NHS England and NHS Improvement Board meetings held in common

Paper Title:	**Request for delegated responsibility for National Tariff consultation publication**
Agenda item:	13 (Private session)
Report by:	Julian Kelly, Chief Financial Officer
Paper type:	For decision

Summary/recommendation:
The Boards are asked to:

- endorse the policies proposed for inclusion in the statutory consultation on the 2020/21 National Tariff; and
- delegate the responsibility for determining the final detailed policy proposals, impact assessment and complete statutory consultation materials (for planned publication in November 2019) to the Joint Pricing Executive (JPE).

Background

1. This paper summarises the proposed policy changes to the national tariff for 2020/21. The paper focuses the policy changes with highest impact, but Appendix 1 contains a full list. More details are available on request.

2. All policy proposals have been through a rigorous joint NHS England and NHS Improvement governance process of workstream boards, Joint Pricing Group (JPG) and Joint Pricing Executive (JPE) discussions. Key policies have also previously been presented to the Joint Finance Advisory Group (JFAG).

3. Under the Health and Social Care Act 2012 all proposals for the National Tariff must be formally agreed between NHS England and NHS Improvement (Monitor). JPE is the forum in which such formal agreement is reached on behalf of the respective statutory bodies – it is attended by the Director of Strategic Finance (NHS England) and the Director of Provider Transformation (NHS Improvement/Monitor) – subject to any decision reserved to the Boards.

4. The proposals for 2020/21 have been informed by feedback from providers, commissioners and other stakeholders (such as representative bodies and independent sector organisations). A series of workshops were held in early September to discuss initial policy proposals and draft prices were reviewed by stakeholders and clinical expert working groups. Stakeholder opinion is included alongside the description of the main policy changes.

5. The current plan is for the full set of detailed proposals to be issued for consultation (in accordance with section 118 of the 2012 Act) in November 2019, with a final decision and publication of the National Tariff in February

2020 (in time for April 2020). Following the statutory consultation period in November and December NHS approval will be sought for the publication of the finalised National Tariff.

Summary of proposals

The key policy proposals for the 2020/21 National tariff are set out below. A complete list of policy proposals can be found in appendix A.

Strategic alignment

6. These proposals continue the work started in the 2019/20 National Tariff to bring the payment system into alignment with wider system developments and, in particular, the NHS Long Term Plan (LTP). The LTP commits to moving to a blended payment approach and updating the MFF, aims which were partly delivered by the 2019/20 National Tariff. The further roll-out of blended payment now proposed supports the LTP commitment to moving away from episodic based reimbursement methods and towards population-based payment.

Duration and calculation

7. The 2020 National Tariff will be based on the price relativities of the 2019/20 tariff.

Promotion of blended payment models

8. The proposals for 2020/21 include changing the default payment mechanism for maternity, outpatient attendances and adult critical care to a blended payment approach.

9. The key aim of blended payment is to focus the efforts of providers, commissioners and other local health and care system partners on agreeing how best to use available resources to provide high-quality, responsive services for patients in the most cost-efficient way. The blended payment framework comprises four elements – a fixed payment plus at least one of: variable payment; risk share; outcomes payments. The framework is intended to be flexible such that different blended payments can be designed for different service areas to maximise value for patients and populations. Blended payment differs from the current default payment mechanism. By having components that are not episodic it seeks to incentivise collaboration and enable service reconfiguration.

10. The Pricing and Costing team is currently engaging with the sector on policy proposals for April 2020 and will use the feedback obtained to further refine the proposals for formal s118 consultation in November. The blended payment design options for each of the three priority areas outlined above have been developed based on the strategic and clinical objectives for those areas and is taking into account feedback from national policy leads and sector representatives.

11. Under the proposed arrangements local areas would continue to have the flexibility to move away from tariff defaults and agree contracts to best suit their health economies. None of these proposals prevent areas from developing payment methods at greater pace if they are able.

12. As with the emergency care blended arrangements introduced in the 2019/20 tariff, the Pricing and Costing team are considering the introduction of a threshold under which blended arrangements would not apply.

13. Feedback to date has been mixed with stakeholders understanding the aims of the outpatients and maternity blended payment proposals however there is less support for blended payment in adult critical care. Some stakeholders believe the proposed changes do not go far enough.

