

To: The Board

For meeting on: 28 January 2016

Agenda item: 6

Report by: Toby Lambert, Director of Pricing

Report on: Pricing Update

Pricing Headlines

1. This month's headlines are:
 - i. Draft 2016/17 prices were published alongside planning guidance on 22 December 2015.
 - ii. Work is ongoing towards the publication of the 2016/17 Section 118 Consultation Notice in February 2016.
 - iii. The Costing Transformation Programme is on track to publish the new Patient Level Costing Standards for Roadmap Partners and the Acute Sector (2016/17) in March 2016.
 - iv. Otherwise, work continues as previously reported.

Pricing Delivery

2. The Pricing team continues its work towards the publication of the 2016/17 Section 118 Consultation Notice (s118) in February 2016. During December, the team recalculated the proposed nationally determined prices for the 2016/17 National Tariff based on the current, rather than proposed, currency design. Recalculated prices also take account of a number of factors agreed between NHS Improvement and NHS England Chief Executives in early December, such as the efficiency factor, and further changes agreed by the two organisations at their Joint Pricing Executive. Draft proposed prices have now been published and formed a part of the NHS planning guidance released at the end of December.
3. In parallel, the Pricing team wrote a new s118 Consultation Notice reflecting changes to price and non-price parts of the National Tariff, that is now subject to legal and communications reviews. It will be accompanied by a new Impact Assessment that considers revised s118 proposals. A full draft of this document is also undergoing legal review. The team absorbed the December change of direction and remains on track to release a revised s118 Consultation Notice with the associated Impact Assessment by mid February and, subject to the sector not

objecting to the proposed tariff method, the National Tariff Document by the end of March.

4. As part of the ongoing work for the s118 the Pricing team are also working closely with the Communications team to develop a plan for informing the sector/service once the notice is published.
5. Plans continue to be developed to deliver the 2017/18 National Tariff. One workstream which will start in January is an expert review. This year the expert review will be in two parts. The first phase will involve a meeting with each National Casemix Office expert working group to discuss policy proposals relating to currencies and to analyse reference cost quality. This information will then be used to inform further work and a second phase review which will relate to price relativities. In addition, each group will be asked to nominate one or two representatives to act as a contact points for Monitor to work iteratively with over the next six months while determining the 2017/18 draft prices.
6. In the meantime, significant work towards setting the 2017/18 nationally determined prices is already taking place. In parallel with the recalculation of 2016/17 prices, the Pricing team is preparing financial models to deliver 2017/18 prices based on the latest currency design. The team is also examining a number of possible methodological changes.

Mental Health

7. The Pricing Development team have continued to support the sector in preparation for a proposed 2017/18 change in the payment approach for mental health, to be based on either:
 - i. An episode of care or year of care basis (depending on which was appropriate for the patients underlying condition) with a proportion of payment linked to achievement of locally agreed outcome measures; or
 - ii. Payment based on capitation with a proportion of payment linked to achievement of locally agreed outcome measures.
8. As part of the support, the Pricing Development team initiated a webinar series and published two guidance documents in December:
 - i. An introduction to developing episodic /year-of-care payment approach for mental health services; and
 - ii. An introduction to developing a capitated payment approach for mental health services.
9. Workshops and the production of other support materials in relation to these proposals are currently being planned.
10. The Pricing Enforcement and Case Management team (PECM) is in the process of auditing five mental health providers to assess compliance with the rules for locally-determined prices included within the National Tariff. The purpose of the audits is to inform the Pricing Development team in its policy work. Following the

completion of five audits, the team will review the value of the audit exercise before deciding whether to conduct further audits.

Costing

11. The new annual Approved Costing Guidance has been updated with feedback from the sector and will be ready for publication in March 2016, subject to approval by the Joint Pricing Group in February. After further sector consultation, the new standards will be rolled out across the Acute (2016/17), Mental Health & Ambulance (2017/18) and Community Health (2018/19) sectors.
12. Business cases for mandating the Approved Costing Guidance and Patient Level Information Costing Systems (PLICS) have commenced, with the consultation process for software requirements for PLICS already completed. Two cases are being developed for approval in 2016; (i) the internal investment required for Monitor to receive and analyse PLICS data, and (ii) the investment required to implement PLICS across the sector. Adherence to the standards and implementation of PLICS by all providers will be required from 2019, should Monitor mandate Patient Level Costing across the Sector.
13. The Costing Transformation Programme (CTP) is working with the Carter Review team at an operational level via a weekly meeting, and with the wider pricing team to use data submitted by Providers in the PLICS system to improve cost accuracy. CTP will provide benchmarking data from our internal dataset to help bridge the gap between more detailed patient level costs and existing reference cost information.

