

Tariff and payment adjustments, 2022/23

6 September 2021

NHS England and NHS Improvement



- This webinar is part of our engagement on potential policies for 2022/23.
- It is intended to support the series of engagement workshops that are running throughout September.
- It is focussed on some of the payment and tariff policies that we are considering for 2022/23 – it is not discussing the financial arrangements that will be in place for 2021/22.
- You can ask questions using the chat box and we will address as many of them as we can.
- The session will be recorded and will be available to view after the event.

Please note: We are discussing, and seeking views on, policies in development, not final proposals. We will continue to work towards the statutory consultation on the 2022/23 tariff.

Speakers:

- Rob Unsworth, Head of Payment Policy
- Mat Marsh, Payment Development Manager
- Alastair Brett, Senior Engagement Manager

- Policies being considered for 2022/23 are shaped by three important contexts:
 - **COVID-19** – in particular, the NHS response to the pandemic, the financial arrangements implemented as part of that response, and now the need for NHS financial architecture to support recovery and address the backlog
 - **The Health and Care Bill** – central to the legislation is Integrated Care Boards (ICBs) being established as statutory bodies, crystallising the shift from competition to collaboration as the key driver of improvement for the NHS
 - **The NHS Long-Term Plan** – continues to be the plan that we are working to. This includes the LTP commitment to payment system reform and moving away from activity-based payments to ensure a majority of funding is population based.
- We are also working to ensure that health inequalities are carefully considered in all our work, and the policies we will choose to propose.
- We're anticipating **setting the national tariff for one year – 2022/23**. We feel that there is too much uncertainty for to set it for longer.
- The starting point for 2022/23 will be the 2021/22 national tariff, including the aligned payment and incentive blended payment arrangements that cover almost all secondary healthcare services. That will be covered in more detail in the workshops.



Publication of 2021/22 national tariff is still planned for autumn 2021.

Market forces factor

- The market forces factor (MFF) estimates the unavoidable cost differences between healthcare providers. It is used to adjust resource allocations in the NHS in proportion to these cost differences, so that patients are neither advantaged nor disadvantaged by the relative level of unavoidable costs in different parts of the country.
- In 2019/20, the data and calculation method for the MFF were updated. The data had not previously been updated for almost ten years. The resulting changes are being introduced over a five-step glidepath.
- The 2021/22 tariff moved to the third step of the glidepath. For 2022/23, we are considering three options:
 - a. Making no changes to MFF values** – maintaining the MFF values used in the 2021/22 tariff (step three of the 2019/20 MFF glidepath).
 - b. Moving to the fourth step of the 2019/20 MFF glidepath** – a similar change as the 2020/21 to 2021/22 tariffs as the glidepath operates in equal steps.
 - c. Updating the data used to calculate MFF values** – implementing a new glidepath if needed
- Analysis of the MFF values produced by the updated data indicates that some providers' values, including some in London, would change in the opposite way to the glidepath. However, as the time since the last update is relatively short, the changes are smaller than those in the 2019/20 update,

MFF options



Option	Pros	Cons
A – hold at step 3 of current glidepath	<p>Avoids uncertainty and potential volatility.</p> <p>Ensures organisations do not move in opposite direction to that indicated by data update.</p>	<p>MFF values do not progress towards target, extending the length of the glidepath.</p>
B – move to year 4 of current glidepath	<p>MFF moves closer to target values.</p> <p>The change may be expected by stakeholders.</p>	<p>Increased risk MFF values deviate from underlying data, requiring bigger changes in the future.</p> <p>Analysis suggests that the glidepath may move some providers' MFF values in a different direction to updating the underlying data.</p>
C – update the underlying data for the MFF and create a new glidepath if needed	<p>MFF reflects more recent available underlying data.</p> <p>Uses 2019/20 datasets. 2020/21, and likely 2021/22, datasets will be impacted by COVID-19 and may not be suitable to use in an MFF update. May not be possible to update data for some time.</p> <p>Update results in smaller impacts than the 2019/20 data update.</p>	<p>The underlying data is from 2019/20, so would not capture the impact of COVID-19 or Brexit.</p> <p>Creating new MFF values could create uncertainty in the challenging times of COVID-19 recovery.</p> <p>Changing an active glidepath could reduce trust in the stability of future glidepaths.</p>

