

To: The Board

For meeting on: 22 March 2016

Agenda item: 4

Report by: Toby Lambert, Director of Pricing

Report on: Pricing Update

Pricing Headlines

1. This month's headlines are:
 - i. The 2016/17 National Tariff Consultation Notice was published on the 11 February 2016. The consultation ended on 10 March 2016;
 - ii. The first round of engagement relating to 2017/18 National Tariff currency design and cost data has been completed;
 - iii. Work is being reprioritised and some work streams slowed as a result of the hiring freeze.

Sector Involvement and Pricing Delivery

2. The 2016/17 National Tariff Consultation Notice (s118 Consultation Notice) was published on the 11 February 2016. Alongside this a survey was also published, which allowed the sector to accept or object the proposals and respond to specific policies. The consultation period was 28 working days and has now ended.
3. Providers and commissioners were able to accept or reject the methodology used for setting the National Tariff. The mechanism for the acceptance or rejection of a National Tariff was altered in December 2015 by the Department of Health (DH) with the removal of the 'share of supply' calculation and the increase of the provider/commissioner objection thresholds to 66%.
4. The s118 Consultation Notice survey closed at 23:59 hours on the 10 March 2016. Monitor and NHS England have determined that the objection threshold has not been met and are now reviewing the responses in detail. A total of 235 responses and 37 objections were received (22 from providers and four from clinical commissioning groups). We are therefore able to publish the National Tariff as planned.

5. Each section of the survey has a lead from Monitor and NHS England who are jointly responsible for agreeing what the feedback says, highlighting issues which require a decision for 2016/17 National Tariff, and identifying other topics that can be addressed in future tariffs.

2017/18 National Tariff Workplan:

6. Following previous reports, the team is progressing work areas to inform the overall shape of the proposals for national prices in 2017/18. These include:
 - i. The choice of currency design (institute the new design; ensure we understand and mitigate resulting volatility);
 - ii. Multi-year tariff (issue some guidance on direction, but do not set individual prices for future years);
 - iii. The follow up to the Sustainability and Transformation Fund, and the interaction with the pricing system;
 - iv. Updating the Market Forces Factor (probably not for 2017/18, but work starting now).
7. The first round of engagement with the Health and Social Care Information Centre's (HSCIC) Expert Working Groups (EWGs) has been completed by Monitor and NHS England. During these meetings (20 in total), the EWGs were asked to consider currency design and cost data issues. The key points raised during these meetings are:
 - i. A preference for HRG 4+ phase 3 within many groups;
 - ii. A request for greater transparency between recommendations from EWGs and final prices;
 - iii. Concerns about the 'top slicing' for high cost devices across inappropriate medical subchapters;
 - iv. Acceptance of proposed additions for Best Practice Tariffs (BPT);
 - v. Monitor/NHS England to make adjustments to prices for illogical relativities, but retain the ability to review both the initial and revised prices.
8. The second round of EWGs is scheduled for April 2016 and will focus on the draft price relativities.

Mental Health

9. The Pricing Development team contributed to the Monitor comments on the Mental Health Task Force report published on 15 February 2016.
10. The team continues to build sector readiness for the proposed changes to mental health payment in 2017/18 through the support programme outlined in the previous update to the Board. This will make use of existing case studies and emerging learnings from sites that are already working towards implementing one of the two proposed approaches (capitation or episodic/year of care payment).

Best Practice Tariffs for 2017/18

11. The Pricing Development team, together with NHS England, has begun the review of new BPT nominations and proposed changes to existing BPTs for the 2017/18 National Tariff against an agreed BPT framework.

Long term transformation

12. Monitor's Pricing Development team continues to support the New Care Models work. In collaboration with NHS England, Pricing aims to scale up bespoke support to a small number of Multispecialty Community Provider (MCP) and Primary and Acute Care System (PACS) Vanguard sites to ensure the start of shadow testing of population based payment approaches by July 2017.
13. The team has used a webinar series to engage all MCP and PACS Vanguard sites and the wider sector that follows two Vanguard specific workshops in January. The webinars will provide the sector with guidance on the design of capitated and population based payment approaches, including the steps and activities required to test and implement them locally to support local implementation of new care models.
14. The team working, with NHS England, also continue to support the Urgent and Emergency Care (UEC) vanguard sites on payment reform, with the aim of enabling them to shadow test a three-part payment approach during 2016/17 and begin to implement it for some services from April 2017 on voluntary basis. (The three parts are: 1) an element of upfront fixed payment, 2) payment on actual case mix and volume of activity, and 3) payment based on delivery against agreed outcome and quality measures.)

Costing Transformation Programme (CTP)

15. The first draft of the new Costing Standards has been agreed by the Standards Committee on the 29 February 2016 and the Pricing Executive and will be issued on 11 April 2016 following Joint Pricing Group sign off.
16. CTP are progressing a £5.9m business case to DH for funding for a central cost collection system. DH requires Monitor approval before they will include it in their considerations, which should conclude at the end of April 2016.
17. An initial meeting has been held with the Carter implementation team. CTP objectives, particularly implementing patient level costing, are contained within the Carter Report.

Pricing Enforcement and Case Management

18. The procurement for the Reference Costs Assurance Programme for a 3-5 year period from 2016/17 has completed the pre-qualification questionnaire (PQQ)

stage. All six of the interested suppliers that submitted PQQs have been invited to submit full tenders by 29 March 2016.

19. The team has met with the 10 trusts in the pilot change agent programme to agree a common way of mapping costs and activity to encourage benchmarking and support clinical engagement as well as decision making. Further meetings are being arranged.
20. The team has completed the pilot audit programme of five trusts to assess compliance with mental health clusters. The team will submit a findings report to the April 2016 Pricing Executive.
21. Please refer to Confidential Annex A for further information.

Operations

22. Together with key stakeholders, the team has drafted an initial plan for the delivery of the 2017/18 National Tariff which aims to:
 - i. Publish the Tariff Engagement Document by 30 June 2016;
 - ii. Publish the Section 118 Consultation Notice by 14 October 2016;
 - iii. Publish the National Tariff Document by 15 December 2016.
23. Monitor's Pricing team held a workshop scheduled on 1 March 2016 with NHS England, to agree the activities behind the plan as well as agree the decision points. Pricing have also developed a list of potential improvements to the tariff in partnership with NHS England. The workshop was also be used for prioritisation of these improvements.
24. The hiring freeze is restricting work in some areas within the Pricing team. This is compounded by the loss of more experienced team members, leading to a skills gap and an inability to succession plan. This has led to increase pressure/ reliance on the remaining experts and a potential inability to deliver the work to the expected quality. To mitigate the resourcing pressures the Pricing team has in some instances employed interim resources; or reduced the scope of expected work; or have used resources from other teams.

Toby Lambert
Director of Pricing

ANNEX B (Confidential) – Report of the Pricing Executive held on 2 March 2016

Making a difference for patients:

Monitor's mission is to make the health sector work better for patients. This paper will ensure that key stakeholders understand our work plan for the 2017/18 National Tariff.

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:

Part of this report is potentially exempt from disclosure under Section 36(2) of the Freedom of Information Act 2000. Please refer to Legal Directorate for further information.