

**To:** Board

**For meeting on:** 25 November 2015

**Agenda item:** 6

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

**Report on:** Pricing Update

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### **Pricing's Headlines**

1. The feedback from the expert working groups and summer engagement documents has been collated and incorporated in the draft Section 118 Consultation Notice.
2. The team have started the model runs for generating the national prices for the Section 118 Consultation Notice. We are now working through the results and considering how to address disproportionate effects on particular providers.
3. A consultation on payment options for mental health in 2016/17 has been published and the outcome is due by the 25 November 2015.
4. Monitor and NHS England have reached agreement on the Best Practice Tariff evaluation framework.

### **National Tariff Payment System**

5. Following the engagement exercises in the summer, Monitor and NHS England have updated the tariff proposals. Updated proposals have been approved by the joint executive and the Monitor Board. These have been reflected in the subsequent prices modelled. These prices, and the next impact assessment will inform upcoming decisions required to finalise the Section 118 proposals.
6. The team is currently assessing the impact of our updated proposals and modelled prices. Together with NHS England, the team is focussing on a number of specific issues that could require further explanation or changes in Monitor's proposals. An update will be provided to the Board on any significant changes.
7. The pricing team is continuing to engage with the Specialist and Complex Care Advisory Group to progress proposals on specialist top ups and the specialist services risk share. Reaching consensus with the advisory groups is proving challenging. Separate engagement with the sector has occurred for specialist and

complex care with a webinar and further technical information published. The Specialist and Complex Care Advisory Group have also suggested a workplan beyond this year which is being considered by Monitor and NHS England. An update on the proposals is outlined in a separate item on the Board agenda.

8. Monitor and NHS England continue to work together to reach agreement on the likely price levels for the National Tariff Document. Further information on this is the subject of a separate paper on this agenda.

### **Pricing Enforcement and Case Management**

9. **Local Modifications:** The Pricing Enforcement and Case Management (PECM) team is concluding its assessment of local modification applications for next year received from eight providers. A local modification covering an increase in Clinical Negligence Scheme for Trusts (CNST) costs has been declined. One provider has withdrawn its local modification. Four providers do not appear to meet the conditions for local modification applications. Applications from two providers will require further work.
10. **Costing and Coding Audits:** The 2015/16 costing and coding audit programme has commenced. The first group of trusts were audited in the week commencing 26 October 2015.
11. **Continuing Health Care cases:** The team has completed assessments on the remaining Continuing Health Care (CHC) cases and concluded that Monitor will not open formal investigations. This is because:
  - i. Commissioners have provided evidence that they had followed either the Any Qualified Provider procurement route or met the requirement to annually review prices in accordance with the NHS Standard Contract.
  - ii. It was considered to be reasonable for Clinical Commissioning Groups (CCGs) to expect that efficient costs of providing services were reflected in providers' decisions to either agree prices with the CCGs or to trigger the dispute resolution process and cease to provide the services. The solicitor acting on behalf of the care homes has been informed.
12. The PECM team will not open a formal investigation in to a complaint raised by a provider regarding the payment of early pregnancy activity.
13. A formal joint investigation with the Cooperation and Competition Directorate is under way in relation to elective care services in northeast London is on-going.

### **Long-term transformation**

14. The Joint Pricing Executive has recommended to signal a move to a multi year tariff from 2017/18 onwards. The team have started planning and production of forward guidance to the sector on the planned changes in the 2017/18 tariff and on the transition path to the payment approaches set out in 'Reforming the payment system for NHS services: supporting the Five Year Forward View'. The

aim is to provide the forward guidance on the National Tariff as part of the planning guidance to CCGs in December 2015.

## **Mental Health**

15. The Pricing Development team have been working on how to support the sector in implementing new payment models for mental health. The team issued a consultation letter to the sector with responses due back on 19 November, and decision will be made about payment approach for 2016/17 by 23 November 2015.

## **Best Practice Tariffs**

16. In May 2015, the Joint Pricing Group recommended that the team develop a framework for evaluation criteria to assess the potential introduction of a new Best Practice Tariff (BPT) and when to retire an existing one. This will streamline the joint decision making process and provide a shared understanding on which potential BPT gets produced.

17. The framework was presented to and agreed by the Joint Pricing Group on 20th October 2015.

## **Costing**

18. Monitor's Costing Team organised a third voluntary patient level cost data collection to support the Costing Transformation Programme. Data on over £14.9bn worth of cost data spread over 8 million inpatient care Finished Consultant Episodes (FCEs) was submitted. 68 providers participated, 44 of which participated for the third time, which will allow Monitor to perform year on year analysis of activity and cost data. 11 providers that had not previously participated submitted returns.

19. A summary of the findings will be published in February 2016 alongside a benchmarking tool and a webinar.

## **Costing Transformation Programme:**

20. Recruitment in the Costing team is complete, with a full contingent of new starters onboarding between November and January, including a new permanent Director of Costing.

21. The value for money publication has been delayed due to a higher than expected response from the sector of high level case studies and other potential evidence to support the implementation of Patient Level Information and Costing Systems (PLICS). Further time has been committed to properly analyse and collate the information to assess potential to be included in the publication in early in 2016.

22. The first draft of PLICS software requirements specifications document was published on 30 October 2015 for consultation. The engagement period is three weeks. This document sets out the functional requirements for costing of NHS services, based on the new costing methodology to be defined by the English Healthcare Costing Standards. Feedback is due 20 November 2015 and the final draft is due to be published in March 2016.

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

**Making a difference for patients:**

*Monitor's mission is to make the health sector work better for patients. Through the delivery of the tariff, the new models of care and the costing transformation programme we are reiterating our commitment to the vision of a sustainable NHS that meets the needs of a population increasingly living with the diseases of lifestyle and aging set out in the five year forward view.*

**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 disclosure under the Freedom of Information Act 2000.*

## **ANNEX: REPORT OF THE PRICING EXECUTIVE MEETING ON 4 NOVEMBER 2015**

### Q2 Risk and Performance Report 2015/16

1. The Pricing Executive (PE) considered the quarterly risk and performance report, business plan performance and key performance indicator updates for the Pricing team, and discussed the top risk issues in relation to the acceptance of the 2015/16 and 2016/17 National Tariff.
2. The PE considered the development and evaluation of pricing for specialised services not currently covered by national prices. The Monitor Pricing team and NHS England would will host a webinar for the sector in November on the outcome of work on specialised services risk share and top ups.
3. The PE discussed the results from the engagement with the Specialist and Complex Care Advisory Group (SCCAG). Members of the SCCAG are not yet convinced of its merits of the proposed approach to reimbursing specialised services.