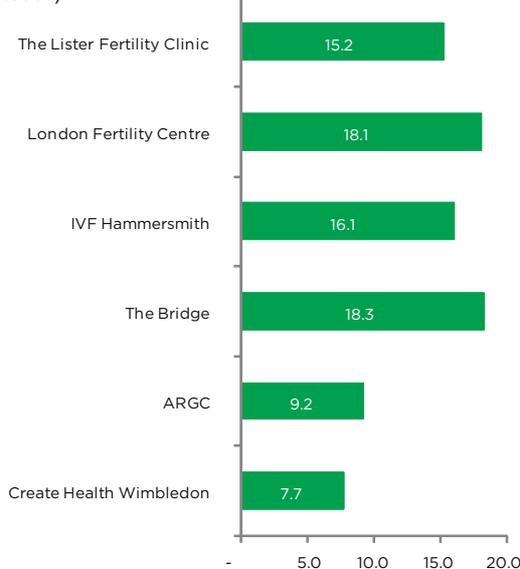
- In 2004 NICE recommended IVF to be funded by the NHS, starting rapid growth in cycle numbers and patient volumes
- 2013 NICE guidelines, raising the maximum age of women from 40 to 42, are also likely to drive market growth

\* IVF figures include all IVF, ICSI, PGD, PGS, natural cycles, treatments using donated eggs and those where fresh and frozen embryos were transferred in the same cycle

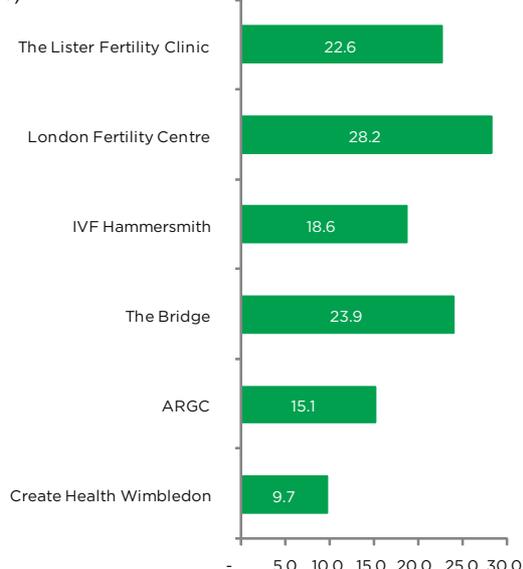
HFEA: "Fertility Trends and Figures 2010-2011"

**FIGURE 2  
'COST PER BABY' COMPARISON BASED ON LIST PRICES, 2011**

**Cost of a baby, patient <35**  
(£000s)



**Cost of a baby, all ages**  
(£000s)



Source: HFEA; Corporate websites; team analysis

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