Monitor
Making the health sector work for patients

NHS England

2015/16 National Tariff Payment System: Engagement on national variations

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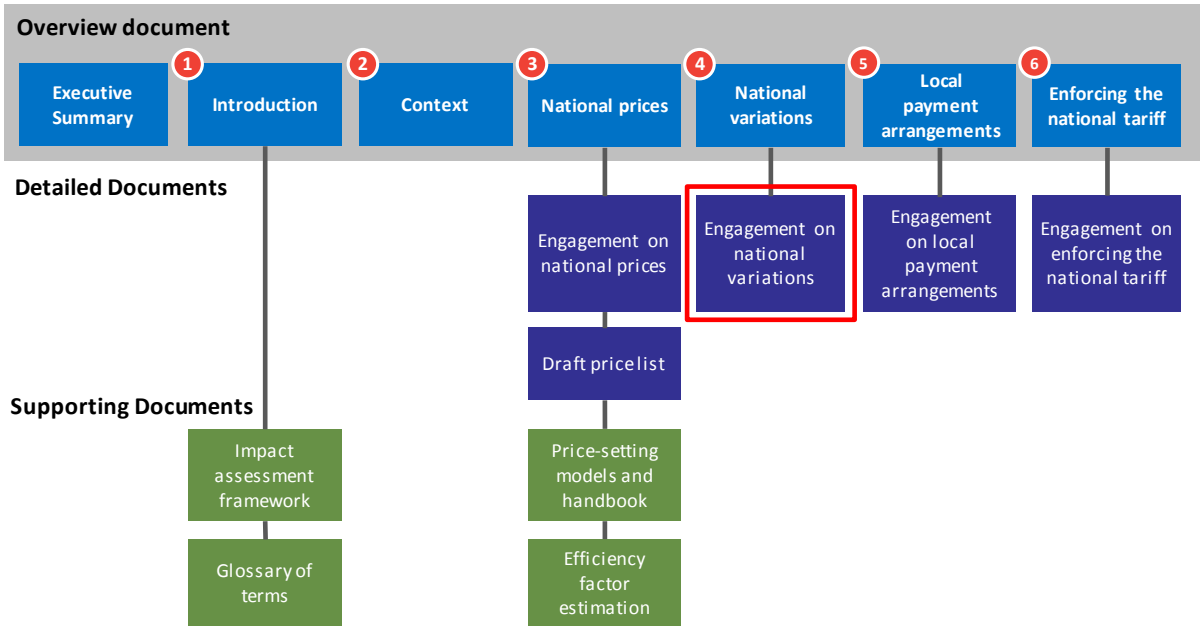
Contents

1. Introduction

This paper is part of a set of engagement documents we are publishing on the 2015/16 National Tariff Payment System (see Figure 1). It sets out proposed changes to the national variations in the '2014/15 National Tariff Payment System'.

Figure 1: Map of 2015/16 National Tariff Payment System engagement documents

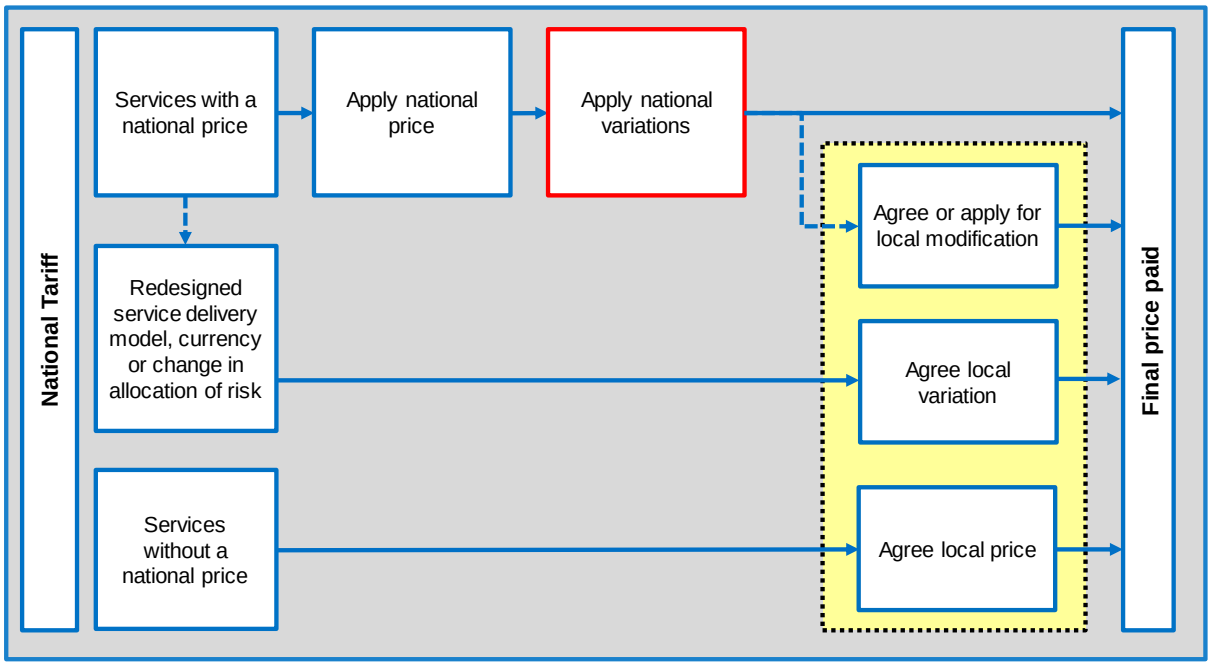


National variations are specified variations to national prices set out in the national tariff (s.116(4) of the Health and Social Care Act 2012). They address particular circumstances where it is appropriate to make national variations to national prices (as distinct from local variations agreed between a commissioner and their providers(s)); for example, to reflect certain features of costs that are not fully captured in national prices or to share risk more appropriately between providers and commissioners. Specifically, the current national variations aim to do one of the following:

- improve the extent to which prices paid reflect location-specific costs
- improve the extent to which prices paid reflect patient complexity
- provide incentives for sharing responsibility for preventing avoidable unplanned hospital stays or
- share financial risk appropriately following (or during) a move to new payment approaches.

