PROPERTY SPECULATION AT THE HEART OF FRANCE'S HEALTHCARE SYSTEM: THE CASE OF RAMSAY SANTÉ

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INTRODUCTION

As in many other European countries, France's health system is in crisis. It is under systemic pressure from the aftermath of the Covid-19 pandemic; an ageing population; and the rising prevalence of chronic ailments like cancer, neurodegenerative illnesses and cardiovascular diseases, which place particular pressure on hospital-provided services.[1]

Added to these pressures are

- serious inequalities in healthcare access and health outcomes between regions and social classes;[2] and
- historical austerity in government health spending, which saw increases of just 1.7% a year from 2017-20 (it then rose 8.6% a year from 2020-22, but against very rapidly growing demand).[3]

In the hospital sector, in particular, the structural deficits of public hospital budgets grew from €500m to €1bn in 2021-2022 alone, according to the *Fédération Hospitalière de France*.[4]

A system under extreme pressure from rising demand and constrained budgets can ill-afford costs that do not benefit patients, staff or the quality of care.

This report examines one significant and poorly understood burden on the costs of healthcare in France, and elsewhere in Europe: the extraction of very large profits by private speculators in the little-known market for healthcare real estate.

Since the late 2000s, a large proportion of both public and private healthcare facilities – including hospitals, clinics and elderly care homes (EHPADs) – have sold off their buildings and land to third-party landlords, to which the healthcare facilities then pay large recurrent rental payments for many years. New healthcare buildings are now frequently built with such 'sale and leaseback' arrangements established from the beginning.

This report shows the impacts of such property speculation through a case study of one of France's largest private hospital operators: Ramsay Santé.[5] (Though the issue of healthcare property speculation and sale/leaseback arrangements is not limited to for-profit healthcare providers, the published accounts of this large listed company allows us to see the effects of property speculation in some detail).

Ramsay Santé is a beneficiary of profits from its own healthcare property, at high returns, as we show through a study of Hopital Privé d'Antony (HPA), Ramsay Santé's flagship Parisian hospital.

Ramsay Santé is also the partner of several major healthcare property investment funds, including the French property investment fund Icade Santé (now renamed « Praemia Healthcare »).[6] Ramsay Santé alone constitutes a fifth of Praemia's property portfolio.

Ramsay Santé allows Praemia and other large property investment funds to extract over €245 million a year via rents: a flow of revenue, originating in large part from public funds, which is the equivalent since 2020 of 4.2 times the net profits of the group.[7]

This report alleges no impropriety or illegality on the part of Ramsay Santé or the investment funds mentioned herein; indeed, they exemplify a widespread system incentivised by government decisions and tax incentives. This property speculation nonetheless takes place within a system which lacks transparency: as with most private healthcare companies, Ramsay Santé's clinics and hospitals do not consistently report the rents and other payments that they make to external investors. These rents are in turn generally paid to *sociétés civiles immobilières* (SCI), a type of company structure which under French company law has no obligation to file public financial accounts, even when their profits derive from public money.

Equally opaque are payments to Ramsay Santé's central purchasing unit. Since they have no obligation to do so, its financial accounts do not explain how Ramsay Santé calculates the sales commissions it demands from suppliers of goods and services to its facilities, on which it makes a pre-tax profit margin of between 67 and 75 percent. Meanwhile numerous Ramsay clinics and hospitals (whose revenues pay for these purchases, from which suppliers must presumably ultimately recoup the cost of the sales commissions) are consistently loss-making and have in some cases seen considerable rises in the costs of 'purchases and external charges' since they were taken over by Ramsay Santé.[8]

At the national level, the calculations in this report show that just four property investment vehicles owned ultimately by UK, Belgian and French investment funds, receive on average more than €400 million a year in rents from French healthcare establishments.[9] These investor-landlords bear almost no risk, are not responsible for the upkeep or improvement of the buildings, and consequently generate enormous profits. Our calculations show that four large institutional investors in French healthcare property have returned between 41 and 129 percent of property revenues to shareholders during the period 2020-23: profit margins which make those of famously profitable corporations like Google or Apple appear relatively modest.[10]

Extrapolating across the entire French healthcare system, we estimate that private elderly care homes, hospitals and clinics across France in 2023 may have paid around €2.5 billion to private property investors: equivalent to annual salaries for more than 82,000 nurses.[11]

This money could have been spent on care services, on supplies, on staff, on decent working conditions and on investments in better services. Moreover, special tax regimes offered by European governments specifically to encourage such private investments in public sector real estate allow these property investment funds to pay very low tax rates on profits: between 1 and 6 percent, in the cases examined in this report.[12]

There are alternatives to opacity, and to this leakage of public funds to private property speculator s. In some other European countries, public authorities own or have repurchased the

buildings within which both for-profit and non-profit providers of public services operate, stopping this leakage and reducing the sector's vulnerability to the vicissitudes of the real estate market.[13] Other countries, like Norway, recently introduced transparency requirements which require certain public service providers to show their rental and purchasing costs, and ensure they are in line with market prices. Furthermore, ending tax subsidies for property investment funds would level the playing field, encouraging a mix of ownership models for the bricks and mortar of the French health system.

RAMSAY SANTÉ: A FRENCH HOSPITAL GIANT

Ramsay Générale de Santé (Ramsay Santé) is one of France's - and Europe's - largest operators of private hospitals and clinics. It operates 488 clinics, hospitals and other facilities employing 38,000 people across France, Sweden, Norway, Denmark and Italy.[14] Its services range from primary care hospitals, to private mental health facilities, to diagnostics and testing. Formed in 2015 by the acquisition of the Générale de Santé private healthcare group by the giant Australian private hospital operator Ramsay Health Care Group, it operated almost entirely in France until 2018, when it bought the 260 clinics and hospitals operated by Sweden's Capio Group.[15] Its shares are traded on the Euronext Paris exchange: Ramsay Health Care Group owns 52.79% of the shares, with a further 39.82% owned by Predica (Credit Agricole's life insurance business).[16]

