

To: The Board

For meeting on: 28 January 2015

Agenda item: 5

Report by: Ric Marshall, Director of Pricing

Report on: Pricing Update

Introduction:

1. The Pricing team would like the Board to note the following items:
 - i) The engagement with the sector for 'Improving the costing of NHS services proposals for 2015-2021' closed on 16 January 2015 with strong support for the proposed next steps
 - ii) The 2016/17 National Tariff is being progressed with NHS England and stakeholders
 - iii) The Guide to Patient Level Linked Datasets (PLLDS) for Integrated Care is planned to be published in March 2015
2. Otherwise, work within the Pricing Team continues as planned.

Pricing Delivery:

2015/16 National Tariff: s.118 consultation notice

3. The review and analysis of responses to the s.118 consultation notice is ongoing please see agenda item 19 for this meeting - '2015/16 National Tariff: s.118 consultation outcome' (ref: BM/15/14(P)).

Costing

4. 'Improving the Costing for NHS services: proposals for 2015-2021' (costing roadmap) was published on 1 December 2014. A series of engagement events have been undertaken including sector workshops and a 'round table' event for key sector organisations, as well as targeted events for ambulance trusts and system suppliers.
5. The consultation process closed on Friday 16 January 2015. A short response document will be published for the sector in March 2015 summarising the

feedback received as well as any adjustments made to the plan for implementation of the costing roadmap.

Work to progress the 2016/17 National Tariff

6. The current work is being undertaken in order to develop the 2016/17 National Tariff:

7. Tariff Delivery:

- i) Development of a HRG4+ model and calculation of HRG4+ based prices
- ii) Engagement with Expert Working Groups and the National Tariff Advisory Group about HRG4+ prices prior to the publication of the Tariff Engagement Document
- iii) Improvements in the tariff model functionality

8. Currency Integration:

i) High priority / essential work packages:

- a. **The construction of datasets relating to spells** – this will allow the development of databases that are easily repeatable for use in other pricing projects.
- b. **Reconciliation of currency versions** – this will enable the team to refine its understanding of the reasons for current shifts in prices at the Healthcare Resource Group (HRG), Chapter, provider and commissioner levels. It will also allow for the clinical composition of individual HRGs to be assessed, enabling shifts in the composition to be monitored over time.
- c. **HRG/Patient Level Information and Costing Systems (PLICS) Demonstration Model** – this will allow a comprehensive modelling tool to be built that describes how both costs and revenue might change when applying different scenarios and will provide a basis for comparisons against the current reference cost approach.

ii) Medium term work packages – first stages:

- a. **Reference Cost/PLICS Reconciliation Study** – to compare the underlying HRG specific costs obtained through reference costs and PLICS data collections and assess the relative quality of each.
- b. **Prescribed specialist services (PSS)** – this will enable the PSS uplift factors to be updated using the revised PSS list from NHS England.

iii) Long term priority work packages – first stages:

- a. **Comparison of HRG4+ with an international benchmark** – test the performance of specific chapters with HRG4+ against an alternative classification to validate if individual subchapters are performing.

- b. **Linking clinical registry data to PLICS data** - to enable cost data to be linked with outcome measures. This linkage will be undertaken at an aggregated level and will enable the examination of cost effectiveness of different models of care.

Pricing Development:

The Guide to PLLDS for Integrated Care

9. This is a joint area of work between Monitor and NHS England which is now at the final approval stage.
10. A further paper detailing the communications plan for the PLLDS guide is to be agreed with the view to publishing the PLLDS in March 2015.

Pricing Enforcement and Case Management:

Enforcement and Compliance with the 2014/15 National Tariff

11. Compliance with Local Pricing Rules for submitting local variations (LV) and local prices (LP) – In December 2014 the Pricing Enforcement and Case Management Director wrote to providers and commissioners to request a 'null declaration' for LVs and LPs where appropriate. Subsequently the Pricing team has received both 'null declarations' and additional submissions of LVs and LPs (which are being evaluated).
12. LVs which might be local modifications (LMs) – an evaluation of LV submissions identified 39 which might meet the rules and conditions for a LM. Further work is being undertaken with providers and commissioners to ascertain the facts of each case.
13. Marginal Rate Emergency Tariff (MRET) – a meeting is being arranged with NHS England to discuss steps to improve clinical commissioning groups' (CCGs') compliance with MRET rules. Formal regulatory action will be considered in cases where non-compliance remains an issue.

CCGs' compliance with Local Pricing Rules for Continuing Healthcare –

14. Solicitors acting on behalf of an Independent Care Home Association had previously threatened judicial review of an earlier decision not to investigate an allegation of non-compliance with the 2014/15 National Tariff local pricing rules, but that has now been addressed by discussions and evidence provided by the CCG, including pre-investigation enquiries that are close to completion with a recommendation on future action to the Director of Pricing.
15. A further eight complaints have been made by the same solicitors regarding eight other CCGs. These CCGs have been contacted to request information

concerning their compliance with the 2014/15 National Tariff local pricing rules. Their information is currently being evaluated.

16. Building capacity and awareness of compliance – the Pricing team intends to implement an education programme for commissioners and contract managers in order to improve the quality and coverage of local pricing submissions. This will be delivered across the country and will focus on the local pricing rules in the 2015/16 National Tariff. This programme will be dependent upon the final publication date of the 2015/16 National Tariff.

Pricing Enquiries

17. Enquiries on the 2014/15 National Tariff - Since 1 April 2014, 633 pricing enquiries have been received. 31 are currently being managed. 588 responses were sent within the ten working day deadline (i.e. 98%). 14 were sent after ten working days due to delays in obtaining information. In addition, responses have been provided for 12 Freedom of Information requests, 27 parliamentary questions and four letters from MPs.

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 A: REPORT OF THE PE MEETING ON 21 JANUARY 2015

Outline for the pricing Board workshop

1. The PE discussed the background, objectives and desired outcomes for the forthcoming Board workshop on pricing issues.

2016/17 National Tariff proposed timeline

2. PE members reviewed the key meetings and dates that had been identified as critical to ensure that the 2016/17 National Tariff is published to the expected timescales, as well as a high level work plan.

2015 pricing sector involvement strategy

3. The PE reviewed the approach to sector involvement for the Pricing team in 2015. This incorporated the feedback from the sector in relation to 2014. It also outlined the further activities the Pricing team intended to undertake to build Monitor's relationship with the sector as it continues to develop and refine the national tariff.