

To: The Board

For meeting on: 25 February 2015

Agenda item: 8

Report by: Ric Marshall, Director of Pricing

Report on: Pricing Update

Summary

1. The Pricing team is concentrating on ways to resolve the sector's objections to the Section 118 consultation notice on the 2015/16 National Tariff proposals as quickly as possible. It is working with NHS England to find interim solutions, until the objections are resolved and a new National Tariff Payment System published.
2. However, the team is determined not to let other workstreams slide, since its progress should make a repeat of this year's objections less likely. In this regard, the Board is asked to note in particular:
 - i. A 'Pricing Intentions for 2016/17' paper is being prepared and agreed with NHS England for publication;
 - ii. Better explanation to the sector of the draft relative prices for 2016/17 that are being developed for publication; and
 - iii. Work to produce a sector support strategy to speed implementation of the long-term payment system design.

National Tariff Payment System for 2016/17

3. The Pricing team is working on an updated timetable for decision-making and sector engagement for the 2016/17 National Tariff that can be agreed with NHS England. It is also working to agree the key work packages required for 2016/17 and the relative roles and responsibilities of Monitor and NHS England.
4. The team is preparing a 'Pricing Intentions for 2016/17' paper for publication, which would set out Monitor's key work packages for 2016/17 and launch its programme of engagement with the sector.

Publication and explanation of draft 2016/17 relative prices

5. Draft relative prices for the 2016/17 National Tariff are due to be released to sector expert groups for their comment and advice in March 2015¹. The Pricing team will also engage with stakeholders who have raised concerns about the draft relative prices for the 2015/16 National Tariff.
6. The information sent to the groups will include an explanation of:
 - a. How the draft prices have been derived; and
 - b. The variances and changes between the data such as activity or currency changes
7. This gives the expert groups more explanation and opportunity for comment than last year.

Publication of Local Payment Examples

8. Monitor and NHS England plan to publish in 2015 the four remaining examples of payment innovation that local commissioners and providers may choose to adopt. Three cover payment for types of service (secure and forensic mental health, urgent and emergency care, and liaison psychiatry), and the fourth, on multi-lateral gain and loss sharing, describes a feature that can 'sit on top' of a variety of payment approaches.
9. While these examples will be published later than planned (original planned publication date December 2014), the impact on the sector is limited, as it is now known that the lead time for local adoption of new payment approaches is six to 12 months. Therefore, these examples will be published in time for sites to adopt them for 2016/17. Taking more time to develop the examples has also enabled the Pricing team to engage more fully with relevant stakeholders, including those from NHS England's clinical directorate and local test sites, and so make the examples clearer and more relevant.

Payment Innovation Support Strategy

10. The Pricing team has been focussing on how it will deliver the 'design and build' phase of implementation of the long-term design for the payment system in support of the Five Year Forward View. This phase aims to design and demonstrate new payment arrangements such as capitation, a three-part payment for urgent and emergency care, and supporting parity of esteem for mental health. This design and demonstration work will be undertaken in close collaboration with the sector, by providing support to local areas where commissioners and providers have the desire and capacity to make rapid progress.
11. A survey was conducted in January 2015 to understand the support sector stakeholders might need to make payment innovations and to understand their

¹ the Expert Working Groups (EWGs), National Tariff Advisory Group (NTAG), National Directors for NHS England, National Clinical Directors (NCDs) and Clinical Reference Groups (CRGs).

ambitions in this area. Approximately 140 responses were received. Respondents that are more advanced in their local development work typically asked for bespoke support targeted at specific issues (such as analytical skills and development of gain/loss share designs), whereas less advanced respondents typically asked for more comprehensive end-to-end support. The survey results will inform Monitor's support strategy.

Plans to continue Coding and Costing Audit Programme of NHS Trusts

12. The first tranche of 25 coding and costing audits of acute providers has been completed by Capita. The second tranche of 28 audits has commenced and will be completed by 25 March 2015.
13. These audits have been taken over by Monitor from the Department of Health and the programme was originally designed by the Audit Commission.
14. They are large and very specialised audit programmes. The Pricing team is developing a business case and scoping a competitive contract tender to continue and improve these programmes for the financial years 2015/16 to 2017/18. The team proposes to bring this case to the Board in due course.

**Ric Marshall,
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.