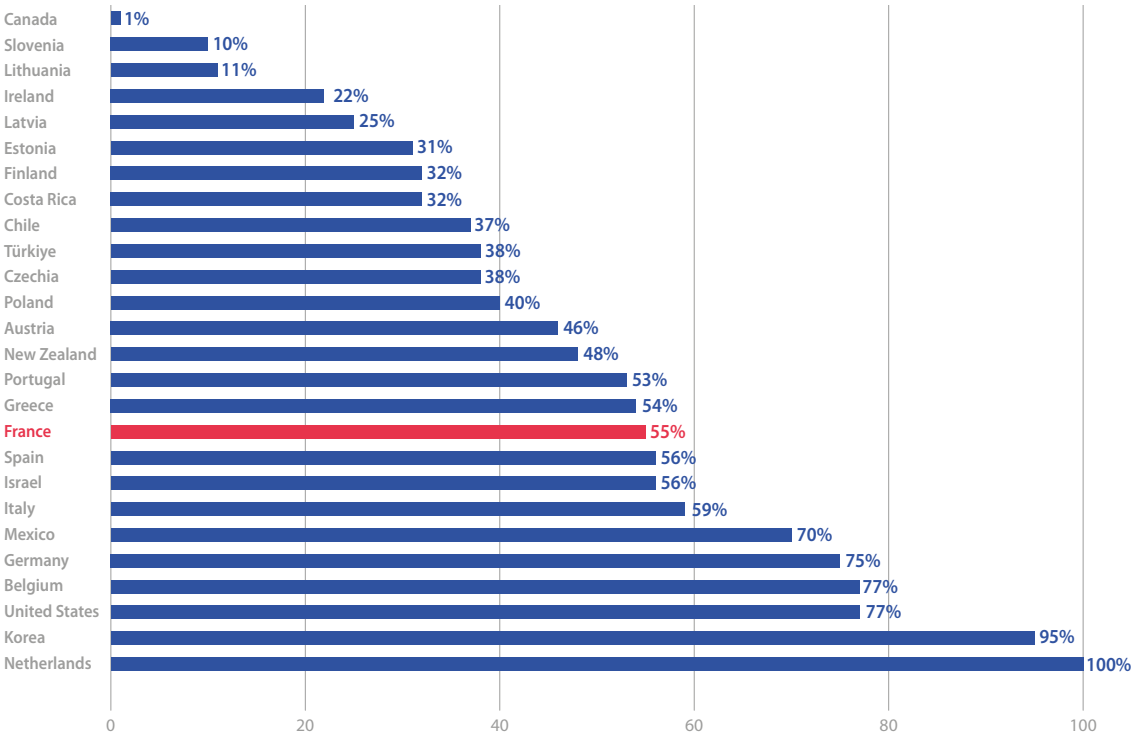
Two-thirds of the revenues of Ramsay Santé still derive from France,[17] which has a relatively high proportion of private hospitals (both for-profit and non-profit) compared to its OECD peers (Figure 1). The French public health system is particularly reliant on private hospitals to provide outpatient and short-stay surgical procedures: private for-profit hospitals and clinics account for 49% of partial hospitals stays, and provide 65% of outpatient surgical procedures.[18]

Nearly 85 per cent of Ramsay Santé's revenues come from public funds.[19] The 68% of its revenues that are earned in France "*result essentially from Social Security payments and complementary private insurance, on the basis of tariffs fixed each year by public authorities; from healthcare and other services provided by the Group; and to a lesser extent from payments by patients or by complementary private insurance for services connected to healthcare, principally for individual room accommodation*", with this private accommodation component representing no more than 4 percent of the group's revenues.[20]

In Sweden, the group's other significant market, its revenues derive partly from public authorities, and partly from patients or other private sources.[21] In addition to these revenues from public funds, Ramsay Santé has also received at least €749.8m in public subsidies since the start of the Covid pandemic in 2020 – equivalent to 67 per cent of their operating profits from 2020 to 2024.[22] Public subsidies include €469 million since 2020 from France's "*garantie financière*", which guaranteed healthcare firms' revenue from social security equal to a proportion of their prior revenues; and €281 million in other subsidies, including the Ségur de la Santé (a subsidy for increasing the earnings of healthcare staff). It is unclear

whether these subsidies were indeed necessary, since while in receipt of them Ramsay Santé's operating profit margin actually rose substantially, from an average of 4.5% in 2016-20, to 6.5% in 2021-22 (falling to 4.2% in 2023-24).[23]

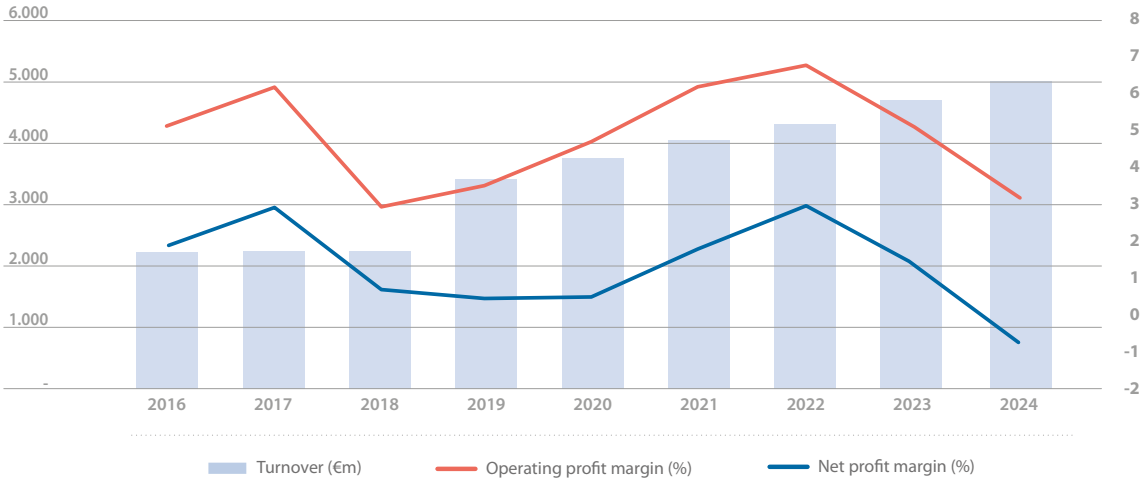
FIGURE 1: Percentage of privately-operated hospitals (for-profit or non-profit), OECD countries for which data is available, 2018-21



