Federation of Specialist Hospitals

FEDERATION OF SPECIALIST HOSPITALS RESPONSE TO CONSULTATION ON PROPOSALS FOR OBJECTING TO PROPOSED PRICING METHODOLOGY

The Federation of Specialist Hospitals has been formed to provide a voice for specialist hospitals in the UK. 24 specialist hospitals carry out 250,000 procedures and 2.5 million outpatient appointments each year, mainly for patients with rare and complex conditions.

As providers of some of the most complex and costly procedures carried out by the NHS, members of the Federation have a keen interest in the development of Payment by Results and the proposed process for objecting to pricing methodologies. Overall, while welcoming the establishment of a process for providers and commissioners to object to tariff pricing in the future, the Federation has serious concerns on the 'share of supply' calculation proposed by the consutlation.

This response covers a number of general points in response to the consultation, as well as providing answers to appropriate consultation questions covering the objection threshold for providers and the calculation of 'share of supply'.

General comments on the consultation document

The Federation supports the six shared principles given in the document as the basis of Monitor's and the NHS Commissioning Board's activity in relation to the National Tariff. In particular, we welcome principle vi, which sets out a commitment to support movement towards a fairer playing field for providers. Specialist hospitals often work in close partnership with other providers, and have a strong interest in a sustainable provider base and economical operating conditions for NHS trusts. Experience demonstrates that patients with the most complex requirements often account for disproportionate cost to providers, and as such any moves towards a fairer playing field that recognises and addresses this challenge would be most welcome.

The Federation is therefore pleased to note that under the new tariff arrangements Monitor and the NHS Commissioning Board will have a statutory duty to take account of the differing costs involved in providing services for patients with differing clinical needs. This will help ensure payments under the National Tariff better reflect the costs involved in providing services for the small subset of patients with the most complex requirements.

Definition of relevant providers and the objection threshold for providers

Consultation Question 3: Do you agree that the data used to calculate an objection threshold should be based on total tariff income, as reported in financial accounts? If no, please suggest an alternative source.

The Federation objects to the use of data which is based on total tariff income as forming the basis for calculating an objection threshold of providers. The Federation considers that this approach would seriously undermine any attempts by providers to object to specific tariff prices, as opposition to all but the most common individual HRGs would be unlikely to reach the required 51% threshold across the generality of providers. This applies with even greater force to specialist providers treating a more complex case-mix.

Share of supply and weighting

Consultation Question 7: Do you agree that a provider's share of supply should be calculated across all tariff services covered by the tariff in force at the time at which the consultation takes place? If not, how should their share of supply be calculated?

The Federation strongly disagrees with the proposal that a provider's share of supply should be calculated across all tariff services covered by the tariff in force at the time of the consultation, or weighted by measuring income from tariff services.

As covered above, this would dilute the ability of providers affected by specific HRGs to object to pricing for that HRG, without support from providers unaffected by the problem. As such, this proposal dilutes the ability of providers to respond to all but the most high-level concerns with tariff, given that the suggested 'denominator' is so large. Under these proposals, providers' ability to seek meaningful redress of concerns is worryingly undermined.

Instead, the Federation would urge a methodology along the lines of paragraph 43. This would see services grouped into discrete categories and a provider's 'share of supply' calculated on the basis of their share of a distinct category rather than a simple share of total tariff services delivered at a national level. The 'share of supply' calculation might usefully be based on a share of HRGs, which would provide clinically significant groups of procedures which apply to subsets of providers and entail similar challenges. This would allow providers of services to have a more effective voice in flagging up problems with particular tariffs, recognising that formal objections should be the exception.

While recognising the administrative burden on both Monitor and providers information of such granularity should be available as part of a robust tariff system. Furthermore, an approach to thresholds reflecting clinical practice should help support the development process, minimising errors and the need for objection.

For all these reasons, the Federation strongly supports grouping of providers based on share of supply in particular clinical categories in determining the threshold for objection to tariff proposals. The emphasis should, however, be on a development process which avoids the need for such recourse.