

**2015/16  
National Tariff  
Payment  
System: a  
webinar for  
clinicians**

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# After this session you will know:

What the national tariff payment system ('the national tariff') is

Why we have national tariffs

Monitor and NHS England's role in setting the national tariff

The process for setting the 2015/16 national tariff

Our engagement documents and the proposals they set out

# What is the national tariff?

## National prices

Nationally mandated prices for a set of healthcare services (mostly acute care) defined by national currencies

## National variations

Nationally mandated adjustments to national prices to better reflect cost variations or share risk between providers and commissioners.

## Local payment arrangements

Rules and principles for setting prices locally. Three types of arrangements: local modifications, local variations, and local prices

# Why do we need a national tariff?

Reduce cost variability and incentivise efficient provision

Transparency in payment and activity

Allows providers to compete on quality

Transparency and consistency in the way money is spent locally

Allows commissioners to target needs of local population

# NHS England and Monitor's tariff-setting roles

## NHS England leads on:

- Scope and design of currencies
- Variation rules to national tariff currencies

**Close  
working and  
agreement**



## Monitor leads on:

- Pricing methodology
- Regulated prices
- Local modifications
- Rules for local pricing and non-tariff pricing

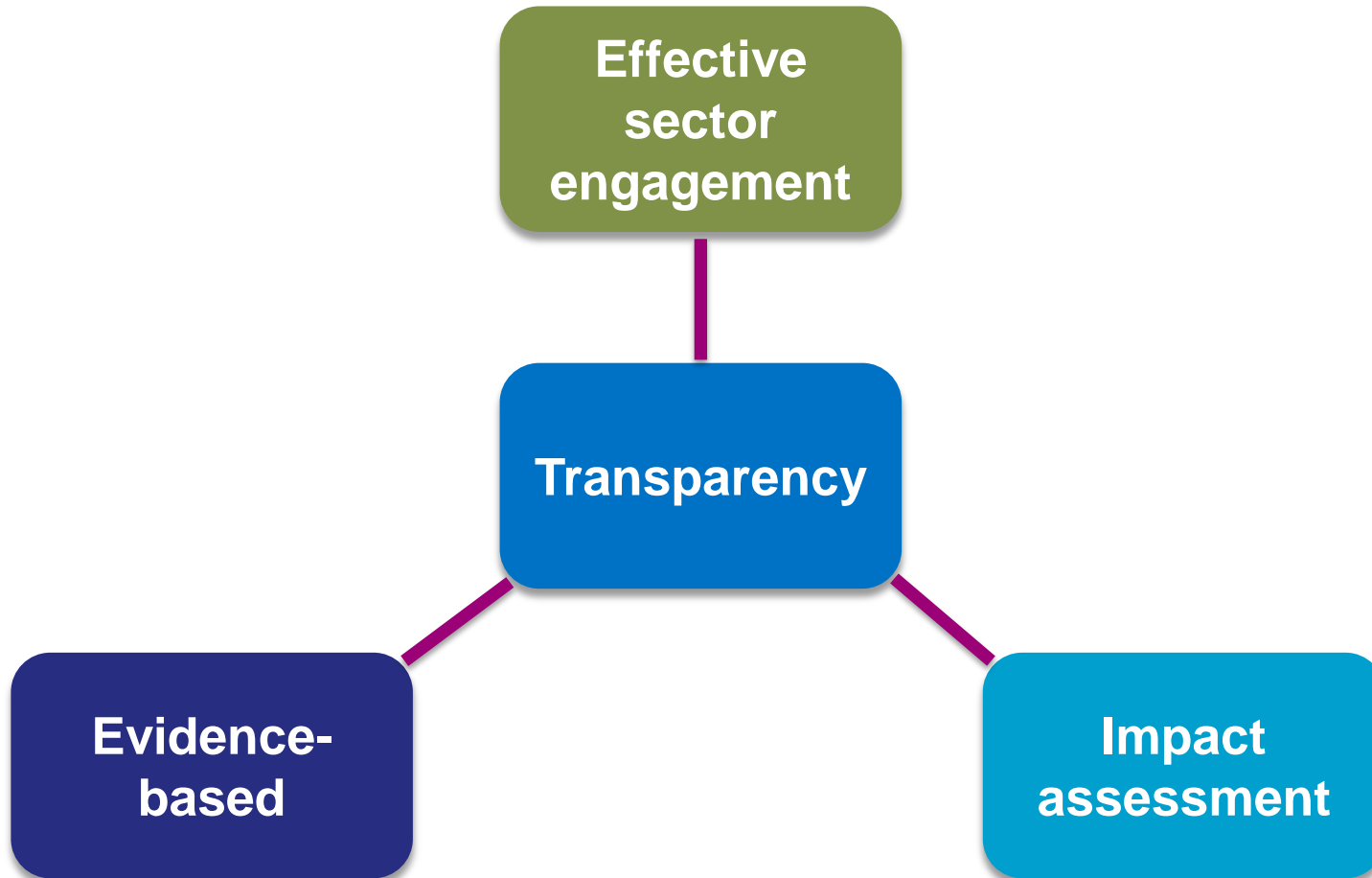
# Key themes for 2015/16

Maintaining financial discipline while promoting high quality care in tough conditions