Source: OECD.stat queried 24 April 2024

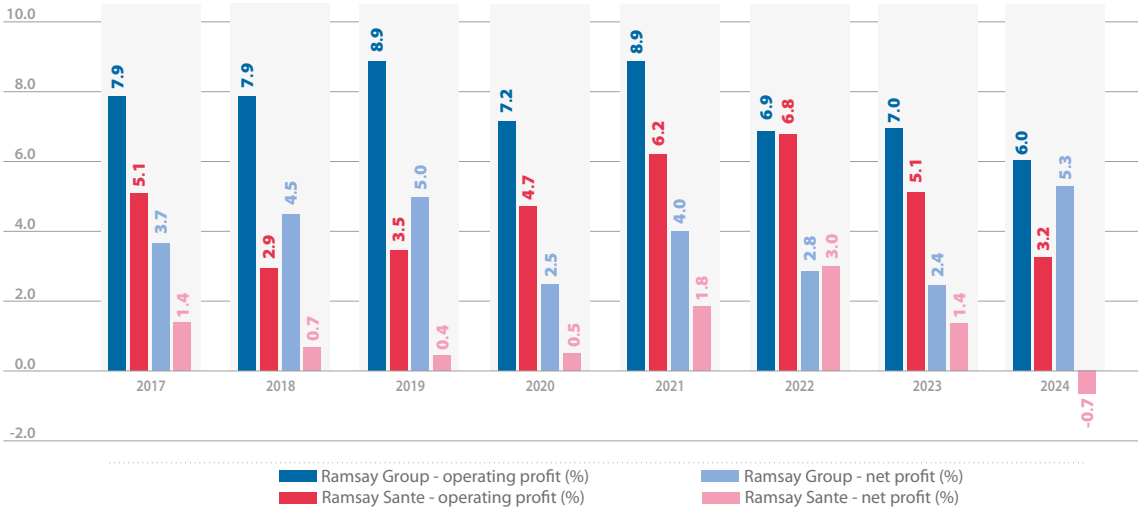
These comparatively healthy profit figures during the *crise sanitaire* (Figure 2) have nonetheless been historically lower than those of the Ramsay Group as a whole (Figure 3), and there have been persistent reports in 2022 and 2023 that Ramsay Group investors are pushing for Ramsay Group to sell its majority stake in Ramsay Santé,[24] though Ramsay Group has denied this as speculation.[25] This speculation will only be reinforced by the group's preliminary 2024 financial results, which indicate that the end of French subsidies connected to Covid, inflation, and a 30% increase in the cost of debt has pushed Ramsay Santé slightly into the red for the first time since its purchase by Ramsay Group, with an annual loss of €53.9 million.[26]

Figure 2: Ramsay Santé – key figures



Source: Ramsay Santé, Documents d'Enregistrement Universels 2017-24

Figure 3: Ramsay Santé et Ramsay Group – profit margins



Source: Ramsay Santé, Documents d'Enregistrement Universels 2017-24; Ramsay Group, annual reports, 2017-24

In 2022, in the wake of the Orpea scandal, Ramsay Santé (like several other healthcare and social care companies) became an "*Entreprise à Mission*". While this in theory gives the company greater legal latitude to pursue social and environmental goals rather than solely creating shareholder value, and mandates third-party monitoring of its progress towards these goals,[27] it is unclear how this status has changed Ramsay Santé's business in practice.

RAMSAY SANTE'S PROPERTY-LITE MODEL OF EXPANSION

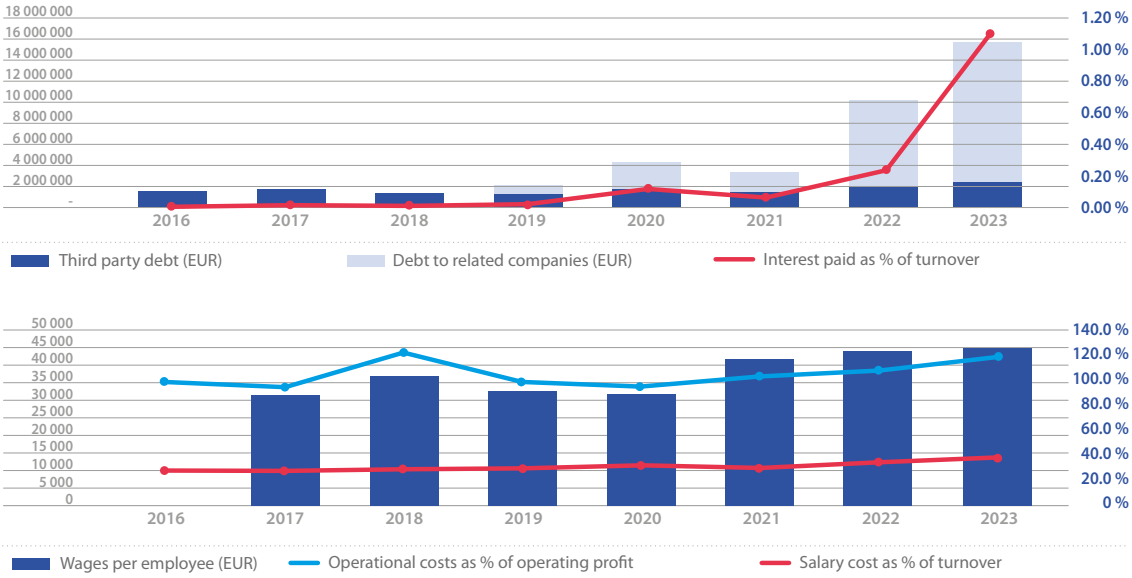
The near-insolvency and partial nationalisation of the embattled care company Orpea in 2022-23 has alerted France's parliament and public to the dangers of rapid, debt-fuelled expansion by private healthcare companies. Ramsay Santé has since 2018 also expanded dramatically, primarily through its purchase of Scandinavian healthcare group Capio AB, its total assets rising nearly threefold from 2018 to 2022.[28] Nonetheless its balance sheet does not show the debt-fuelled time bomb that characterised the finances of Groupe Orpea prior to its financial downfall, nor Groupe Orpea's pattern of imposing burdensome borrowing costs on its clinics.[29] Ramsay Santé's debts (excluding lease liabilities – discussed further below) have actually fallen as a proportion of equity to 153 per cent in 2024 (June) from 234 per cent in 2018.[30] This is a low proportion compared to Groupe Orpea, whose debt reached 646 percent of its equity in 2022.[31] Ramsay Santé's ability to finance its borrowing costs has also historically been strong: its net borrowing costs were equivalent to 57 per cent of its operating income on average from 2018 to 2023 (although it rose to 107 per cent in 2024 thanks to the declining profitability of the group);[32] while its interest cover[33] in 2024 was 3.5, healthier than Orpea's equivalent figure of 2.4 in 2022, just prior to its financial crisis.[34]

Like Orpea, Ramsay Santé has since 2018 appeared to use the profits of its subsidiaries to finance new external debt for expansion. The accounts of Ramsay Santé's main holding and financing company, Immobilière de Santé SAS, show that since 2018 it has received €35.48 million of profits distributed from subsidiaries which operate hospitals and clinics.[35] From 2018 onwards it largely stopped paying these up to its parent as dividends,[36] and instead in May 2018 it borrowed €117.6 million from external lenders, rising to €289.6 million in 2023, most of which has then been on-lent to related companies in the group.[37]

However, Ramsay Santé insists that it does not push down acquisition debt on its hospitals and clinics. Certainly, interest costs placed directly on hospitals and clinics (where they are visible in publicly available accounts) remain small, and do not appear to have affected the amount spent on wages or operating costs, particularly since the Covid pandemic placed upward pressure on both wages and other costs. For example: in July 2017 Ramsay acquired L'Hôpital Privé de l'Est lyonnais (HPEL), a 150-bed private hospital.[38] HPEL's debts have rapidly increased, largely through loans from other Ramsay companies (Figure 4, top graph). Interest payments

made by the hospital on these loans have accordingly increased since it was acquired by Ramsay (Figure 4, bottom graph, blue line). But these interest payments are still low, at rates of a maximum of 1.09 per cent, lower than the rate at which some other Ramsay companies lend internally (over 2 per cent), suggesting that Ramsay may be essentially subsidising the impact of external borrowing on newly acquired hospitals.[39] And although wages per head initially decreased after acquisition, they have increased post-Covid, as have the proportion of revenues spent on operating costs (Figure 4, bottom graph).

