

**Towards an NHS
payment system
that does more
for patients**



As an NHS patient, care is provided free at the time you need it, whether this is from, say, a hospital or community nurse or psychologist. But behind the scenes a payment *is* made for your care by your local clinical commissioning group.

This group consists of GPs and others who know about the needs of people in your area (for health and social services). Together they decide how best to spend much of the NHS budget that is provided to your area each year.

For much of your NHS care (e.g. most hospital services but not GPs and local pharmacists) your local clinical commissioning group and the providers agree the price for any care you receive by following the payment rules and the price list that make up the NHS payment system.





In 2012, Parliament put NHS England and Monitor jointly in charge of the NHS payment system, as part of many changes to the structure of the health service. NHS England leads the commissioning of health services in England and Monitor is the sector regulator for health services.

We plan to change the payment system gradually to make it do more for patients with the money available. A major step in this direction was publishing in December 2013 our first set of NHS prices and rules, known as the '2014/15 National Tariff Payment System'. See page 5 for information on our proposals for 2015/16.



We want to design a payment system that creates incentives for commissioning groups and healthcare providers to keep on improving the quality and efficiency of care for patients.

How do NHS prices and payment rules make a difference to the quality of patient care?

The design of the payment system influences the quality of NHS care for patients in lots of ways. To start with, through the payment system we can make sure commissioning groups pay providers enough money to cover the costs of caring for patients. To help with this, there are procedures for making sure 'the money follows the patient' but with safeguards in place to protect the confidentiality of medical information.

If commissioners pay providers of NHS services too little, they won't be able to afford to give the high standards of care that patients need and have the right to expect. If commissioners pay providers too much, they may lose focus on keeping their costs under control. We also won't get as much care as we could for the amount of taxpayers' money that is being spent.

The prices for healthcare agreed through the payment system need to get that balance right.

The payment system could also do more to encourage improvements to the way NHS patients are cared for. For instance, if you have a number of health problems, you may need care from several health professionals working together, including your GP.

You might also prefer to have as much care as possible given to you at home, whether from your GP, local community nurse or social services, so you don't face sudden emergencies. Emergency treatment in hospital is costly. So more care for you at home is likely to mean better value for money, as well as care in the place that you prefer.

We need to see more of this kind of joined-up working, or "integrated care", to get the best for patients from the NHS budget. This requires social services, primary care and specialists to co-ordinate their planning and work smoothly together. The payment system rules can do a lot to help that happen.

How are Monitor and NHS England qualified for this job?

As the body with overall responsibility for commissioning healthcare services, NHS England initially determines proposals for what healthcare can be bought for a particular price.

If we take, say, a hip operation, the price covers the clinical activities involved, such as the operation and nursing care and possibly the physiotherapy a patient needs to get back to being as mobile as possible. So the team at NHS England includes clinicians and patient representatives with experience of how healthcare services work and what patients expect.

Meanwhile Monitor is responsible for designing the proposals for the methods for setting prices in the national tariff, and the rules on setting local prices where there isn't a national price. So Monitor's team is made up of economists who gather, analyse and share the cost and quality information that will underpin rules and prices that promote better care for patients. Monitor and NHS England then agree all the components of the proposals, reflecting each other's views.

In carrying out this task, NHS England is guided by its mandate from the Secretary of State for Health¹, its clinical priorities and, above all, its commitment to understand and act on the needs of patients. Monitor is similarly guided by its primary duty to protect and promote the interests of patients. This means we both put patients first in all we do.

¹<http://mandate.dh.gov.uk>



How will the '2015/16 National Tariff Payment System' be a step in the right direction?

Much of the current payment system enables the NHS to deliver high quality, efficient care. However, we hear more and more from NHS providers and commissioners about parts of the system that get in the way of them doing their best for patients. Everyone thinks there is potential for the payment system to do a much better job.

The NHS is facing huge operational and financial pressures and it continues to rise to the challenge of delivering quality care to patients in these difficult circumstances. Our proposals for the payment system in 2015/16 will:

- help NHS organisations better manage their resources while meeting increasing demand for services
- offer a realistic balance between the need for providers to maintain quality services and the ability of commissioners to pay for them.

You can find detailed information on our proposals for the '2015/16 National Tariff Payment System' on our website: www.gov.uk/monitor



Making the health sector
work for patients

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