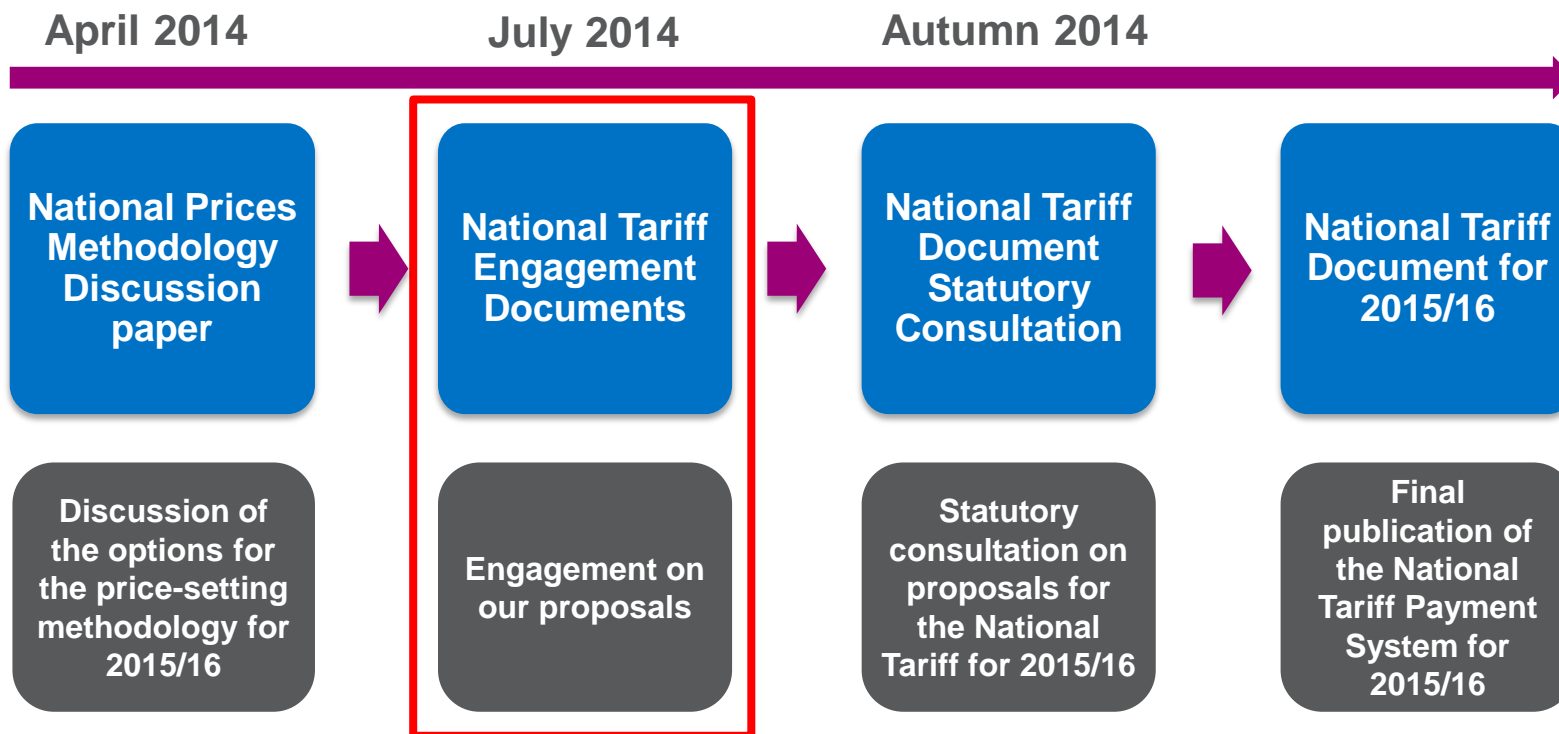
Encouraging transition to new payment designs at pace and scale