Figure 4: Hopital Privé de l'Est Lyonnais – key figures



Source: H.P.E.L. Hopital Privé de l'Est Lyonnais SASU, annual accounts 2016-23

Other Ramsay-acquired hospitals and clinics show similar trends. For example, the Ramsay subsidiary company La Parisière SA operates a multi-discipline clinic near Valence, which Ramsay Santé purchased in June 2018.[40] Since then, its related-party debts have grown over six-fold: from under €1 million in 2017, to €7.5 million in 2023.[41] However, interest outflows on financial debts remain very small at an average of 0.6 per cent of turnover since 2016, and do not appear to have materially affected the company's (persistent) losses. Where wages are reported, these have increased post-Covid, from €28,000 per head in 2016, to over €37,900 per head in 2023.[42]

CENTRALISED PURCHASING: AN OPAQUE PROFIT CENTRE FOR RAMSAY SANTÉ

One area where Ramsay Santé does appear to draw profits internally from its hospitals and clinics is via the purchasing of materials and supplies. The group operates a centralised purchasing company, Performance Achat au Service de la Santé (PASS) SAS.[43] This company does not appear to take title of goods and supplies purchased: it holds no stocks (and thus no sales or procurement risk) and has no sales turnover. Rather, it appears to receive between €40 and €60 million in commissions from suppliers and service providers, calculated (according to Ramsay Santé) as a percentage of the sales of goods and services to its facilities[44] (which they must presumably recoup from the price of goods and services that they sell to these hospitals and clinics). Ramsay Santé insists that the payments to PASS are justified by services that add value: coordinating purchases across the group, and providing IT and logistics systems for purchases.[45] Nonetheless compared to its revenues, the costs to PASS of providing these services and systems appear relatively small, allowing the company to book a very large pre-tax profit margin on these commission fees of between 67 and 85 percent (Figure 5).[46]

These profit levels are much higher than Ramsay Santé's global pre-tax profit margin of around 0.4 to 3 percent (Figure 3). They are striking in comparison to weakly profitable or loss-making subsidiaries operating the hospitals or clinics themselves, and which in fact make the purchases on which the commissions are levied. For instance:

- Ramsay Santé's flagship Parisian hospital, Hopital Privé d'Antony (HPA), had a pre-tax profit margin of -0.4 percent between 2018-23, and was loss-making in four of those six years;[47]

- La Parisière clinic discussed above, acquired in 2018 when already unprofitable, saw its net profit margin drop further from -5 percent to -17 percent between 2017 and 2018, and averaged a net profit margin of -16 percent from 2018-23; while wage costs and raw materials purchases have remained stable over this time as a percentage of turnover, 'other purchases and external charges' - an accounting entry not disaggregated in La

Parisière's accounts – have increased from 24 percent of its turnover in 2016-17 (prior to its purchase by Ramsay Santé) to 32 percent in 2018-2023;[48]

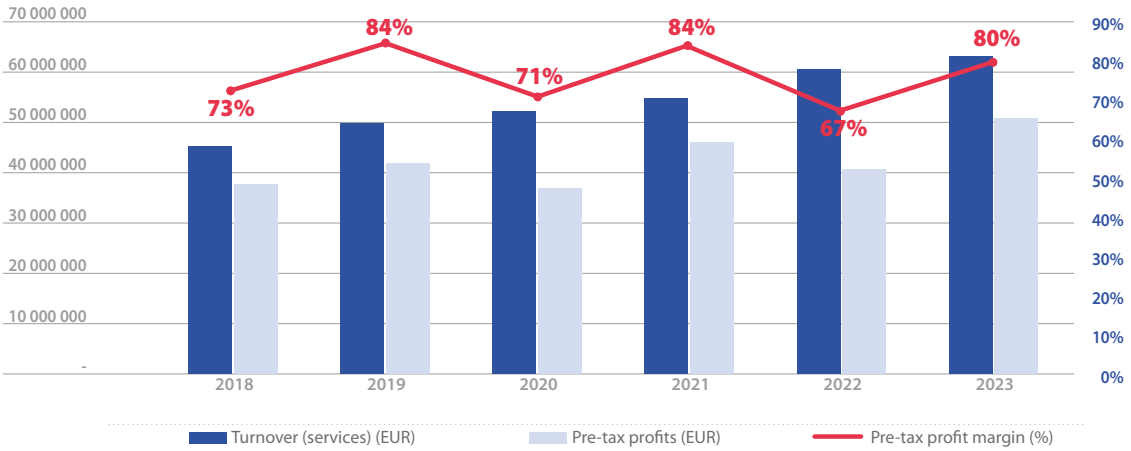
- the major Lyon hospital, the Hopital Privé de l'Est Lyonnais, acquired by Ramsay Santé in July 2017, saw its net profit margin drop from 3 percent (2016-17) to -8 percent (2018-23). Wage costs rose from 27 to 32 percent of turnover from 2016-17 to 2018-23, but 'other purchases and external charges' also rose significantly from 39 percent of turnover (2016-17) to 45 percent (2018-23);[49]

There is no indication of impropriety: but the accounts of PASS SAS do not explain how the level of commissions it receives are calculated. Nor do they explain the justification for this level of profits, given its low costs, equivalent to around 25 percent of its turnover, and given its total absence of inventory risk. Equally it is not possible to determine from the publicly available figures whether supplier discounts and end-of-year rebates are returned to the clinics and hospitals themselves.

