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Fair and transparent pricing for NHS services

*A consultation on proposals to formally object to
the pricing methodology*

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Background

The Department seeks stakeholder views and comments on the proposals as outlined in *Fair and transparent pricing for NHS services: A consultation on proposals to formally object to the pricing methodology*, with the view to lay final pricing regulations before Parliament. Depending on the outcome of this consultation, the current intention is to lay regulations in April 2013.

How to Respond

Please return your responses, no later than **21 December 2012**.

e-mail pricing.consultation@dh.gsi.gov.uk with the subject 'Pricing Consultation'

post Pricing Consultation
Department of Health
Room 229
Richmond House
79 Whitehall
London
SW1A 2NS

online An online response form is available on the DH website¹.

Many thanks for your response to this consultation. Please note that responses may be made public unless you state otherwise.

¹ <http://www.dh.gov.uk/health/category/publications/consultations/>

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Personal Details

Organisation(s) represented: Healthcare Financial Management Association

Questions

Question 1: Do you agree that providers of services in the tariff in operation at the time at which Monitor consults on the next tariff should count towards the thresholds?

☒ **Yes, proceed to Question 2** ☐ **No**

Question 2: If yes, do you agree that this should include any such providers who are exempt from the requirement to hold a licence?

The HFMA agrees that providers who are exempt from holding a license should still be included in this process. In our view, the impact of the pricing methodology is particularly significant for small organisations where any changes will have a disproportionate impact on financial stability. This is particularly likely in relation to those organisations falling below the proposed de minimus limit.

In our view, it is important for all organisations, irrespective of size to be able to contribute to the debate even if they only account for a small proportion of the total supply of a service.

Questions 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?

☒ **Yes** ☐ **No**

If no, please suggest an alternative source.

The HFMA supports the calculation of a threshold based on tariff income and published information. However, we are concerned that this may introduce the need for further data collection as although the figures required are available from the notes to the accounts for NHS trusts, the equivalent figures do not appear in the notes to the of foundation trusts.

Income is currently classified in the accounts of foundation trusts by type (the type of organisation from which it has come) or by classification (for example, accident and emergency attendances). In our view therefore, other than asking organisations to provide the relevant figures each year, we are unsure that there is a suitable or viable alternative approach.

Question 4: Are there any other providers who should count towards the threshold?

☒ **Yes** ☐ **No**

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If yes, please give details and reasons.

We welcome the initial approach taken but in our view, all those organisations providing NHS-funded services, whether licensed or not, should count towards the threshold applied. However, in our view the pool of providers counting towards the threshold should be expanded to incorporate all providers including those not yet fully within the scope of tariff.

We are concerned that the proposed approach automatically excludes a significant number of providers from within the NHS who are operating payment by results with the model of national currency, local price for example, mental health and ambulance providers. Although these providers may not be directly affected by the methodology used it would be helpful to include them as soon as possible in all processes as payment by results develops and expands.

The services they provide are closely linked to the acute sector where payment by results is well established. Increasingly commissioners are looking to unbundle payments to fund integrated care based on patient pathways, underpinned by the relationship between different healthcare providers. Under the current proposals, these other providers as well as social enterprises and community interest companies (working closely with NHS providers) - may be in a position to ascertain that a proposal would not work for them but be unable to raise an objection until the point at which the services they provide are fully incorporated into the national tariff.

In our view, a weighting could be used to balance this approach so that those providers of NHS funded services which lay outside the scope of tariff at the point of the consultation could have a proportionate impact on the debate without being excluded from the process itself.

Question 5: Do you agree that the objection percentage threshold should be set at 51% for commissioners?

☒ Yes

☐ No

If not, what figure would you propose, and why?

We welcome the approach based on the consensus of the majority. In our view, and recognising that this process applies to the final draft national tariff, this is a practical approach given that all organisations should have opportunities to comment earlier in the development of the tariff.

However, we would welcome further clarification of the definition of commissioners to be included here. For example, it would be helpful to understand whether local area teams of the NHS Commissioning Board would be included or if the objection percentage would only be applied to clinical commissioning groups (CCGs).