Strengthening the 'building blocks' of the national tariff

# Principles for developing proposals

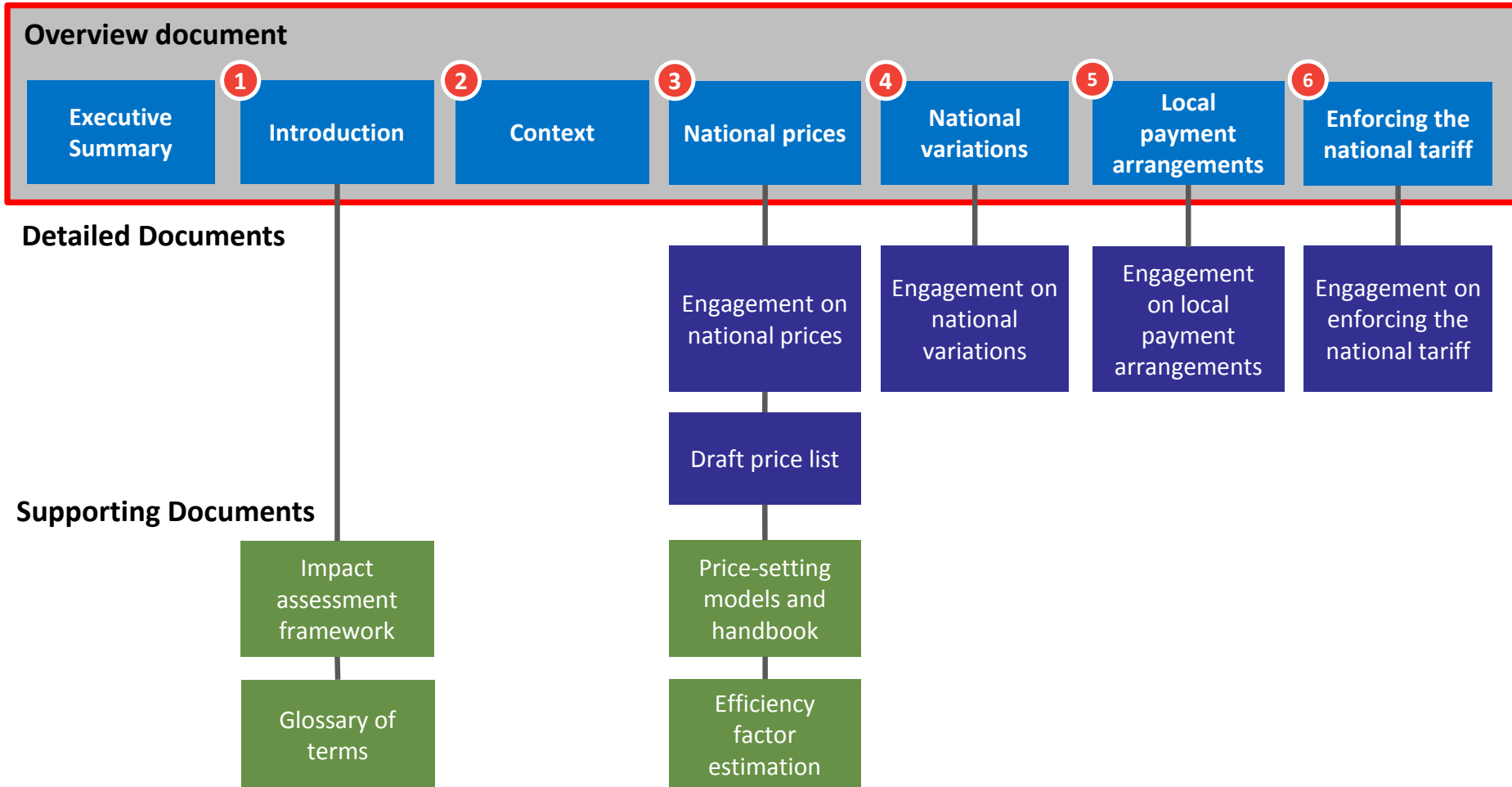


# Overview of the process for 2015/16





# What is in the engagement documents?



# National prices



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System:  
Engagement on  
national prices

[www.gov.uk/monitor](http://www.gov.uk/monitor)

# National currencies – the basis of national prices

## *Proposals for 2015/16*

2011/12 (HRG4) design

Adjustments already in 2014/15

Adjustments to 4 existing BPTs

Adjustments to maternity pathway

Update high-cost drugs & devices

## *Long-term strategy*

‘Clean sheet redesign’

Better reflecting costs in national prices – will be engaging on move HRG4+

Better reflecting the costs of complex patients or specialist care

# Proposed new heart failure best practice tariff

Evidence of varying outcomes for patients with heart failure

We want to incentivise convergence onto best practice care

Engagement identified key care processes:

- Specialist input
- timely diagnosis (echocardiography)
- treatment with appropriate medication
- discharge arrangements
- Submission of data to the National Heart Failure Audit

Considering options based on just data submission, or one or more care processes

Should design include penalty or both reward and penalty?