Though the profits and losses of Ramsay Santé's internal subsidiaries are set against each other in the group's finances, representatives of workers in Ramsay's hospitals and clinics argue that sales commissions paid to PASS SAS increase purchasing costs for Ramsay Santé's hospitals and clinics, effectively shifting their profits to PASS and reducing the profit-sharing component of staff remuneration. Alerts from staff representatives on the group's board have pressured the group to pay some contributions via profit-sharing with employees, with very specific conditions for the 2022-24 financial years, though the way in which these payments are attributed and calculated for each establishment remains opaque.[50]

Creating an internal centre of pooled profits in this way arguably also allows the group to generate collateral for borrowing to expand. The large internal profits booked by PASS SAS have enabled it to pay €20.25m dividends to its parent company annually from 2016-2019, after which it has retained its large profits on its balance sheet.[51] Along with some other profitable subsidiaries, the profits and retained earnings of PASS SAS serve as a repayment guarantor for external bank loans of €1.65bn that the group incurred in 2021.[52]

Figure 5: PASS SAS – key figures



Source: PASS SAS, annual accounts deposited at the greffe de Paris, 2018-23, accessed via www.pappers.fr

REAL ESTATE PROFITS: INTERNAL AND EXTERNAL

It appears that property constitutes another internal profit centre for the group, although Ramsay Santé is not itself a major property owner or speculator. It has not built a property portfolio with burdensome external debt, as Groupe Orpea did prior to its semi-collapse.[53] Only 6 per cent of Ramsay Santé's €6.9 billion assets – some €392 million – is real estate owned outright by Ramsay Santé.[54] This is tiny compared, for example, to Orpea's €8bn property portfolio.[55] Though Ramsay Santé has spent €1.27 billion from 2017 to 2024 to purchase new subsidiaries, including the Capio group, the value of its property, plant and equipment has remained in the region of €900-1,000m over that time.[56]

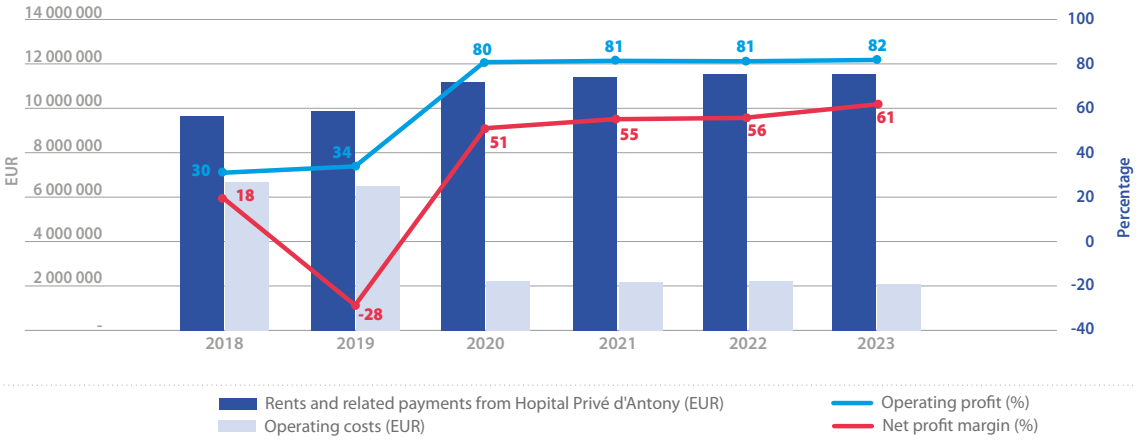
In most cases we cannot see the profits made by the companies within the group that own property assets, since they are registered as *Sociétés Civiles Immobilières* (SCI) which do not have to deposit publicly available financial accounts. However, property-holding group companies whose accounts we can see show that they have booked profits, while the associated clinics or hospitals that pay them rents have booked small losses. In other words, property is a modest profit centre for Ramsay Santé, generating a revenue flow from its own hospitals and clinics against which the group can borrow.

One example is the Hopital Privé d'Antony (HPA), Ramsay Santé's flagship Parisian hospital, which employs over 720 staff, has revenues of over €100 million a year, and treats over 110,000 patients a year.[57] HPA made losses in 2020, 2021 and 2023, and only small profits in 2019 and 2022. It has not paid a dividend since 2019.[58]

However, HPA's land and buildings are owned by a separate Ramsay subsidiary, called H.P.A.3 SAS.[59] HPA pays H.P.A.3 over €11.5 million a year in rents and other charges, on which HPA3 booked an operating profit in 2023 of 82 per cent, and net profits of 61 per cent.[60] It is difficult to compare the rental yield of the real estate assets of Hopital Privé d'Antony with the market, without knowing their current value, and their historical acquisition or construction costs. (According to its historical financial accounts, H.P.A. 3's real property assets include land and buildings originally costing €56.3 million acquired via a finance lease;[61] other property assets acquired from a merger with another company in July 2014, valued in 2015 at €30.2 million;[62] and possibly other property assets). Ramsay Santé insists that its internal rents are set according to estimated market rents, then indexed according to commonly used indices for commercial rents.[63] Nonetheless the large profits of H.P.A. 3 – profits from rent that HPA pays effectively to Ramsay itself – have increased substantially since 2015 as H.P.A.3's operating costs – the money it spends on the buildings and properties,

plus the depreciation (amortisation) of the properties themselves – have reduced (Figure 6). Ramsay Santé uses the lucrative land and buildings of the Hopital Privé d'Antony, along with those of two other flagship hospitals, as collateral for a line of credit of over a billion Euros, taken on when the group originally acquired Générale de Santé in 2014, and which was refinanced in 2021.[64]

Figure 6: H.P.A.3 SAS – key figures



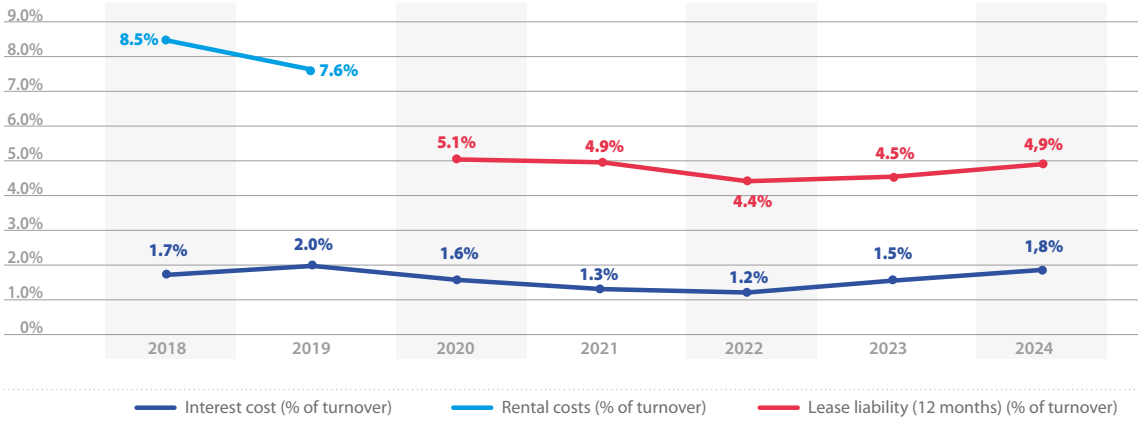
Source: H.P.A.3 SAS, annual accounts deposited at the greffe de Paris, 2018-23, accessed via www.pappers.fr.

