

To: The Board

For meeting on: 17 December 2015

Agenda item: 5

Report by: Toby Lambert, Director of Pricing

Report on: Pricing Update

Pricing's Headlines

1. An engagement on payment options for Mental Health in 2016/17 has now closed and the next steps for mental health payment agreed by Monitor and NHS England.
2. Following agreement by the Joint Pricing Executive (JPE), three options for the development a multi-year tariff are being considered.

Mental Health

3. The Pricing Development team has been working to support the sector to implement new payment models for mental health care. In October 2015, the team engaged the sector on proposed changes to payment rules in 2016/17. Proposals included requiring local payment arrangements to be based on:
 - An episode of care or year of care basis (depending on which was appropriate for the patients underlying condition) or
 - Payment would need to be based on capitation.
4. In both cases there would be a requirement to link a proportion of payment to achievement of locally agreed outcome measures. The engagement closed on 19 November 2015. Feedback indicated the sector supports proposals and the direction of travel, but is largely unable to implement changes in 2016/17 and would be able to do so in 2017/18.
5. Based on this feedback the team plan to amend mental health payment proposals for the statutory consultation. Changes to the payment arrangement for 2016/17 will not be required, but the intention to introduce the rule changes for 2017/18 will be included. Those able to introduce them in April 2016 will be encouraged to do so. For 2016/17, drafting will be clarified within relevant local payment rules to make it clear that unaccountable block contracts are not acceptable, and that payment arrangements need to be developed in a

transparent and evidenced-based way. The drafting of rules relating to data reporting requirements to clarify expectations will also be sharpened.

6. Further, work to deliver support material on mental health payment in December and early in 2016 remains on track. The Development team will publish material to aid local development and implementation of payment approaches, as proposed in our October consultation letter. The Pricing Development team will also engage with the sector via webinars, events and technical workshops. This will help those developing payment options for 2016/17 to move forward, and will provide the rest of the sector with early visibility of guidance material for 2017/18. Pricing is considering further support that may be appropriate post April 2016.

Costing Transformation Programme

7. The Costing Transformation Programme continues to make good progress and is on track towards its key milestones for 2016. In particular, draft Minimum Software Requirements were published ahead of schedule on 17 November 2015 and are being revised in the light of feedback. The majority of respondents found the requirements either quite useful or extremely useful, with 83% of respondents indicating that the requirements will help them with future procurement and implementations of costing software (we are aware of one trust who has used the minimum software requirements as part of their tender process for a new system). These updated software standards are due for publication along with the first draft of new English Healthcare Costing Standards in March 2016. The next major programme milestone will be the publication of a document outlining the Value for Money case for investment in costing, in January 2016.

Long term transformation

8. The Pricing team has continued to develop forward guidance on the transition to the payment approaches set out in “Reforming the payment system for NHS services: supporting the Five Year Forward View”. The JPE recommended that this guidance be provided as part of the 2016/17 Planning Guidance. The guidance will inform the sector about how we might set the national tariff over more than one year, rather than the current annual approach, and our intent to engage on this.
9. Workshops with NHS England have produced three potential options for setting the national tariff over more than one year:
 - i. Set prices and rules in advance for a three year period during which there would be no section 118 consultation unless Monitor and NHS England decide to reopen the tariff
 - ii. Seek to commit to a method of price setting and key input assumptions for a three year period, but continue produce a section 118 consultation and calculate prices annually
 - iii. Set a formula for the calculation of prices in advance for a three year period through the local pricing rules, but only calculate and mandate

prices in advance for years 2 and 3 for a sub-set of services (for example specialised services).

10. These will be appraised and set out in an options paper in February 2016.

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 setting based on efficiently incurred costs. We achieve these through engagement with the sector and clear rules and targeted enforcement.

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:

Some 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