# Proposals for price-setting model

Calculating prices from 2011/12 Reference Costs

Comprehensive data cleaning rules & manual adjustment process

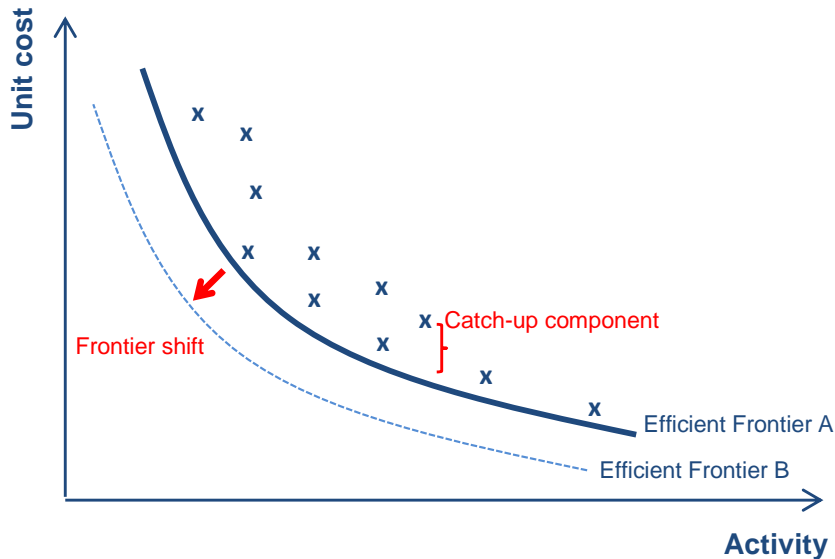
Updating the short stay emergency tariff bands and eligibility

Seeking views on the appropriate cost base for calculating prices

Retain last year's approach to cost uplift factors, introduce consultative process for service development uplift

# Efficiency factor

Single value, estimated from acute sector owing to data limitations



	Frontier shift	Averagely efficient provider catching up to			
		60 <sup>th</sup> percentile	70 <sup>th</sup> percentile	80 <sup>th</sup> percentile	90 <sup>th</sup> percentile
<b>Core models</b>	1.2–1.3%	0.9–1.2%	2.2–2.4%	3.7–4.0%	5.0–5.6%
<b>All models and sensitivities</b>	1.0–1.8%	0.7–2.0%	2.2–2.9%	3.2–4.2%	4.3–5.9%

2015/16 requires extraordinary effort: efficiency factor range 3-5%

# 'Tariff leakage'

Estimated efficiency gains



Assumptions in past national tariffs

Difference not fully explained by deterioration in trusts' finances

Leakage is 'additional actions' including:

- coding – improvements or manipulation
- commissioner transfers not linked to activity
- surpluses on services without national prices
- non-NHS revenue
- Reductions in investment

We identified potential policy responses and are doing further work

# National variations

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Making the health sector  
work for patients

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England

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# Proposals for national variations

Remove the transitional arrangements for:

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

Retain the marginal rate rule and 30-day readmission rule while reviewing long-term reform of urgent and emergency care

Retain market forces factor and specialist top-ups while reviewing long-term cost drivers. Consider top-ups in light of currency/cost base changes for 2015/16

# Local payment arrangements



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arrangements



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# Supporting innovation through local payment design examples

Approaches that support **integrated care:**

- capitation payment
- disease-specific per person per year payment
- needs assessment and care coordination
- risk sharing mechanisms
- personal health budgets

Approaches that support reform in the payment for **urgent and emergency care** following review by Sir Bruce Keogh

Approaches that support opportunities in **planned care:**

- integrated outpatient tariff
- marginal rate for elective care

**Mental health-specific** approaches:

- bilateral risk-sharing with outcomes
- liaison psychiatry
- secure and forensic services pathway
- IAPT outcome-based payment

# Options for promoting value in acute services without national prices

**Option 1 – Strengthening guidance:**  
Setting out an expectation that providers would demonstrate efficient costs

**Option 2 – Rule:**  
New rule or change an existing rule for local price-setting to limit the growth in the price paid for acute services without national prices

**Potential additional requirements:**

- Full disclosure of activity and cost data for services in question
- Provider and commissioner to agree service transformation plan

# Enforcing the national tariff

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# Proposed guidance for reporting requirements

Submitting local modifications by 30 September 2015

Including plans to address structural issues in local modifications

Publishing on Monitor's website decisions on local modifications

Identifying how benefits will be measured for local variations

Identifying costs incurred due to service change for local variations

# How you can get involved



# We want to hear from you

**Written  
responses**

Responses to the engagement documents  
and comments on draft national prices are  
due by **midday on Friday 15 August**



**Your questions...**