Note: an exceptional cost in 2019 pushed the company into loss for that year only

A similar dynamic can be seen in other Ramsay Santé property-holding subsidiaries. Immobilière Salicacées is another Ramsay Santé subsidiary which holds nearly €40 million of property and buildings.[65] It receives €3.5 million of rents annually, has no debt costs, and spends very little on the properties (the majority of its operating costs is depreciation of the properties). From 2017 to 2023 it booked an operating profit of 39 per cent.[66]

Nonetheless these internal property profit centres are relatively small compared to Ramsay Santé's external costs in servicing rental and lease payments for the buildings in which it operates and the equipment it uses. At year-end, the group recorded €1.91 billion in non-current lease liabilities on average from 2020 to 2024, compared to €1.78 billion in borrowings (borrowing rose above non-current lease liabilities for the first time in 2024).[67] In years where they can be disaggregated, nearly 90 per cent of these lease costs are for renting properties (rather than equipment).[68] Annual lease costs – some €245 million a year – have been significantly greater as a proportion of the group's revenues (between 4.4 and 8.5 per cent of revenues) than the annual cost of interest on servicing the group's financial borrowings (between 1 and 2 per cent of revenues).[69] In other words, from the fees and payments that Ramsay Santé receives for its medical services – which are mainly funded through the French social security system – the amount going to pay for the rent of buildings is nearly four times the amount which pays for the costs of the group's borrowing (Figure 7).

Figure 7: Ramsay Santé – interest costs and rent as a percentage of turnover



Source: Ramsay Santé, Documents d'Enregistrement Universels 2018-24. Note: accounting rules for leases changed in 2019 with the adoption of IFRS 16. For this reason, loan lease costs are not directly comparable between 2018-19 and 2020-24

This business model is a choice: between 2006 and 2011, Ramsay Santé instigated a dedicated programme to sell off a substantial part of its property portfolio and lease the properties back. It began with a sale of forty properties to two investment funds: Gecimed (now part of Groupe Primonial/Praemia REIM) and the formerly state-controlled Icade Santé (now also owned by Praemia REIM, renamed 'Praemia Healthcare').[70] Further 'sale-and-leaseback' deals followed, while Ramsay Santé's new landlords also profited from arbitrage by selling some of the properties on to other investors. In this respect Ramsay Santé was mirroring a wider trend: in the second half of the 2010s, many healthcare and care sector businesses sold off properties to a booming market in healthcare real estate, in order to fund their own expansion and new acquisitions.[71] These sale-and-leaseback deals are an alternative way to fund the business' expansion: where Orpea used external borrowing, Ramsay Santé and others have used the bricks and mortars of their own properties.[72] Like external debt, however, sale and leaseback deals carry costs for the clinics and hospitals themselves: long-term rental obligations which must be paid from the fees it receives (primarily from the public purse, in the case of Ramsay Santé).

Ramsay Santé does not disclose a full list of the current owners of its clinics' and hospitals' properties. But in common with the French healthcare property market as a whole, ownership is clearly concentrated in the hands of a small number of large investors. In 2023, it leased:

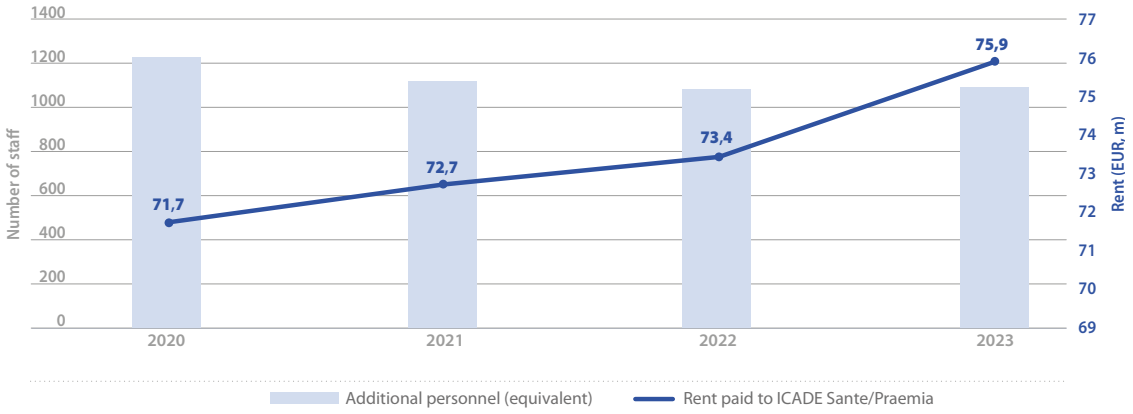
- 54 properties in France from **Praemia REIM,**[73] a group of investment funds majority-owned by Latour Capital and the British asset manager Bridgepoint Group; including properties previously owned by ICADE Santé, in which Praemia REIM took a majority stake in July 2023 ;[74]

- 6 properties from **BNPP Reim,** a healthcare property fund of BNP Paribas. [75]

The property assets owned by just these two investment funds constitute 79% of the property that Ramsay Santé rents, and 57% of the property it uses overall.[76] Rents paid to ICADE Santé/

Praemia REIM alone could have paid for an average of 1132 additional Ramsay Santé staff according to the average personnel costs/head shown in Ramsay Santé's accounts (Figure 8).

Figure 8: rents paid by Ramsay Santé to Icade Santé/Praemia REIM, and equivalent average numbers of staff salaries (2020-23)



Sources: calculations from Ramsay Santé, Documents d'Enregistrement Universel, 2020-32; Icade Santé, consolidated financial accounts, 2020-23

HEALTHCARE PROPERTY FUNDS EXTRACTING PUBLICLY FUNDED PROFITS

Who are these property investment funds that receive the 5 to 9 per cent of its revenues annually (approximately €200 million) that Ramsay Santé pays to the landlords that own over three-quarters of its buildings (by value)? They comprise three of five large healthcare-specialised investment funds that dominate the healthcare real estate market in France:

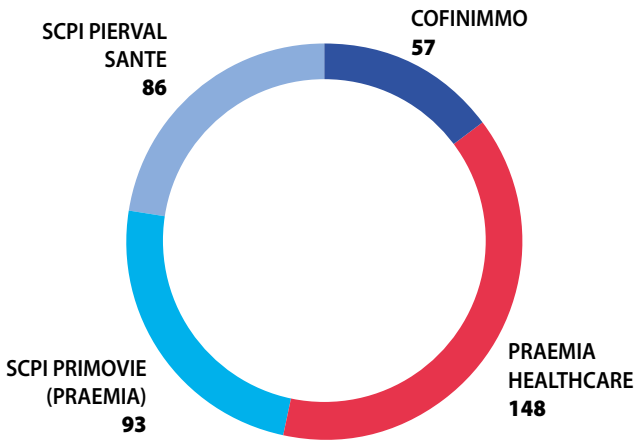
- ICADE Santé/Praemia Healthcare (a French investment fund)
- Praemia REIM (a French investment fund majority-owned by the British private investment company Bridgepoint, and the French institutional investor Latour Capital)
- Cofinimmo (a listed Belgian fund)
- CPI Pierval Santé (owned by the French private equity firm Euryale)
- BNPP Reim (a fund of the French bank BNP Paribas).[77]

These five market-dominating investors are consolidating further: in 2023 Praemia REIM finalised the acquisition of a controlling 64 percent stake in ICADE Santé from the ICADE fund controlled by the French state-controlled Caisse des Depots et Consignations.[78] This means that a single giant Anglo-French property investor is now the largest beneficiary of the French healthcare property market in general, and of Ramsay Santé's rental payments in particular.

