

**To:** The Board

**For meeting on:** 30 September 2015

**Agenda item:** 5

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

**Report on:** Pricing Update

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### **National Tariff Payment System**

1. The proposed timeline for publishing the statutory consultation on the 2016/17 national tariff remains challenging. Monitor's Pricing team have held a number of summer engagement events to inform and receive feedback from the sector about the proposals for 2016/17. The events have been well received by the sector, but further work is ongoing in some specialities including nephrology/dialysis, paediatrics, orthopaedics and cardiology.
2. The work for the 2017/18 National Tariff is delayed, against plan, due to the ongoing challenges around the 2016/17 national tariff and the forthcoming spending review. The team are working to replan the current 2017/18 work packages. A workshop with NHS England (NHSE) will take place on 1 October 2015 to agree the work packages going forward.
3. There is a challenging timeline for the 2016/17 National Tariff and a number of key external interdependencies. Monitor will need to make decisions on a number of contentious topics very rapidly after the current spending review round concludes and NHSE's mandate is finalised. Therefore, the team continues to explore options, including arbitration if necessary, to agree the major components of the National Tariff.

### **Pricing enforcement and case management**

#### Costing and coding audit update

4. All audit reports relating to the 2014/15 assurance programme have been finalised and issued to trusts, with action plans received. The Pricing Enforcement and Case Management team is now assessing action plans submitted to determine whether the issues identified are adequately addressed. A sector report on the audit findings will be issued shortly, following agreement by

the Pricing Executive (PE). Consideration may be given to taking enforcement action in areas where non-compliance remains.

5. The team is working with PwC to agree a risk assessment and audit methodology for the 2015/16 assurance programme. This is progressing well. A total of 50 of the 75 trusts have been identified to be selected for audit in 2015/16. A letter is due to be issued to the sector to notify them of the 2015/16 programme, with further letters to be issued to the first 25 trusts selected for audit during the week commencing 25 September 2015.

### Case management

6. The team currently have one formal joint investigation with the Co-operation and Competition Directorate underway in relation to elective care services in northeast London. A number of responses to requests for information have been received and the teams are considering how to progress.
7. There have been discussions with NHSE on the lessons learnt from the first year of assessing local modifications during 2014/15. A number of applications for local modification are expected by the deadline of 30 September 2015.
8. Following a complaint received from a trust, the team is looking into potential non-compliance in relation to payment for early pregnancy scanning. Further information has been requested from the commissioner with regard to how they may or may not have complied with the National Tariff.

### **Long term payment reform**

#### Mental Health

9. The team continues to provide input into the Mental Health Task Force report on their findings and recommendations to the sector this autumn (likely October). Their current drafting focuses on the role that Arms Length Bodies, and payment specifically, can play in driving sector transformation. Positive feedback has been received and it has been suggested that the Task Force should use this opportunity to:
  - set a clear vision about desired mental health care models
  - outline how data should be used to inform effective care models
  - outline actions that national and local organisations should take to drive change.
10. A paper on payment development for mental health services was presented to the Joint Pricing Executive (JPE) on 16 September 2015 outlining options for 2016/17 and the longer term. Monitor intends to write to the sector outlining the proposals, which include:
  - clarifying that block contracts are not an option in the 2016/17 National Tariff and will be subject to enforcement scrutiny if these are being used in a manner inconsistent with our local payment principles

- setting out two alternative payment approaches that enable different models of mental health care (capitation or episodic payment)
- outline how these payment approaches can be developed for use in 2016/17 contracts through guidance and sector support.

11. The team has sent a survey to providers and commissioners to improve Monitor's understanding of their planned care models and local payment arrangements, and to understand key challenges that are slowing their transition. Feedback received will help shape sector support provided by Monitor offer over the next 12 months.

12. The team will also establish a cross-Monitor mental health coordination group. The profile of mental health work continues to grow and a number of new staff have joined the organisation with a specific focus on mental health. This group will allow the team to formally coordinate Monitor's mental health work and ensure messages to external stakeholders are consistent.

### Maternity

13. The Maternity Review, led by Baroness Cumberlege, is currently in progress and a final report is expected to be published at the end of the year. The review is considering setting up local maternity networks. The team has provided a briefing on possible payment options to support the recommendations emerging from the national review team. The Baroness is also keen to explore vouchers for maternity services and the review is keeping this under consideration.

### Prescribed Specialised Services Risk Share – Sector Engagement

14. The PE agreed at its meeting on 9 July 2015 that the Pricing team would, prior to the statutory consultation, engage the sector on specialised services proposals via the Specialised and Complex Care Working Group (S&CCWG) and also through an engagement document targeted at the wider sector.

15. The team has begun to engage the S&CCWG and its supporting Task and Finish Groups on specialised services proposals. At the JPE on 16 September 2015, Monitor and NHSE reached agreement on the need to engage beyond the groups membership on proposals relating to the risk share and specialist top ups. Due to tight timescales, this engagement will take place in the first two weeks of October 2015 and include articles, webinars and workshops, but not a published engagement document. This engagement should go some way towards reducing the likelihood of provider objection to the risk share proposals, though will not eliminate this risk all together. NHSE will be the primary proponent for the risk share, with Monitor leading on specialist top ups.

### **Costing Transformation Programme**

16. The standards development has progressed significantly using a partnership approach. Six acute roadmap partner providers have been identified through a

structured selection process, and met for the first time on 14 September 2015. In addition, procurement has begun to identify a support organisation with costing expertise on standards development.

17. The engagement process to understand the capability of existing local Patient Level Information and Costing Systems (PLICS) has been completed, consisting of PLICS supplier meetings, trust site visits and larger round tables discussions.
18. Representatives of the Costing team visited the Institute for the Hospital Remuneration System (InEK) – the organisation responsible for national cost collection in Germany – to learn from their experiences to date. The aim is to develop contacts at a working level to support the development work.

**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 coding and costing data.*

**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: REPORT OF THE PRICING EXECUTIVE MEETING ON 22 SEPTEMBER 2015**

### **Section 118 timeline, processes and risks**

1. The PE discussed and agreed the proposed timeline for finalising the 2016/17 national tariff. Due to the complexities surrounding the spending and efficiency review, it was proposed that the National Tariff Document (NTD) should be published by 31 March 2016 and the Statutory Consultation Notice should be published in January 2016. The Pricing Team is developing a series of scenarios to mitigate delays once the NTD is published.

### **Governance structure for Costing Standards Development**

2. The PE agreed the establishment of, and the governance structure for the Standards Committee to approve costing standards. The PE discussed the membership of the Standards Committee to ensure there was the appropriate representation involved.

### **The Costing and Coding Audits 2014/15**

3. The PE approved the publication of the Findings of the Costing and Coding Audits 2014/15. The approval of the Reference Costs Assurance Programme had previously sat with the Department of Health. The report summarises the findings, key areas of risk and good practice arising from the audit of the 2013/14 reference costs submissions and clinical coding at 75 acute Trusts. The findings of the clinical coding audits informed the findings of the reference costs audits as part of one integrated audit.