Figure 2 illustrates how national variations fit within the scope of the national tariff.

Figure 2: How national variations fit into the national tariff



In developing the '2014/15 National Tariff Payment System' and in developing our proposals for 2015/16, we have listened to stakeholders about changes they would like to see to the current national variations. Our view is that there is insufficient time to consider the evidence fully to make changes for 2015/16 beyond removing a number of transitional national variations, described in Section 2 of this paper. We continue to work towards further changes in 2016/17 and beyond.

For example, we are working with the University of York to review specialised top-ups. As part of this work we are looking at the drivers of cost in hospital-based services and, in particular, whether there are additional costs for complex patients not currently reflected in national prices. For example, there is some evidence that providers with a higher proportion of specialised services enjoy a stronger financial position.[1] We recognise, however, that patient characteristics are just one feature of costs and over time we may look at others, such as geographical features. Some of these may already be reflected in the market forces factor. We will be engaging with stakeholders on this work.

Similarly, as part of work on a new payment approach for urgent and emergency care, we will be considering the future need for the marginal rate rule and 30-day readmission rule. This work would affect the 2016/17 national tariff at the earliest, and so we are proposing to retain the current rules for 2015/16. In the meantime, we will be looking to work with stakeholders to ensure that the rules are applied in the best interest of patients. This will involve considering whether additional guidance is required on how to set local baselines; where to find more information about effective

[1] Monitor, 'Performance of the foundation trust sector: year ended 31 March 2014'.

admissions avoidance schemes; and whether enforcement action is necessary to ensure the existing rules are being applied.

However, depending on the final modelled prices and impact assessment, we may propose adjustments to national variations for 2015/16, where these would be in the best interests of patients. This could include proposing adjustments to top-ups, if changes to the currency design and updates to the cost base mean that current variations are no longer appropriate.

2. Proposed changes to national variations

In this section we set out our proposals for national variations in 2015/16. Specifically, we are proposing to retain the 2014/15 national variations with the exception of those relating to:

- maternity pathway payments
- unbundled diagnostic imaging in outpatients
- chemotherapy delivery and external beam radiotherapy.

We welcome stakeholders' views on these proposals. As part of our engagement on national variations, we encourage stakeholders to provide feedback on the potential impacts of the policy proposals in this document on groups with protected characteristics (as defined under the Equality Act 2010) or any other impacts that may affect patients, including any evidence that is relevant to identifying those impacts.

Questions

1. Do you agree with our proposal to remove the national variation for the maternity pathway payment?
2. Do you agree with our proposal to remove the national variation for the unbundled diagnostic imaging in outpatients?
3. Do you agree with our proposal to remove the national variation for chemotherapy delivery and external beam radiotherapy?

2.1 Maternity pathway payments

Maternity pathway payments were introduced in 2013/14, along with a new requirement for providers to collect the data itemised in the Maternity Services Data Set. Risk-sharing arrangements were put in place for 2013/14 and 2014/15, under

which providers and commissioners were asked to share any financial gain or loss. This was designed to mitigate the effects of the move to the new pathway payments.

We are proposing to remove the national variation for the maternity pathway payment for 2015/16. This is because providers and commissioners have had two years to adapt to the maternity pathway payments. This proposal is supported by stakeholder feedback we received when developing the 2014/15 National Tariff Payment System.

2.2 Unbundled diagnostic imaging in outpatients

In 2013/14 separate prices were set for diagnostic imaging undertaken as part of outpatient attendances. A national variation was established for 2013/14 to mitigate the financial risks that could result from the 'unbundling' of the cost of this activity from national prices. The variation set a marginal rate of 50% of the national price for any activity that was above trend growth, and also allowed providers and commissioners to share the financial gains and losses resulting from unbundling. This variation was maintained for 2014/15.

We are proposing to remove the national variation for unbundled diagnostic imaging in outpatients for 2015/16. This is because providers and commissioners have had two years to adapt to these reimbursement arrangements. This proposal is supported by stakeholder feedback we received when developing the 2014/15 National Tariff Payment System.

2.3 Chemotherapy delivery and external beam radiotherapy

Mandatory currencies for chemotherapy delivery and external beam radiotherapy were introduced in 2012/13 and national prices were introduced for these currencies in 2013/14. In that year, commissioners and providers were expected to move at least half way from local prices to national prices. In 2014/15 all providers and commissioners were required to use national prices unless doing so would have an unmanageable financial impact on either provider or commissioner.

We are proposing to remove the national variation for chemotherapy delivery and external beam radiotherapy for 2015/16 for all providers and commissioners. This is because providers and commissioners have had two years to adapt to the national prices for chemotherapy delivery and external beam radiotherapy. Where providers and commissioners consider that completing the transition to national prices would have an unmanageable impact on their finances and, as a result, risk the quality of care provided to patients, they may want to consider seeking agreement on a local variation.

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