

To: The Board

For meeting on: 28 October 2015

Agenda item: 5

Report by: Toby Lambert, Director of Pricing

Report on: Pricing Update

Pricing's Headlines

1. Final pre-s.118 Consultation Notice sector engagement is almost finished for the 2016/17 National Tariff
2. A consultation on payment options for Mental Health in 2016/17 has been published.
3. Monitor and NHS England have reached agreement on the Best Practice Tariff evaluation framework.

National Tariff Payment System

4. The engagement activities undertaken during the summer have now closed and the feedback received from the sector is being analysed by both Monitor and NHS England. The main issues raised by the sector were:
 - a. The removal of some cardiac devices from the high cost drugs and devices list meaning that the published draft price for pacemakers and implantable cardioverter defibrillators would not cover the cost of the device.
 - b. The effect of proposed relative prices on provider sustainability for some services, e.g. orthopaedics and renal dialysis.
 - c. The absence of efficiency factor and specialised and complex care (top-ups and risk share) from the engagement.
5. The Pricing team continue to engage with the relevant clinical specialties (orthopaedics, renal, paediatrics and cardiology) in advance of the publication of the s.118 Consultation Notice.

6. The University of York, which Monitor commissioned to support the specialist top up work, is intending to publish a methodology document. The team will accompany this with further information sharing materials.
7. The Pricing team is progressing with NHS England on assessing the likely price levels for the National Tariff Document.

Mental Health

8. The Pricing Development team has been progressing work on supporting the sector to implement alternatives to block contracts for mental health services, through:
9. **Better data:** Monitor's Pricing Development team is contributing to work led by the Department of Health and NHS England to develop;
 - (i) mental health data reporting requirements;
 - (ii) outcomes measures for mental health care.
10. **New models of care:** The Pricing Development team are supporting the Primary and Acute Care System and Multi-speciality Community Provider vanguard sites to ensure they understand the evidence that supports greater integration of mental and physical care, thereby addressing the concern that only a limited number of them have a significant mental health care component.
11. **2016/17 policy changes:** Monitor and NHS England are currently consulting the sector on potential changes to the local price-setting rules. The two organisations propose that commissioners and providers of adult and older people mental healthcare would be required to adopt either:
 - A payment approach based on year of care or episode of treatment
 - A payment approach based on capitation

Under these rules it would still be possible for commissioners to agree alternative payment approaches, provided they are consistent with the principles for locally determined prices. Monitor and NHS England will look to revise guidance and develop practical support following the outcome of the consultation.

12. **Implementation support:** in addition to considering changing the rules, Monitor and NHS England are developing a tailored package of support and guidance to help providers and commissioners to adopt partial capitation or year of care from 2016/17. This package has been developed based on a survey of sector needs and consultation results. The Pricing Development team would like to launch the support offer during November 2015, to aid planning, although it may be advised to launch alongside the 2016/17 National Tariff Consultation Notice.

13. **Aligning Monitor's policy work:** a cross-Monitor Mental Health Coordination Group had been established and has had its first two meetings. The group has already helped improve coordination and share thinking across Monitor.

Best Practice Tariff framework

14. Best Practice Tariffs (BPT) are a feature of the current payment system that vary a nationally mandated price with the aim to provide a specific financial incentive to providers to change clinical practice to reduce unwarranted variation in patient care and increase the quality of care patients receive.
15. The team is working to develop a framework of evaluation criteria to assess whether potential new BPTs are introduced or existing BPTs are retired. The framework was approved by the Joint Pricing Group on 20 October 2015. This framework will streamline the joint decision making process, provide a shared understanding on which potential BPTs get produced and identify the resources required. The immediate aim is to set the standard for introducing new BPTs in the 2016/17 National Tariff.

Costing

16. Monitor's Costing team organised a voluntary collection of acute patient level costing data. 67 trusts participated in the collection; this is an increase of one submission from last year with 11 new participants. This work will help inform the Costing Transformation Programme.

Costing Transformation Programme

17. The Costing team is publishing draft patient level costing software minimum requirements on 29 October 2015 for a three week consultation exercise. The results of this consultation will help inform the final version of the minimum requirements which we will publish in spring 2016. The Costing team selected Monitor's road mappartners and they are providing helpful contributions to the working papers that will underpin the development of costing standards.
18. The 'value for money' publication, which will make the case to the sector for why they should invest in patient level costing, has been delayed. This is because the sector has provided more examples for case studies and other evidence supporting the implementation of patient-level costing systems. The team needs further time to properly analyse and collate the information provided. Publication is now scheduled for early 2016.

Toby Lambert
Director of Pricing

Making a difference for patients:

Monitor's mission is to make the health sector work better for patients. This can be achieved by seeking feedback from the sector and looking to reflect this in our final proposals.

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 (the confidential annex) is exempt from disclosure under Section 36(2) of the Freedom of Information Act 2000.