These private healthcare property funds make much higher profits than companies like Ramsay Santé: profits derived in large part from the French social security system that funds the majority of Ramsay Santé's revenues. In common with the rest of the European healthcare real estate market, Ramsay Santé's properties are generally rented on the basis of long,

'triple net' leases, which place the obligations (and risks) of the property's operating charges, maintenance costs, property taxes and rent on empty space on the tenant, not the owner.[79] This means that Ramsay Santé pays all the costs to maintain and operate the buildings, and its landlords have only their own borrowing and administration costs to deduct from their rental income, resulting typically in very high profit margins. As one of the major investors in the healthcare property sector in France (Cofinimmo) informed CICTAR in response to the conclusions of this report: *"a high operational profit margin…is normal for a property investment, particularly when contracts are of the "triple net" or "double net" type"*.[80]

Figure 9: Number of French healthcare properties owned by Praemia Healthcare/ICADE Santé, Praemia REIM, Cofinimmo and Euryale (2023)



Sources: annual accounts / annual reports of ICADE Santé, SCPI Primovie (Praemia), Cofinimmo, SCPI Pierval Santé, 2017-23

Calculations for this report reveal the scale of these publicly funded profits across France's whole healthcare and social care sector. From published accounts it is possible to see the portfolio and profits of four of these 'Big 5' French healthcare property investors.[81] Between 2020-23 the four investors derived an average of €428m in rental income from healthcare properties in France (Figure 10), rising to €484 million in 2023. They booked operating profits of between 65 and 134 percent.[82] Of this rental income, between 41 and 129 percent went straight to shareholders: an extraordinarily high return on investment. Where the rate of income tax of these funds can be seen (in the cases of ICADE Santé and Cofinimmo) they were extremely low: 0.3% and 4.3% respectively (Figure 9). The reasons for these very low tax rates are various, but in Cofinimmo's case can be attributed primarily to the extremely generous 'Real Estate Investment Trust (REIT)' tax regime which exists in Belgium, exempting Cofinimmo's profits from tax.[83] Cofinimmo also enjoys a similar tax exemption regime for real estate investment funds in France, the société d'investissement immobilier cotée (SIIC) regime. These property investment tax regimes require a large proportion of the investment fund's profits to be distributed as dividends, which in part explains the very high level of investment returns.

Although most of Cofinimmo's investors then pay tax on their own investment income as well as a 30 percent dividend withholding tax in Belgium, this withholding tax can be reduced by a number of domestic exemptions or reductions on pension fund income, real-estate income from foreign properties and tax treaties.[84] Indeed, Belgium incentivises private investment in healthcare real estate specifically by reducing the dividend withholding tax from 30 to 15 percent for investment funds with 80 percent or more of their investments in healthcare real estate in the European Economic Area (though Cofinimmo does not yet qualify for this rate): effectively providing a further public subsidy for the extraction of profits from publicly funded services.[85]

Figure 10: ICADE Santé/Praemia Healthcare, Cofinimmo, Euryale, Praemia REIM – key figures

2020-22	ICADE Santé / Praemia Healthcare	Cofinimmo	SCPI Pierval Santé (Euryale)	SCPI Primovie (Primonial REIM)[86]
Annual average rental income from French healthcare properties (EUR, millions)	296.8	28.4	25.7	58.5
Average operating profit margin[87]	138%	96%	80%	133%
Dividends paid out to investors, as a proportion of rental income	63%	39%	80%	136%
Effective tax rate [88]	0.7%	5.6%		
Number of French healthcare property assets (2023)	148	57	256	104

Source : annual accounts/annual reports of ICADE Santé, Primovie, Cofinimmo, SCPI Pierval Santé, 2020-23; letter from Praemia Healthcare to CICTAR and CFDT, 7 January 2025 ; letter from Cofinimmo to CICTAR and CFDT, 7 January 2025

Given these very high levels of profit extraction from the French healthcare sector by just four large investors, how much money is being taken out in this way from the sector as a whole, which could otherwise be used to pay staff, for decent working conditions, for investment in better services and training?

An approximate estimate is possible by extrapolating from the proportion of French clinics, hospitals and care homes owned by these four large investment funds. We estimate that these four funds own slightly under 12 percent of France's private clinics, hospitals and EHPADs.[89] If 60 percent of these clinics, hospitals and EHPADs are paying rent at similar levels, then the total leakage due to such rents across the sector could be in the region of **€2.5 billion for 2023** (the latest full year for which financial information from the four reference funds are available)**.**[90] As a comparison: this is enough money to pay the salaries and employment costs of **82,000 nurses** (according to average salaries published by the Ministry of Health).[91]

This is a highly approximate estimate. We also do not know how much of these rents are ultimately funded from public funds: in acute care it will be very high, in long-term care it will be lower. Nonetheless it clearly constitutes a major drain on French healthcare costs, and feeds extraordinary levels of profit. It is also likely an underestimate, since it does not include publicly owned clinics, hospitals and care homes which also have commercial landlords.