Supporting clinical and operational priorities

14. Proposals for the 2020/21 National Tariff also include changes to support clinical and operational priorities, including:

    - amending the stroke best practice tariff to support the clinical review of NHS access standards;
    - implementing a new best practice tariff for adult asthma care;
    - extending the fragility hip fracture best practice tariff to include a wider scope of activity;
    - supporting the use of AI/machine learning through new tariff developments; and
    - piloting a new payment approach for complex knee revisions to support GIRFT recommendations.

Further development of the Market Forces Factor (MFF)

15. The market forces factor is used to recognise unavoidable cost differences between providers. In the 2019/20 National Tariff, the method and data used to calculate provider MFF values was updated. Given the significant changes this involved, a transition path moving to the new values over a five-year period was introduced.

16. During the development of the 2019/20 National Tariff there was considerable feedback on the MFF changes which highlighted areas where further work may be appropriate. These included how the staffing elements are calculated and whether there are further factors where costs varied between organisations that were not accounted for. The Strategic Finance teams reviewed that feedback ahead of the 2020/21 National Tariff, including significant engagement with the sector. **Centralised procurement**

17. In the 2019/20 National Tariff prices and CCG allocations were adjusted to reflect the new arrangements for NHS procurement. This enabled Supply Chain Coordination Limited (SCCL) – the organisation managing the procurement towers to be centrally funded. Central funding meant that SCCL's costs were no longer recouped through a mark-up on the products and services they delivered and therefore the prices paid by purchasing trusts were reduced. The

adjustment reflects costs relating to services covered by the national tariff, and not those covered by other SCCL income streams.

18. As per SCCL's business plan, there is expected to be a small increase in running costs in 2020 (likely around £10-20m). Based on a steer from the Chief Financial Officer the Pricing and Costing team do not propose to make any increased adjustment to national tariff prices. Whilst this is supported by providers it may generate opposition from the Department of Health and Social Care (DHSC) and SCCL itself.

19. The joint NHS England/NHS Improvement Pricing governance process has examined the proposals and noted the risks involved. A risk register is held by the programme and as appropriate risks are reported to the corporate risk register.

Next steps

20. The Pricing and Costing team is currently undertaking policy engagement before finalising proposals for the statutory consultation.

21. The consultation is proposed to run in November in order to support the annual planning process. If for any reason the consultation is delayed then information will be made available to aid the planning process.

Conclusion

22. The Boards are requested to delegate to the Chief Executive, Chief Operating Officer and Chief Financial Officer, responsibility for determining the final detailed proposals for consultation, and the associated impact assessment and statutory consultation notice.

Appendix A List of main proposals being consulted on for the 2020/21 National Tariff

- Introduction of blended payments in the following areas:
    - Outpatient attendances
    - Maternity
    - Adult Critical care
- Price setting
    - Rolled over price relativities from 2019/20
- Manual adjustment to prices
    - Considering changes in glaucoma and sleep studies
- Market forces factor
    - Review of the 'other' component including the treatment of building lease spend
    - Consideration of the merits of refreshing the data with the latest available
- Consider transition arrangements High cost drugs and devices
    - Add 42 drugs to the exclusion list
    - Remove 7
    - Add 2 devices to the list
    - Support the central funding of the Innovation and Technology Tariffs/Payments (ITT/P)
    - Support Specialised Commissioning funding of cancer genomic testing
- Best Practice Tariffs (BPTs)
    - Add one new BPT – adult asthma
    - Amend the acute stroke, daycase and fractured neck of femur BPTs
    - Also considering amendment to the heart failure and transient ischaemic attack BPTs to align with NICE guidelines
- Centralised procurement
    - Not to make any further adjustments for centralised procurement
- Specialist services
    - Proposing to pause the transition on top up funding while further work on reimbursing complexity in the tariff is concluded
    - Working with specialised commissioning and GIRFT to ensure that top ups support and complement the national work in these areas
- Chemotherapy
    - Considering how the tariff can be made more effective in this area based on extensive feedback. Proposals are still under development but include incorporating the cost of supportive drugs into the chemotherapy delivery tariffs and retiring regimens as a basis of reimbursement for chemotherapy procurement.
- Non mandatory prices
    - Introducing non-mandatory benchmark prices for neonatal critical care and IAPT services. There could also be benchmark prices to support the adult critical care blended payment.