High cost drugs and devices

Funding high cost drugs and devices within the fixed element



- Under the financial arrangements for 2021/22, different categories of high cost drugs and devices are reimbursed in the following ways:
 - Cancer Drugs Fund, Hep C and the majority (by value) of other specialised high cost drugs are funded on a **cost and volume basis**.
 - Specialised drugs and devices which are not expected to be volatile in terms of uptake are funded within **provider blocks**.
 - CCG-commissioned high cost drugs and devices are funded within **provider blocks**.
- We are considering **continuing with these arrangements for 2022/23**:
 - Funding for high cost drugs and devices commissioned by ICSs, and certain other specialised drugs funded by NHS England Specialised Commissioning, would be included in the API fixed element.
 - The majority (by value) of other specialised high cost drugs and devices would be funded on a cost and volume basis.

High cost drugs and devices – exclusions from prices



- Within the national tariff, some high cost drugs and devices are excluded from the calculation of unit prices and national prices. As medical practice changes and new drugs and devices are developed and adopted, the lists of high cost drugs and devices needs to be kept as current as practically possible.
- The lists are reviewed each year, with nominations for additions or removals from the high cost drugs and devices lists reviewed by expert steering groups.
- For 2022/23, nominations can be submitted until 30 September, using a form that can be downloaded from the NHS England and NHS Improvement website:
www.england.nhs.uk/pay-syst/national-tariff/developing-the-national-tariff/#HCDD

MedTech Funding Mandate

- The MedTech Funding Mandate was introduced in April 2021 to support the uptake of NICE-approved innovative products. The Mandate requires commissioners to pay providers wishing to use the products it covers. At launch, there were four products on the Mandate.
- The 2021/22 national tariff rules mean that products on the MedTech Funding Mandate should be funded separately to the tariff. However, confusion about how the products should be funded under the block payment arrangements has led to mixed and limited uptake.
- A project group, made up of senior clinicians and relevant policy colleagues, has considered how to better support the adoption and spread of innovations. It carried out extensive engagement and identified a range of options:
 - Do nothing: Retain the status quo on support for the policy
 - Mandated fixed and variable payments
 - Centrally funded approach
 - Phased approach with transitional arrangements from central to local
 - Locally funded approach
- Central funding was a popular option. However, it could be difficult to implement successfully (for example, it is unclear if the ITP programme significantly increased uptake). In addition, it would also involve reducing allocations to ICSs and creating a large admin burden, both centrally and locally.
- We are therefore considering the **mandated fixed and variable payment** approach.

MedTech Funding Mandate – 2022/23 payment policy



- We are considering proposing a payment rule to include funding for MedTech Funding Mandate products in aligned payment and incentive blended payment agreements, providing clear guidance and business cases for established products, to support implementation.
- This would mean that known costs would be included in the fixed element, while the variable payment would cater for variations from planned activity, and could also be used to incentivise specific areas such as patient outcomes and data collection as agreed locally.
- This approach aligns better with the MedTech Funding Mandate itself, and the direction of national payment policy towards blended payment.
- Feedback from the July engagement indicates that there is good support from stakeholders. However, we are also seeking feedback during September.
- There are various options for implementing the payment rule, which we are engaging on:
 - Include in fixed payment – with no variable payment
 - Include in fixed payment – with variable payment to address variations from plan
 - Include in fixed payment – with outcome-based payment adjustment (potentially +/-)
 - Exclude from fixed payment and mandate pass through payment
- **For more details, please join our [‘Innovation and the MedTech Funding mandate’](#) discussion session on 29 September.**

Policies with minimal changes for 2022/23

- Each national tariff includes a cost uplift factor (to reflect inflation and other cost increases) and an efficiency factor (to drive continuous improvements in efficiency). These factors are used to adjust the tariff prices – and providers and commissioners need to have regard to them in any local pricing agreement.
- We are working with colleagues from across finance to review the cost adjustment factors to be proposed for the statutory consultation for the 2022/23 tariff.
- The cost adjustments also continue to be relevant for the aligned payment and incentive agreements and other local pricing arrangements and should be one of the key factors considered in setting any agreement.
- We are not expecting to introduce any ‘Covid adjustment factor’ to account for changes in costs as a result of Covid-19.

