

To: Board

For meeting on: 30 July 2014

Agenda item: 9

Report by: Helen Laing, Sector Involvement Lead

Report on: Pricing Update

Summary:

1. The Pricing team would like to bring to the attention of the Board the following items:
 - The Tariff Engagement Document (TED) was published on the 18 July 2014
 - The need for continued negotiation with NHS England regarding the delivery of the Section 118 Consultation Notice
 - Ongoing work to deliver the Costing Roadmap publication
 - Two areas of work relating to Pricing Development
2. Otherwise, work within the Pricing Team continues as planned.

Recommendations:

3. The Board is asked to note the content of this update.

Pricing Delivery:

2015/16 National Tariff Payment System

4. The TED was published on 18 July 2014
 - Sector engagement commenced 18 July 2014 and includes launch webinar, workshops and online feedback
 - Engagement closes 15 August 2014
5. The Section 118 Consultation Notice is scheduled to be published on 16 October 2014 (Board sign off on 24 September 2014).

- Following the TED engagement the content of the S118 Consultation Notice will need to be agreed and will be subject to ongoing negotiation
6. The final 2015/16 National Tariff Payment System is due to be published on 16 December 2014 (Board sign off on 26 November 2014)

Costing

7. The Costing Roadmap work is ongoing and engagement with the sector is due to commence mid-September 2014. The delivery of the formative work commissioned to develop the Roadmap includes extensive stakeholder consultations which are taking longer than expected. However, this is a useful investment as it will lead to a more comprehensive and effective sector engagement.

Pricing Development:

Progress on Local Payment Examples

8. Monitor and NHS England are working together to produce 12 local payment examples that set out how local areas can adopt payment approaches that support improvement in the quality and efficiency of care, including through integration. These examples are the 'flagship' work of the Development team for the 2015/16 National Tariff Payment System and the team would like to update the Board regarding its progress. The care areas included are long-term conditions care co-ordination, mental health, planned care and urgent and emergency care. **The Pricing Development team has finalised the list of proposed design examples (see Annex A), which the Board is asked to note.**
9. **One main risk has been identified regarding the local payment examples, which the Pricing team is seeking to mitigate.** The risk is that uptake is limited because the proposals are too conceptual or other key enablers (such as data and governance) are neglected. To mitigate the risk of producing examples that are not implementable, the team is seeking out local health economies to work with it to co-produce the examples. The team now has long lists of sites willing to work with it to frame the key implementation questions and establish an approach for answering these collectively. The list of sites includes a number of the integrated care pioneers (e.g., Waltham Forest, East London & City (WELC)), as well as potentially one of the distressed local health areas (e.g., Tameside).
10. **Publication of a discussion paper on urgent & emergency care payment approaches to support the Keogh review.** Monitor's Pricing Development team has been supporting the Keogh review of urgent and emergency care, working closely together to determine how payment arrangements may need to change to enable a co-ordinated pathway and avoid unnecessary accident and emergency attendances and admissions. NHS England's review team plan to

publish its next stage report, containing greater detail on the new service models and quality standards in July.

11. **The Board is asked to note the Pricing Executive and the Joint Pricing Group's approval of the publication of a discussion paper on enabling payment approaches alongside NHS England's proposed service models.** The discussion paper on urgent and emergency care payment approaches presents an opportunity to engage the sector early so that the team can refine its proposals relating to urgent and emergency care in advance of publishing the joint long-term payment system design in the Autumn. Feedback will also inform the local payment example that is being designed to accompany the 2015/16 national tariff.

Pricing Enforcement and Case Management:

12. The Pricing Case Management and Enforcement team has received ten local modifications submissions:
- One has been rejected following a decision by the Director of Pricing
 - Two were withdrawn, and
 - Seven are currently being evaluated.
13. The Pricing Case Management and Enforcement Director wrote to commissioners and providers on the 23 June 2014 to remind them of their obligations under the Health and Social Care Act (2012) and 2014/15 National Tariff Document to publish Local Variations and submit on Local Prices to Monitor. Subsequently:
- 96 local prices submissions were received from NHS providers, and
 - 109 local variations submissions were received from commissioners and have been published on Monitor's website.
14. The Pricing Case Management and Enforcement Director wrote to commissioners and providers of NHS acute emergency services on the 9th July 2014 regarding Monitor's review of the application of the marginal rate rule to emergency admissions.
15. In May 2014 Monitor received a judicial pre-action protocol letter – before action – from solicitors acting on behalf of an independent care association. It represents a potential judicial review of whether Monitor has followed its compliance procedures with regard to a Clinical Commissioning Group's (CCG's) adherence to the rules for setting local prices in the 2014/15 National Tariff Document when determining the price of Personal Health Budgets for people in care homes. The team is following its procedures and has written to the CCG to request confirmation and evidence that it has adhered to the rules. The team is awaiting a response before deciding on any further action.

Helen Laing
Sector Involvement Lead

Making a difference for patients

Monitor's mission is to make the health sector work better for patients.

The design of the payment system, as reflected in the rules and methods we set out in each National Tariff Document, creates incentives that promote quality and efficiency in how NHS care is delivered. Quality improvements be they around access, care coordination, safety or outcomes directly benefit individual patients, while promoting efficiency means more care can be secured within the available budget. This update for the Board sets out some highlights of our progress in determining suitable proposals for the 2015/16 national tariff consultation, and, in particular about work the pricing development team is doing to explore payment approaches that promote better care coordination and integration for patients. It also contains an update on our case management and enforcement action, which seeks to ensure that commissioners and providers determine local payments in accordance with the national tariff principles and rules, and are therefore in patients' interests.

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. In relation to the issues set out in this paper, consideration has been given to the impact that the recommendations might have on these requirements and on the nine protected groups identified by the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, gender and sexual orientation).

It is anticipated that the recommendations of this paper are not likely to have any particular impact upon the requirements of or the protected groups identified by the Equality Act.

Exempt information:

All of the information in this report is exempt from publication as it falls under section 36 of the Freedom of Information Act 2000. The information is exempt because 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.

Annex A

Pricing Development - Progress on Local Payment Examples

1. To test alternative payment approaches that enable person-centred co-ordinated care for those who are frail, elderly or have multiple long-term conditions, we have agreed with NHS England to propose 5 potential payment approaches, for which we will develop local payment examples:
 - Multi-lateral risk and gain shares
 - Capitation payments covering a broad set of health and social care services for a defined population (e.g. over 70s)
 - Condition-specific year of care covering services related to a life-long condition e.g., Parkinson's
 - Community assessment, care co-ordination and care planning service
 - Personal health budgets
2. To test alternative payment approaches that support mental health services to be paid for in better ways (i.e. not purely based on historic block contracts), we have agreed with NHS England to propose 4 potential payment approaches, for which we will develop local payment examples:
 - Bi-lateral risk sharing and outcomes-based payment for a broad bundle of adult mental health services
 - Outcomes-based payment currencies for IAPT
 - Pathway-based payment currencies for secure and forensic services
 - Capacity and outcomes-based payment for liaison psychiatry
3. To test alternative payment approaches that support a reallocation of financial risk between providers and commissioners for planned and urgent and emergency care, we have agreed with NHS England to propose 3 potential payment approaches, for which we will develop local payment examples:
 - Capacity-based payment, with provision for demand and quality risk sharing for urgent and emergency care system
 - Marginal rate payments for elective care activity
 - Bundled outpatient attendances currencies