

**To:** The Board

**For meeting on:** 29 April 2015

**Agenda item:** 5

**Report by:** Toby Lambert, Director of Pricing

**Report on:** Pricing Update

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## Summary

1. With interim Tariff arrangements in place, the Pricing team has focussed on developing the options for agreeing the next National Tariff. However, this has not held back progress on the long-term pricing development and improving the underlying data. The Board is asked to note in particular:
  - i) The changes to the Costing Transformation Programme in response to feedback;
  - ii) Readiness to refer to the Competition and Markets Authority (CMA), if that is the route Monitor decides to take;
  - iii) Ongoing engagement with the Expert Working Groups on the 2016/17 National Tariff.
2. Otherwise, work within the Pricing team continues as planned.

## 2015/16 National Tariff Payment System

3. Following objections to the proposed method for calculating national prices for the 2015/16 tariff, interim arrangements came into effect on 1 April 2015. These are:
  - i) The Enhanced Tariff Option (ETO)
  - ii) The Default Tariff Rollover (DTR)

The ETO broadly reflects the proposals for the 2015/16 National Tariff, as set out in the section 118 consultation notice; The DTR is the default position in which providers continue to use 2014/15 prices.

4. Monitor is still required to finalise the 2015/16 National Tariff. Legally it can either re-consult the sector with new proposals, or refer the matter to the CMA. The

team is working on both options. It aims to be in a position to refer the 2015/16 National Tariff to the CMA in May 2015, should the Board decide to do so.

5. Pending a decision on a reference to the CMA, we continue to develop possible proposals and engage the sector. An option being explored is consultation on proposals for the remaining part of 2015/16 alongside our consultation on the 2016/17 proposals.

## **2016/17 National Tariff**

6. The Pricing team continues to work with NHS England to agree the scope of the 2016/17 National Tariff. Prompt agreement on the scope and content is required to publish the Tariff Engagement Document (TED) in June. Agreement is scheduled for 19 May 2015, but will be challenging. Publishing later than June will limit the scope for consulting for 2015/16 alongside 2016/17 proposals.
7. The team has received comments from expert working groups (EWGs) on the draft prices, and is now considering proposed adjustments. It has proved challenging to explain the draft prices to the EWGs. The team has also commenced the TED drafting process.

## **Pricing Development**

8. The Pricing Development team has made progress on two sets of publications:
  - i) Four Local Payment Examples - being outcomes based payment for adult mental health, pathway payments for secure and forensic mental health, a three-part payment for urgent and emergency care networks, and multi-party gain and loss sharing (supplemented by associated modelling tools). These are expected to be published in May 2015
  - ii) 'How to' Guide for Patient Level Linked Datasets is almost complete<sup>1</sup>. It will be approved by the National Information Board and is expected to be published in May 2015. The team also intends to publish a short, patient-friendly explanation of the role linked data sets play in supporting patient care. This patient-friendly document was widely supported by the stakeholders the team engaged with.
9. The team is designing with NHS England and the New Models of Care team, a support offer for Vanguards sites and Integrated Care Pioneers. It anticipates that the support will include:
  - i) *A helpdesk*: providing response to technical questions, e.g., related to capitation development or cost apportionment

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<sup>1</sup> Amendments have been made to address comments from MedConfidential (a stakeholder group very vocal in their concerns over care, data and whether local people were being kept properly informed about what their personal health data was being used for, and by whom), and to make it consistent with new Department of Health guidance.

- ii) *Quarterly learning sets for groups of sites* (> 3 sets, tailored to pace of progress the site is capable of): enabling sites to learn from each other, and for Monitor to provide step-by-step support on design decisions and implementation requirements
  - iii) *Check point meetings*: at least annual site-specific meetings to assess a site's progress against their implementation plan, and against Monitor's view of the pre-requisites for adopting a capitated payment
  - iv) *'On the ground' support*: subject to securing additional resources, there is potential to provide analytical and technical problem-solving to sites to assist them with their financial modelling and capitation designs, building capability in the sector at the same time.
10. It is currently estimated that the support set out in i)-iii) above can be provided to a maximum of 20-25 sites. The remaining sites will continue to be provided with generic educational materials through webinars, newsletters and guidance documents.

## **Costing**

11. The costing team published a response to the engagement sessions on the Costing Transformation Programme (CTP). The CTP was revised to:
- i) bring forward ambulance services. They will now start to develop standards in 2016, and be required to collect costs in 2019/20;
  - ii) bring forward community services, but keep the sector's targeted mandated collection date of 2020/21. Extending the development phase will help community providers prepare by improving their information;
  - iii) develop a costing software accreditation process and incorporate it into the work programme without impeding the application of the costing approach;
  - iv) set aside a budget to support the small number of providers that will be heavily involved in developing the costing transformation programme, recognising the difficulty for providers of prioritising this development work given the many demands on their time.
12. In progressing the Costing Transformation Programme the team has also started to:
- i) set out the requirements of local trust patient level costing systems;
  - ii) prepare the value for money case;
  - iii) develop detailed costing.

## **Currency Integration and Tariff Design**

13. The team has been focusing on the review and assessment of a new version of Healthcare Resources Groups (HRGs) currencies to be considered for inclusion in the TED. This work is to ensure that HRG 4+ is introduced correctly, is logical and does not create perverse incentives and can be explained to the sector. This work has included working with the Health and Social Care Information Centre, NHS England and clinical expert working groups to test the clinical meaningfulness of the HRGs and to identify any irregularities that may affect assigning prices to the HRGs.

## **Sector Involvement**

14. The Stakeholder Involvement team is drafting plans to support the TED in the lead up to the consultation and during the consultation. The team will engage with providers, commissioners, clinicians, clinical experts, representatives of think tanks, expert working groups and other interested parties. The engagements involve round table meetings, meetings with distinct stakeholders, a blog, and webinars. An open invite webinar will be held to explain what work has been carried out to date and importantly how stakeholders can engage with the TED process and provide feedback. To date, the majority of engagement has been in supporting the assessment of a new version of HRGs.

## **Locally Determined Prices**

15. The Pricing Executive will be asked to confirm a decision on a local modification at its meeting on 6 May 2015. The team is considering whether to investigate further a complaint by an NHS provider concerning a commissioner's application of the marginal rate emergency threshold.

## **Coding audits**

16. The casemix and costing audit programme involves auditing the quality of clinical coding and trusts' processes for producing accurate cost information and an assessment of the accuracy of the trust's national cost submission (reference costs). For the 2014/15 period the audit reports will be completed by July 2015.
17. Further information about Monitor's proposed approach to the continuation of the audit programme for the 2015/16 period can be found at agenda item 14 (ref: BM/15/49(P))

**Toby Lambert**  
**Director of Pricing**

**Making a difference for patients:**

*Monitor's mission is to make the health sector work better for patients. The user guide addresses one of the most immediate barriers providers and commissioners face in improving care for patients.*

**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.*