

To: The Board

For meeting on: 28 April 2016

Agenda item: 7

Report by: Toby Lambert, Director of Pricing

Report on: Pricing Update

Pricing Headlines

1. This month's headlines are:
 - i. The 2016/17 National Tariff Payment System Document was published on 23 March 2016.
 - ii. Costing have published Patient Level Costing - Case for Change and; a first draft of the Acute focused Costing Standards.

National Tariff

2. Monitor and NHS England published the 2016/17 National Tariff Payment System Document on 23 March 2016. Approximately 250 responses were received and analysed over the course of the s.118 consultation period. No significant issues were raised, but a number of minor corrections were made to the National Tariff (price adjustments and clarifications) on the basis of the feedback.
3. In parallel, the Pricing team has continued work on the 2017/18 National Tariff. The first set of draft prices have been calculated and passed to the Currency Integration and Tariff Design team for engagement with Expert Working Groups. The draft prices are based on HRG4+ phase three currency design. In addition, drafting of the 2017/18 Tariff Engagement Document has also begun.
4. Work is underway on the 2017/18 Enhanced Impact Assessment project. This aims to better understand the impacts of the tariff proposals, and better align these with the sector's expectations.
5. Tariff Delivery has begun showcasing the Metrics Engine – a tool that illustrates the journey from reference costs to prices. The tool will help Pricing to:
 - i. provide more transparency;
 - ii. engage with the sector on how prices are set;
 - iii. consider which policies may need to be reviewed;
 - iv. examine the impacts of possible policy changes; and
 - v. spot and correct anomalous outcomes.

Mental health

6. Pricing Development, together with NHS England, continue to produce a sector support programme to ensure mental health providers and commissioners implement one of two proposed payment approaches in 2017/18: a capitated or an episodic/year of care approach.

Long term transformation

7. Pricing Development continue to support the New Care Models work in collaboration with NHS England. The team is providing support to six Multispecialty Community Provider (MCP) and Primary and Acute Care System (PACS) vanguard sites¹ to develop their whole population budgets (WPB) by June 2016. This will enable the six vanguard sites to start shadow testing their whole population budget by July 2016, in preparation for planned implementation by April 2017.

Pricing Enforcement and Case Management

8. The 2016/17 costing assurance programme is on track. Site visits have been completed and draft reports and action plans are being agreed with providers. A sector report on the work of the programme will be produced once the audit reports have been agreed.
9. Please refer to confidential annex A for further information.

Costing Transformation Programme (CTP)

10. On 11 April 2016 Costing launched two major publications: Patient Level Costing - Case for Change and; a first draft of the Acute focused Costing Standards. The Case for Change document will provide Trusts with evidence to build a Business case to invest in a Patient Level Costing System (PLICS); and the Costing Standards are the first iteration of the methodology and principles required to standardise the ways costs are generated.
11. The Costing Director has undertaken media interviews which air in early April and is the keynote speaker at the HFMA Costing Conference later this month. These initiatives will increase awareness of CTP and will be followed up with a sector engagement strategy to ensure investment decisions are made in PLICS and provider networks are established to develop the use of costing.

Confidential Annex A – Pricing Enforcement and Case Management Confidential Annex B – Report of the Pricing Executive held on 18 April 2016

¹ MCP sites: Dudley, Tower Hamlets, Whitstable (Kent)
PACS sites: Isle of Wight, Mid-Notts, Northumberland

Public Sector Equality Duty:

NHS Improvement 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 believe the paper will not have any adverse impact upon these groups and that NHS Improvement has fulfilled its duty under the Act.

Exempt information:

Part 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.