Financial incentives for quality – best practice tariffs and CQUIN



- Best practice tariffs (BPTs) and CQUIN have both intended to provide financial incentives for quality of care delivered.
- BPTs would usually increase the prices paid for care that confirmed with certain quality criteria, with other prices for the same activity being reduced.
- The move to that aligned payment and incentive blended payment, and using fixed payments for the majority of activity, for the 2021/22 tariff required a change in the way BPTs operated.
- Best practice tariffs have been developed with clinicians and it is important that BPT's emphasis on delivering the best quality care for patients is not lost. As such, BPTs were included in the aligned payment and incentive blended payment model as part of the variable element.
- As such, in setting a fixed payment, local areas should agree the level of BPT achievement included. Where actual achievement differs, the variable element would be adjusted accordingly.
- CQUIN achievement is also part of the variable element. However, the fixed element should be set on the assumption of full CQUIN achievement, with deductions then made through the variable element if this level is not met.
- For 2022/23, we are not expecting to make any changes to how BPTs and CQUIN operate, as part of the aligned payment and incentive variable element. However, we will review individual BPTs and CQUIN metrics to ensure they remain appropriate.

- In 2019/20 £204 million was taken out of commissioner allocations, with tariff prices being lowered accordingly, to reflect the arrangements for central funding of the overhead costs of Supply Chain Coordination Ltd (SCCL). The aggregate reduction was unchanged for the 2020/21 and 2021/22 tariffs.
- The exceptional additional costs relating to procurement of personal protective equipment (PPE) as a result of the COVID-19 pandemic are largely being borne by the commercial directorate and government departments and so would not be expected to be covered by the amount removed from tariff.
- We are considering whether it would be appropriate to propose **making no changes to the amounts for 2022/23.**

Complexity adjustments and specialised services



- For 2022/23, we are considering whether to continue to make no changes to:
 - **specialised services transition path (keep on hold at 50%)**. The path was introduced following the 2017/19 tariff move to prescribed specialised services (PSS) designation of specialised services.
 - specialist top-up payment rates, meaning they would remain the same as 2021/22.
 - the content of PSS identification rules (IR).

- For 2022/23, we are considering continuing to include CNST in tariff prices as in previous years.
- However, we have also started some longer-term work to:
 - explore policy options for reforming clinical negligence scheme for trusts (CNST) contributions and NHS payments, so that **incentives are stronger** on NHS providers to reduce clinical negligence costs, while **recognising the costs** that are reasonably unavoidable due to historic claims.
 - improve transparency for systems in **understanding CNST contributions** and NHS payments. This includes providing direct learning from claims to systems and enabling them to access benchmarking through the Model System platform.
- In summary, we are working to:
 - improve the incentive mechanism by **treating claims older than 10 years as system costs**. This will be trailed for maternity in 2023/24.
 - explore options for a **long-term solution** for reflecting CNST in fixed payments.

Health and Care Bill: potential changes to the payment system

The NHS Health and Care Bill contains changes relating to the payment system, including:

- Changing the name from 'National tariff payment system' to '**NHS payment scheme**'.
- Increasing flexibility for setting prices, **allowing prices to be set as a formula** as well as a £ value.
- **Allowing prices to apply differently in different circumstances** – enabling specification of where national prices apply and where they don't (eg prices to be national prices for activity outside the scope of blended payment but not for activity within the scope).
- Allowing payment rules to be set for **section 7A** public health services commissioned by the NHS.
- **Removing the possibility of referring to the CMA** if the consultation objection threshold is met.
- **Removing the local modifications clauses** and replacing them with rules that determine when a modification or variation requires approval by NHSE.
- **Removing the prohibition on setting pricing rules by reference to the status of the provider** (i.e. whether NHS/public/private/charity, etc). This would allow the rules to address situations where costs or other financial factors are applicable to one group (eg NHS providers), but not, or to a lesser extent, others (eg independent sector providers).

Any questions?

You can also contact us on: pricing@england.nhs.uk