

To: The Board

For meeting on: 29 October 2014

Agenda item: 8

Report by: Ric Marshall, Director of Pricing

Report on: Pricing Update

Introduction:

1. This report provides the Board with an update on the key issues being addressed by the Pricing team in the past month. These include key stakeholder engagement undertaken in advance of the publication of the 2015/16 National Tariff Payment System: Consultation Notice and the proposed audit programme for the Reference Costs and Coding audits. Otherwise, work within the Pricing Team continues as planned.
2. The Board is asked to note the content of this update.

Pricing Delivery:

**2015/16 National Tariff Payment System: Consultation Notice (s.118 notice):
Key stakeholder engagement**

3. Concerns have been raised in relation to the published draft national prices by two specific care areas. These are orthopaedic procedures; and the care of people with renal impairment requiring dialysis. Both groups have concerns that the draft relative national prices published with the 2015/16 National Tariff Payment System: Engagement Document (TED) would lead to the care delivered to patients being compromised due to a reduction in the prices. The draft relative national prices published in the TED were an unadjusted representation based directly upon the reference costs submitted by the sector. To address these concerns, Monitor has engaged directly with both clinical and patient communities for the care areas and is seeking further evidence as to why the TED modelling undertaken did not represent the appropriate final price. This highlights the process for prices to be manually adjusted in preparation for the s. 118 Consultation Notice in response to the feedback.

4. In addition to addressing these specific areas:
 - a. Adrian Masters, Monitor's Managing Director of Sector Development, has met with the Foundation Trust Network, Trust Development Authority, NHS Confederation and NHS Clinical Commissioners to seek their feedback in regard to the 2015/16 National Tariff Payment System: Engagement Documents.
 - b. Monitor is contacting key stakeholders to arrange briefings (in conjunction with NHS England) prior to the publication of the s.118 Consultation Notice. These include the Foundation Trust Network (FTN), NHS Trust Development Authority (NHS TDA), NHS Clinical Commissioners, NHS Confederation, Mental Health Network as well as key patient groups such as National Voices.
 - c. We have planned for other pre-s.118 Consultation Notice activities such as briefing packs for National Clinical Directors.

Pricing Enforcement and Case Management:

5. A list of the first 20 Trusts (confidential annex 2) that will be audited under the Tariff Assurance contract has been agreed with CHKS Capita. The programme of **coding and costing** audits will start the week commencing 27 October 2014 and will be undertaken by a joint Capita/Monitor Pricing Enforcement team. The audits will review the trusts' arrangements for producing accurate cost information, an assessment of the accuracy of their national cost submissions (reference costs) and clinical coding.
6. One of the two **local modification agreements** under evaluation has been withdrawn by the commissioner and provider following our request for more evidence. The other submission is currently undergoing review by the Legal Services directorate in accordance with Monitor's governance process and will be submitted to the Pricing Director for a decision.
7. A meeting to provide feedback was held on 24 September 2014 with the first Trust to be notified that its local modification application had been rejected. The management team appreciated the feedback.
8. A total of 138 **local prices submissions** have been received from NHS providers, and 172 local variations submissions from commissioners. Where complete information is available, local variations are published on Monitor's website; to date 144 have been published.
9. An initial list of 12 potential pricing compliance cases has been identified from the Pricing team's initial analysis of these local variations. An overview of these is contained in Annex 3 (confidential).
10. A follow up letter has been sent to the commissioners and providers who failed to respond to the earlier request for information on their **application of the marginal rate emergency tariff (MRET)**. Responses have not been received from 160 NHS trusts and NHS foundation trusts and 130 commissioners.

11. The Pricing Enquiries team **received 79 enquiries** during 1 to 25 September 2014. Five enquiries were from MPs or parliamentary questions. All responses to pricing enquiries are being managed within the ten working day standard.

Ric Marshall
Director of Pricing

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:

None of this report is exempt from publication under the Freedom of Information Act 2000.

ANNEX 1

REPORT OF THE PRICING EXECUTIVE MEETING ON 02 OCTOBER 2014

Long term payment system design

1. The Pricing Executive (PE) discussed the progress that Monitor and NHS England had made to date in developing long-term options for the design of the payment system to be implemented in the next decade. The PE considered proposed narrative for the long term payment system design document, which was due to be published in November 2014, and confirmed that it was content, in principle, the proposed transition approach and timings for the desired payment reform. Further work would be undertaken on the report.

Costing direction of travel

2. The PE discussed the report which provided overview of the content of the planned Costing Direction of Travel document which was due to be published by Monitor in October 2014.