

To: The Board

For meeting on: 25 February 2016

Agenda item: 6

Report by: Toby Lambert, Director of Pricing

Report on: Pricing Update

Pricing Headlines

1. This month's headlines are:
 - The Pricing team published the 2016/17 Section 118 Consultation Notice as planned on the 11 February 2016.
 - The testing of currencies and cost with clinical experts has started.

Pricing Delivery

2. The Pricing team published the 2016/17 Section 118 Consultation Notice on Thursday 11 February 2016. The s118 Consultation Notice is the draft National Tariff document which includes national prices and price setting rules. The document was sent to all relevant authorised responders along with details as to how to accept or decline the proposals. The closing date for the consultation is Thursday 10 March 2016 at 2359 hours.
3. A sector engagement plan accompanied the launch of this publication and included links to NHS England's website, 1:1 key stakeholder conversations and a press release on the day of launch.
4. Subject to any objection to the tariff, according to the current timetable the release of the s118 Consultation Notice should allow providers and commissioners to finalise their contracts by 15 March 2016. In parallel, the Pricing team is finalising non-mandatory prices, some of which were released alongside the s118 Consultation Notice, while others will be released once agreed between Monitor and NHS England.
5. Further, plans continue to be developed to deliver the 2017/18 National Tariff. While this process is ongoing, Pricing continues with a number of workstreams required regardless of the final plan. For example, the team has already calculated a draft set of 2017/18 relative prices under the latest HRG4+ currency design, undertaken work on technical improvements to the tariff model and

commissioned work from the Economics Team on the feasibility of multi-year tariff. Please refer to the Confidential Annex A for further information.

6. We are seeking to agree fundamental policy positions with NHS England now to inform the 2017/18 work programme. These include the choice of currency design, the nature and scope of any multi-year commitment; whether to work up some form of provider specific efficiency ask within tariff; and any update to the Market Forces Factor.
7. The first phase of the delivery of the 2017/18 National Tariff has commenced with initial meetings with the National Casemix Office (NCO) expert working groups (EWGs) to review the policy proposals relating to currencies and analyse the reference cost data.

Mental Health

8. The Mental Health Task Force reported on the 15 February 2016.
9. In January the Pricing Development Team and NHS England's Pricing team's sector support efforts were targeted on three deliverables:
 - a. Guidance on mental health: finalising guidance to accompany the 2016/17 national tariff proposals relating to local payment development for mental health care, and for a proposed change for 2017/18.
 - 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;
 - Payment based on capitation with a proportion of payment linked to achievement of locally agreed outcome measures.
 - b. Webinars: publishing written responses to questions received during the webinars on the long term vision and two payment designs. Both webinars were well attended and feedback was positive. The teams will also be delivering a similar webinar to the NHS Clinical Commissioners' group on 1 March 2016.
 - c. Workshops: scoping workshops to support implementation of proposed capitated or episodic payment approaches. This includes an initial round of workshops in February/March 2016 for those able to implement or shadow test one of these payment approaches in 2016/17.
 - d. The two Pricing teams will then hold a wider set of workshops in the late spring and autumn to support implementation of these payment approaches by the wider mental health sector in 2017/18. The focus of these events will be on the practicalities of implementation. Providers and commissioners at the leading edge will have a large role to play in coaching colleagues.
10. NHS England continued to lead work to develop outcomes measures for mental health care. The Pricing Development team are supporting their efforts and have provided comments on recent documentation as well as helped facilitate a sector event on 15 January 2016 aimed at testing their work to date with patients, clinicians, providers, commissioners and the third sector.

11. The Pricing Enforcement & Case Management team is in the process of auditing five mental health providers to assess compliance against the mandated use of mental health clusters under the rules for locally-determined prices included within the National Tariff. Two audits of providers have been completed and the remaining three will be completed by the end of March 2016.
12. To help prepare mental health providers for patient-level costing, Monitor and HFMA have refreshed the mental health clinical costing standards. Work has focussed on cost allocation methodology, and supporting trusts to understand where they should focus.
13. Invitations have been sent to mental health and ambulance trusts to select a further six providers to become roadmap partners for the Costing Transformation Programme (CTP). There are currently six acute trusts participating in the process for the voluntary adoption of the acute sector in 2017/18.

Costing Transformation Programme (CTP)

14. CTP, the Department of Health and Health Education England are proposing to integrate the Reference Cost and Education and Training cost collections.
15. To deliver benefit soon, CTP and the Tariff design team are assessing how to estimate patient level cost now. This can inform the calculation of the 2017/18 tariff. This is a year earlier than initially planned.
16. The Costing Advisory Group (CAG) met for the second time on 18 January with new members. Four draft costing standards were reviewed by members and comments were broadly positive. The next meeting is scheduled for 11 April 2016.

Long term transformation

17. Monitor's Pricing team continues to support the New Care Models work. Monitor and NHS England held two workshops in London and Leeds on 11 and 13 January 2016 respectively. The workshops brought together almost 60 individuals from Vanguard and Pioneer sites. Sessions covered capitation, 'whole population budget' (WPB), gain/loss sharing and pay for performance. Importantly, sessions were interactive and facilitated discussions between sites that have made progress and the rest of the sector.
18. The team will broaden support to all Multispecialty Community Provider and Primary and Acute Care System Vanguard sites. They expect to launch a series of webinars in March 2016 that will provide more detail on the design stages for WPB.

Pricing Enforcement & Case Management

19. The reference cost assurance programme being delivered by PwC for 2015/16 is on track. The audits assess compliance with Monitor's costing guidance and other pricing obligations. 54 out of 81 site visits were completed in January 2016. The team are currently reviewing draft audit findings. A report summarising the findings of the entire programme will be published later in 2016. The procurement process to identify a supplier for a 3-5 year period from 2016/17 is at the pre qualification questionnaire (PQQ) stage. The team are assessing PQQs submitted by six suppliers.
20. The team has met with the 10 participating trusts in the pilot change agent programme to agree a common way of mapping costs in order to encourage benchmarking and support clinical engagement. The next stage will involve clinicians in their use of information for decision making. The pilot will be evaluated at the end of the financial year to determine how to proceed.
21. Further information on the team's work can be found in the Confidential Annex A.

Operations

22. Together with NHS England and other Pricing teams we have drafted an initial plan for the delivery of the 2017/18 tariff which aims to:
 - a. Publish the Tariff Engagement Document by 30th June 2016
 - b. Publish the s118 by 14 October 2016
 - c. Publish the National Tariff Document by 15 December 2016This is dependant on a number of key factors being decided especially the decision as to which HRG we are using.
23. The Operations team continue to implement governance standards for projects managed across Pricing, including Project Briefs and Project reporting Packs.
24. Operations are continuing to work with Pricing Teams to develop and articulate the metrics required for the KPI's.
25. Started work on Operational Dashboards, centralised Issues and Risks Logs. Once the deliverables have been agreed and Issues and Risks captured. These will populate the Dashboards, to enable a visual view of Teams/ Projects Status.
26. The current recruitment freeze means we are now carrying significant vacancies in a number of areas of the team. In particular, we are proposing extending the contracts of a number of interims into 2016/17; we had initially planned to place these with substantive staff, but have not been able to.

Toby Lambert
Director of Pricing

ANNEX B: Note of the Pricing Executive held on 4 February 2016

Making a difference for patients:

Monitor's mission is to make the health sector work better for patients. This can be achieved by the 2016/17 National Tariff Consultation document being published to the sector to help promote stability.

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.