ALTERNATIVES

This model, and its financial costs, is not unique to France. Nonetheless governments and municipalities in several countries have instituted, or are considering, alternatives to property speculation in public services. In Norway, where some private kindergartens already operate in buildings belonging to municipalities, the government has consulted on a law which would reform the system of payments to kindergarten operators for property costs and would more tightly regulate their use:[92] in the words of the Norwegian education minister Kari Nessa Nordtun, "we want to prevent commercial speculation on kindergartens' real estate and guarantee that the funding goes to children. Kindergartens must not be investment assets for commercial actors. We want more precise and frugal payments for property costs, which leave less opportunity for extracting profits."[93] A new proposed kindergarten agreement announced by six of the nine major parties in November 2024 largely keeps the property grant the same, in spite of the minister's promises.[94] Nonetheless to ensure more transparency in the use of public funds and the costs of profits, rents and other extractive payments, new rules since 2023 require enhanced financial reporting for all kindergartens, and require every kindergarten to be an individual legal entity filing its own financial accounts.[95]

In Belgium, the Flemish government is currently developing similar rules for residential care homes which will require standardised public reporting of each care home's care, residential, living and organisational costs. The Flemish Care Inspectorate has also been mandated since late 2023 to supervise the financial stability, indebtedness and debt interest paid by residential care homes. Crucially, this supervision includes a new restriction on the rental cost that can be passed on to residents for new care homes.[96]

In Norway's elderly care sector, municipalities already own most of the buildings in which all providers – for-profit and non-profit – provide care. Some municipalities have already gone further and returned operations to public management when provider contracts with municipalities came up for renewal, after reports indicating mediocre and expensive care, and a worsening of pay and retirement provision for staff.[97]

In Scotland, several municipal authorities have similarly sought to end the burden of property debt and speculation on care home real estate. The heavily indebted care home giant HC-One, which has entered into extensive sale and leaseback arrangements, is threatening to close numerous care homes.[98] In 2023, Argyll and Bute council took back the building of an HC-One care home in Kintyre, and the care home itself is now being run by an alliance between the council and the National Health Service.[99] Another HC-One care home in Skye had already been taken over by the National Health Service after reports of poor care and an elevated number of deaths during the Covid pandemic.[100]

Transforming hospitals and care homes into assets for property speculators is costly, and not inevitable. Governments and local authorities must decide if the most vulnerable members of our society, and those who work to take care of them, can shoulder this cost.

CFDT-Santé Sociaux and CICTAR demand that public authorities address these findings and take strong action to improve health care outcomes and ensure public funding delivers quality services.

Our key proposals, amongst others, include:

- Introducing an obligation for every individual hospital, clinic or care home financed by public funds to prepare and publish separate financial accounts, including all legal entities which charge public service bodies or users for goods and services, directly or indirectly. These accounts should show profits; rents paid to related parties and third parties; and purchases or related payments to related parties and third parties.

- That the *Cour des Comptes* should examine financial and tax aspects of leveraged buyouts, sale-and-leaseback property deals, and other financialised arrangements in the healthcare sector; particularly including tax advantages available to property-holding companies like SCI and property investment funds, where their revenues are financed ultimately by public funds.

- Require public disclosure at the property level for all large health care facilities, both public and private, regarding current ownership and any rents, leases or mortgages paid to related parties or third parties, including advance notification of any proposed sales.

- Require public country-by-country reporting, following the Global Reporting Initiative (GRI) Tax Standard, for any multinational for-profit corporation receiving significant public funding for health care services, and for any corporation or investor proposing to acquire an existing health care operator.

Ramsay Sante should publicly explain the rationale and method for calculating the internal rates it has set for rent payments for properties that it owns, as well as centralised procurement of goods and services. Ramsay Sante should also explain any similar practices in its other European operations.


URGENCES
Ambulances
Pompiers

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5 Note: at the time this report was written, full financial results for Ramsay Santé were available up to June 2024.

6 These are collective investment vehicles, commonly called SICAV (société d'investissement à capital variable), though they take several different legal forms.

7 See Section 5 below.

8 See Section 4 below.

9 See Section 6 below for these calculations.

10 See Section 6 below for these calculations.

11 See Section 6 below for these calculations.

12 See Section 6 below for these calculations.

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85 CICTAR, *Caring for the bottom line: how taxpayers subsidise profits from care home real estate* (June 2023), p. 29 https://static1.squarespace.com/static/636a46c59a62847f542195d2/t/649caea1b4690275d0689516/1687989934333/Cofinimmo_layout+FINAL3.pdf

86 Praemia does not publish figures for rent revenues of SCPI Primovie deriving specifically from healthcare property assets. For comparability, we have therefore estimated this figure by multiplying the fund's overall rental revenues by the proportion of the value

of the fund's property assets which are used for healthcare services or elderly care provision. This is necessarily an estimate, which does not take into account different rental yields of different sectors.

87 Operating profit divided by rental income.

88 Corporate tax liability divided by pre-tax profit.

89 Calculations from annual reports and accounts of I*CADE Santé, Primovie, Cofinimmo, SCPI Pierval Santé, 2020-23*; total number of elderly care homes and other elderly care establishments compiled by La Direction de la recherche, des études, de l'évaluation et des statistiques (DREES) (https://data.drees.solidarites-sante.gouv.fr/api/v2/catalog/datasets/panorama-statistique-grand-age-et-autonomie0/attachments/panofrance2021_grand_age_et_autonomie_xlsx); total number of private, for-profit hospitals and clinics from DREES, *Les Etablissements de santé* (Edition 2022), https://drees.solidarites-sante.gouv.fr/sites/default/files/2022-07/ES2022.pdf

90 Total numbers of French healthcare establishments owned by Cofinimmo, Praemia, Primonial REIM and Euryvale taken from published accounts or performance statistics of these funds, 2018-23. Total numbers of private EHPADs, elderly care establishments and hospitals from DREES (2022): https://data.drees.solidarites-sante.gouv.fr/api/v2/catalog/datasets/panorama-statistique-grand-age-et-autonomie0/attachments/panofrance2021_grand_age_et_autonomie_xlsx; https://drees.solidarites-sante.gouv.fr/sites/default/files/2022-07/ES2022.pdf ; https://drees.solidarites-sante.gouv.fr/sites/default/files/2022-12/AAS22-Fiche%2018%20-%20Les%20%C3%A9tablissements%20d%E2%80%99h%C3%A9bergement%20pour%20personnes%20%C3%A2g%C3%A9es.pdf ; https://drees.solidarites-sante.gouv.fr/sites/default/files/2022-07/ES2022.pdf. Average nurse's salary from Commission des Comptes de la Sécurité Sociale (2022), https://drees.solidarites-sante.gouv.fr/sites/default/files/2022-07/Fiche%2006%20-%20Les%20salaires%20dans%20les%20%C3%A9tablissements%20de%20sant%C3%A9.pdf. We have been unable to find statistics for the proportion of private hospitals and clinics with third-party landlords, but for care homes, a June 2020 publication by the Social Security Accounts Commission reports that 40 percent of private care homes own their own property: Commission des Comptes de la Sécurité Sociale, *Les Comptes de la Sécurité Sociale* (June 2020), p.101, https://www.securite-sociale.fr/files/live/sites/SSFR/files/medias/CCSS/2020/RAPPORT%20CCSS%20JUIN%202020.pdf. Please contact CICTAR (www.cictar.org) if you wish to obtain detailed figures for property assets, rental income and other aspects of the calculation described here.

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