We are also concerned at the absence of a weighting to be applied to commissioners. In our view, this may provide an advantage to an area with a high number of smaller CCGs. Without the application of an appropriate weighting, an area containing a large number of CCGs would register more objections than an area of the country that had a smaller number of larger CCGs, even if they were significantly affected by a tariff proposal.

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Question 6: Do you agree that the objection percentage threshold should be set at 51% for providers?

☒ **Yes**

☐ **No**

If not, what figure would you propose, and why?

We welcome the approach based on the consensus of the majority. In our view, and recognising that this process applies to the final draft national tariff, this is a practical approach given that all organisations should have opportunities to comment earlier in the development of the tariff.

However, we would welcome further consideration as to whether a single combined threshold could be used in relation to providers i.e. the percentage of objecting providers weighted according to their share of supply to the market. We believe this to be particularly important as tariffs for specific sectors (mental health, community, acute, specialist providers etc.) develop in the future. For example, it is important to understand if 100% of ambulance providers objected to a proposal but they made up only 5% of total providers, how their objection would be reflected.

Question 7: Do you agree that a provider's share of supply should be calculated across all tariff?

☒ **Yes**

☐ **No**

If not, how should their share of supply be calculated?

In our view, it is important to recognise the share of a market held by a provider and the influence that the provider therefore has in the local health economy.

We would, however, welcome further consideration in relation to a single weighted provider threshold which took account of both the number of providers objecting and their relevant market share.

Question 8: Do you agree that providers should be weighted based on income from tariff services delivered, as stated in the previous year's financial accounts and minus any local area adjustments?

☒ **Yes**

☐ **No**

If not, on what basis should they be weighted?

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We welcome the proposed approach and are pleased that local variations would be excluded from the calculation.

We are concerned however, that the figures required are not directly available from the face of all organisations' annual accounts or the notes to those accounts. Any income reported in relation to operating/ patient activities or by source will include all such variations and adjustments.

We do recognise however that all organisations should understand the make-up of their revenue and would support the provision of specific figures to the regulator by individual organisations to ensure the accurate calculation of the relevant thresholds. We would therefore anticipate that individual organisations would need to provide the detailed figures to the regulator in order for the necessary calculations to be undertaken.

Question 9: Do you agree that the share of supply percentage threshold should be set at the same figure as for the objection percentage thresholds, ie 51% of the total supply?

☒ **Yes**

☐ **No**

If not, what percentage should be set, and why?

We welcome the approach based on the consensus of the majority. In our view, and recognising that this process applies to the final draft national tariff, this is a practical approach given that all organisations should have opportunities to comment earlier in the development of the tariff. We would however, support a combined metric in this instance.

Question 10: Do you have any evidence that the proposals in this document will impact adversely or unfairly on any protected groups?

☐ **Yes**

☒ **No**

If so, please provide details of the evidence.

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How to Respond

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post Pricing Consultation
 Department of Health
 Room 229
 Richmond House
 79 Whitehall
 London
 SW1A 2NS

online An online response form is available on the DH website².

Many thanks for your response to this consultation. Please note that responses may be made public unless you state otherwise.

Comments on the consultation process itself

If you have concerns or comments which you would like to make relating specifically to the consultation process itself please

contact Consultations Coordinator
 Department of Health
 3E48, Quarry House
 Leeds
 LS2 7UE

e-mail consultations.co-ordinator@dh.gsi.gov.uk

Please do not send consultation responses to this address.

Confidentiality of information

We manage the information you provide in response to this consultation in accordance with the Department of Health's Information Charter.

² <http://www.dh.gov.uk/health/category/publications/consultations/>

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Information we receive, including personal information, may be published or disclosed in accordance with the access to information regimes (primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the DPA and, in most circumstances, this will mean that your personal data will not be disclosed to third parties.

Summary of the consultation

A summary of the response to this consultation will be made available before or alongside any further action, such as laying legislation before Parliament, and will be placed on the consultations website at

<http://www.dh.gov.uk/en/Consultations/Responsestoconsultations/index.htm>

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