Long term transformation

14. The New Care Models programme leadership have indicated that the Multispecialty Community Provider (MCP) and Primary and Acute Care System (PACS) vanguard sites will be asked to implement a new population based payment approach from April 2017 to support the transition to new care models.
15. The Pricing Development team have been supporting a small number of vanguard and integrated care pioneer sites as part of a co-development process, as well as participating in and facilitating local payment workshops based on ad hoc site requests. The team will now broaden the support to all MCP and PACS vanguard sites in preparation of the April 2017 deadline, through a delivery of education and training workshop and webinar series from January 2016.
16. As a first step the Pricing Development team is delivering two workshops week commencing 11 January 2016 with colleagues from NHS England for vanguard and pioneer sites. The events aim to outline details of the new population based payment approach and the transition pathway for adopting the new payments.
17. In December the Pricing Development team began supporting the Urgent and Emergency Care vanguard sites, to co-develop and test in detail the design and

operation of the potential three-part payment model for urgent and emergency care services.

Pricing Enforcement and Case Management

18. The PECM team continue to investigate, jointly with the Co-operation and Competition Directorate, the procurement of non-elective service by North East London clinical commissioning groups (CCGs). An initial review identified potential issues with the procurement was provided to the CCGs in December 2015 and has subsequently been provided to other parties involved in the case. Responses to the initial findings are expected in January 2016. It is intended that final conclusions will be published in February 2016.
19. The reference cost assurance programme continues as planned. To date, audits of approximately 50 out of 80 acute providers have commenced. The audits assess compliance with Monitor's costing guidance and other pricing obligations. Reports are provided to each audited provider and a report summarising the findings of the entire programme will be published later in 2016. PwC is currently conducting the audits on Monitor's behalf for 2015/16. A procurement process is currently underway to identify a supplier for a three-five year period from 2016/17.
20. The team is also in the process of following-up the action plans completed by seven trusts identified as having failed to comply with Monitor's costing guidance in particularly serious ways during last year's reference cost assurance programme. It is currently being assessed whether the action plans have been completed or are on track. Following this assessment, the team will decide how best to proceed.
21. A pilot is being conducted involving 10 trusts to investigate whether a common way of mapping costs can be agreed in order to encourage benchmarking and support clinical engagement. Some progress has been made to date, but more is required for the outputs to be of use to providers. The pilot will be evaluated at the end of the financial year to determine how to proceed.

Toby Lambert
Director of Pricing

Making a difference for patients:

Monitor's mission is to make the health sector work better for patients. This can be achieved by improving the way mental healthcare services are reimbursed and specifically by linking a proportion of payment to achievement of outcomes. We achieve this in part by supporting the sector to implement the proposed changes.

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 disclosure under the Freedom of Information Act 2000.

ANNEX: REPORT OF THE MEETING OF THE PRICING EXECUTIVE HELD ON 13 JANUARY 2016

Sign-off of 2016/17 National Tariff policies for s118 Consultation Notice

1. The Pricing Executive (PE) agreed the final proposals for the 2016/17 National Tariff in line with the Board decisions in December. Draft National Prices based on the proposals were released to the sector in December 2015 to help providers with the business planning process.

Costing Transformation Programme update

2. An update was given on the Costing Transformation Programme (CTP) due to take place from 2016 – 2021. It is intended that the CTP will lead to the creation of mandated English standards and mandated Patient Level Information Costing Systems data in Acute, Mental Health, Ambulance and Community Health.

Policy proposals on Locally Determined Prices for the 2016/17 s118 Consultation Notice

3. The PE agreed a number of policy changes in the 2016/17 National Tariff on Locally Determined Prices which will be included in the s118 Consultation Notice. Monitor's guidance will also be updated as a result of these changes.