

To: The Board

For meeting on: 28 May 2015

Agenda item: 6

Report by: Toby Lambert, Director of Pricing

Report on: Pricing Update

Introduction

1. The Pricing team continues to prepare for either of the options for finalising the 2015/16 National Tariff subject to agreement by the Board. The team has also continued work on the 2016/17 National Tariff proposals for engagement over the summer. The Costing Transformation Programme is now under way. Other work in the Pricing team also continues as planned.

Progress on the 2016/17 National Tariff Payment System

2. The Pricing team continues to work with NHS England to agree the scope of the 2016/17 National Tariff. Agreement regarding specific areas of work is scheduled for the next Joint Pricing Executives (JPE) on the 19 May, 5 and 15 June 2015 for publication in mid-July 2015.
3. The team is working with NHS England on how to set the overall level of price relativities to be proposed. Areas of work include:
 - i) The method for setting the cost base: the cost base is the amount of costs intended to be paid for through the Tariff. A research project was commissioned from FTI Consulting to develop an enduring method for setting the cost base, including specific recommendations for 2016/17.
 - ii) Range for the efficiency factor: the team is currently working on updating the analysis for the efficiency potential and leakage that was used to support the decision on the efficiency factor for 2015/16. This involves the Pricing and Economics teams.
 - iii) Any adjustments to smooth prices: principles and options to mitigate price volatility and its effects on providers and commissioners are being developed.

4. The JPE has agreed that a review of the specialised services risk share is one of the key work packages for 2016/17, and that NHS England will lead this. In addition, the team is currently developing a programme of work for the payment arrangements for specialist care and teaching hospitals, which will address stakeholder concerns.
5. The currency integration and tariff design team has been assessing a new version of Healthcare Resources Groups (HRGs) currencies (HRG4+) from which relative prices will be derived. This work is to ensure that HRG 4+ is introduced correctly, is logical, does not create perverse incentives and can be explained to the sector. This work has included working with the Health and Social Care Information Centre, NHS England and clinical expert working groups (EWGs) to test the clinical relevance of the HRGs and to identify any irregularities that may affect assigning prices to the HRGs.
6. Indicative relative prices for the 2016/17 National Tariff were published to EWGs at the end of March 2015 for review. The team is now considering adjustments proposed by the EWGs and has scheduled additional meetings to seek further clarification from paediatric and orthopaedic clinical groups.
7. The Sector Involvement team is drafting plans to support engagement. The team will engage with providers, commissioners, clinicians, clinical experts, representatives of think tanks, expert working groups and other interested parties. The engagements involve round table meetings, meetings with stakeholders, a blog, and webinars. An open invite webinar will be held to explain what work has been carried out to date and how stakeholders can engage and provide feedback. To date, most of the engagement has been to support the assessment of HRG4+.

Progress on the Costing Transformation Programme

8. Detailed planning and mobilisation work is being carried out on the initial workstreams of the programme. These are:
 - i) Setting out the requirements of local provider Patient Level Information and Costing Systems (PLICS) to enable the new costing approach. This includes such areas as costing standards.
 - ii) Putting together the value for money case for the programme. This will draw on the local benefits for providers, using case studies of benefits already achieved, including long and short term benefits for providers.
 - iii) Developing costing standards to support the new costing approach, for application across acute, mental health, community services and ambulance providers.
 - iv) Designing and implementing systems and processes to enable collection of an enhanced PLICS dataset, in preparation for the first test collection for acute services in 2016.

9. A Programme Initiation Document will be proposed to the contingency planning team programme board on 28 May 2015.

Progress on implementing long term payment reform

10. The Joint Pricing Group has approved an indicative five-year work plan for mental health payment which supports the Five Year Forward View (5YFV) and enables parity of esteem. It envisages:
 - i) a single payment (probably a capitation) to cover patients' integrated mental and physical healthcare, where such integration benefits patients (e.g. those with multiple care needs or long-term conditions); and,
 - ii) national currencies and prices developed for mental health treatment that is more discrete and episodic.
11. The team is participating in the Mental Health Task Force to ensure its efforts complement the mental health strategy.
12. In 2015/16 , the team will focus on work to:
 - i) improve the guidance that supports local price-setting based on the care clusters and other data;
 - ii) develop benchmarking tools for commissioners, to aid their local price-setting discussions and bring transparency to their decision-making;
 - iii) support the demonstration of national currencies for Improving Access to Psychological Therapies and secure and forensic mental health services, prior to possibly mandating these in 2017/18; and
 - iv) show case locally led efforts to adopt more innovative payment arrangements to encourage their adoption (e.g. the forthcoming Local Payment Example on outcomes-based payment, based on cases from Oxfordshire and Cheshire and Wirral.
13. The Pricing Development team has begun work on longer-term payment approaches for specialised services. This needs to align with NHS England's specialised services commissioning strategy and the rolling programme of specialised services reviews which are still to be scheduled. Work on payment approaches for cancer care to support the Cancer Taskforce has been prioritised. Building on the 5YFV, the Taskforce will deliver a five-year strategy on cancer in summer 2015. Working with the NHS England National Clinical Director for Cancer, the team is supporting the Taskforce's workshops to help ensure the five-year cancer strategy payment approaches, including incentives and levers.

Local Pricing

14. The Director of Pricing Enforcement and Case Management has approved the recommendation that Monitor should not open a formal investigation into alleged non compliance of the Marginal Rate Emergency Tariff rule by a clinical commissioning group (CCG) in 2014/15. The complaint was made by a NHS provider in relation to Section 6.3.1 of the National Tariff Payment System. Both the provider and the CCG will be informed of Monitor's decision.
15. The costing and coding audit programme of 75 Trusts, which measures whether and how fast trusts are improving the costing data from which prices are derived, is on track to be completed by July 2015.

Toby Lambert
Director of Pricing

Making a difference for patients:

Monitor's mission is to make the health sector work better for patients. The user guide addresses one of the most immediate barriers providers and commissioners face in improving care for patients.

Public Sector Equality Duty:

Monitor has a duty under the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people from different groups. The Act protects against discrimination on grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, gender and sexual orientation. We have thought about how the issues dealt with in this paper might affect protected groups.

We believe the paper will not have any adverse impact upon these groups and that Monitor has fulfilled its duty under the Act.

Exempt information:

Some of the information in this report is exempt from publication under the Freedom of Information Act 2000.

The information is exempt as it falls under section 36 of the Freedom of Information Act 2000. Disclosure of that information would, or would be likely to, inhibit the free and frank provision of advice, or exchange of views for the purposes of deliberation. In applying these exemptions, we have considered the public interest test; disclosure of this information will not enhance the accountability or transparency of Monitor as its disclosure would inhibit the free frank disclosure of information.