

# Introduction to the 2022/23 national tariff

28 April 2022

NHS England and NHS Improvement



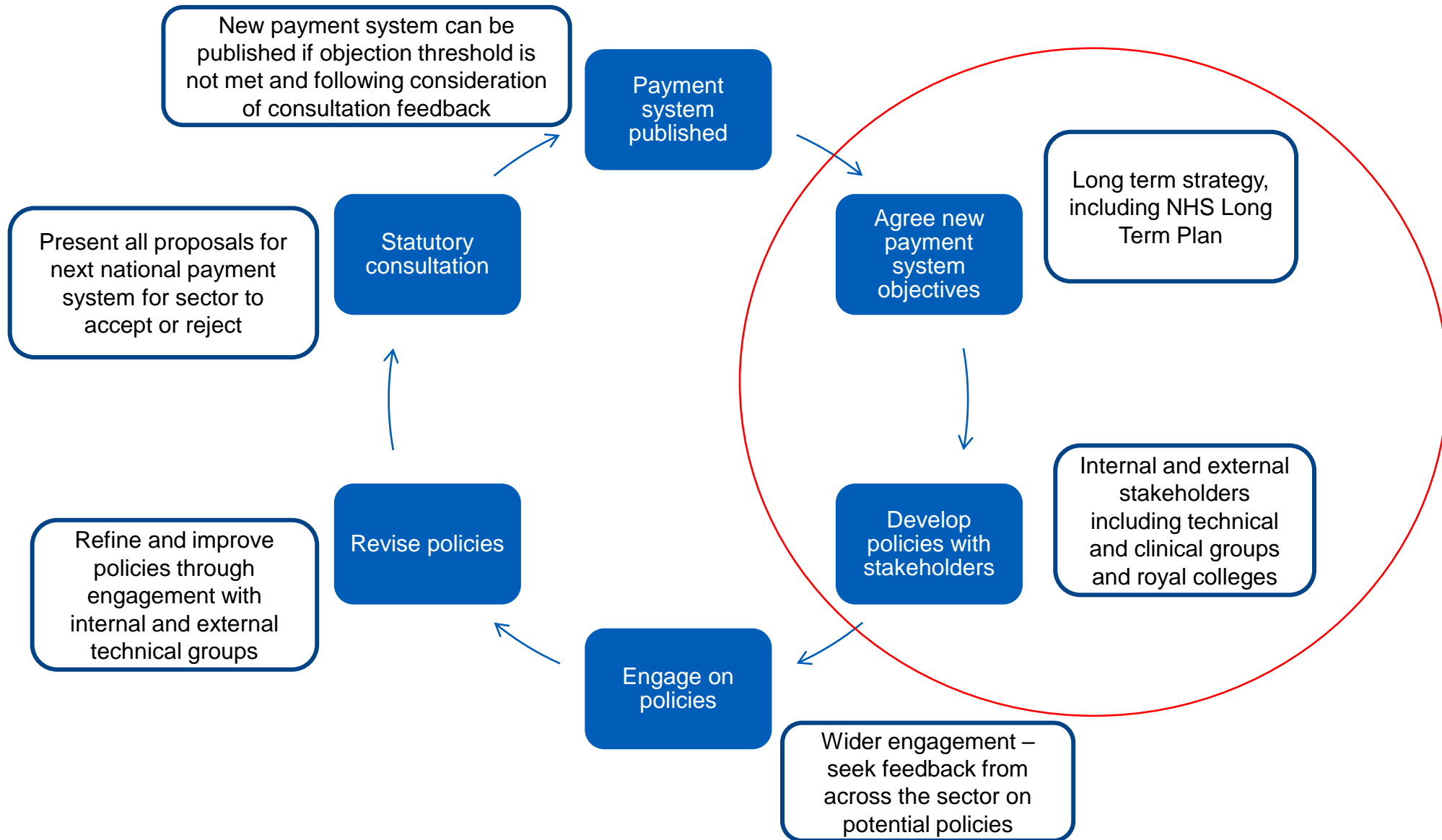
## 2022/23 National Tariff Payment System

31 March 2022

- This session describes the 2022/23 national tariff, which came into effect on 1 April 2022.
- You can ask questions throughout, using the chat function, and we will address as many of them as we can. Please include your name when asking question.
- This session is intended as an introduction and overview of the tariff. If you have detailed questions about your specific situation, please use our enquiries function – [pricing@england.nhs.uk](mailto:pricing@england.nhs.uk)
- The session will be recorded and will be available to view after the event. We will also publish the slides alongside the recording. All available via our [Developing the national tariff](#) web page.

# Background

# Payment system development cycle

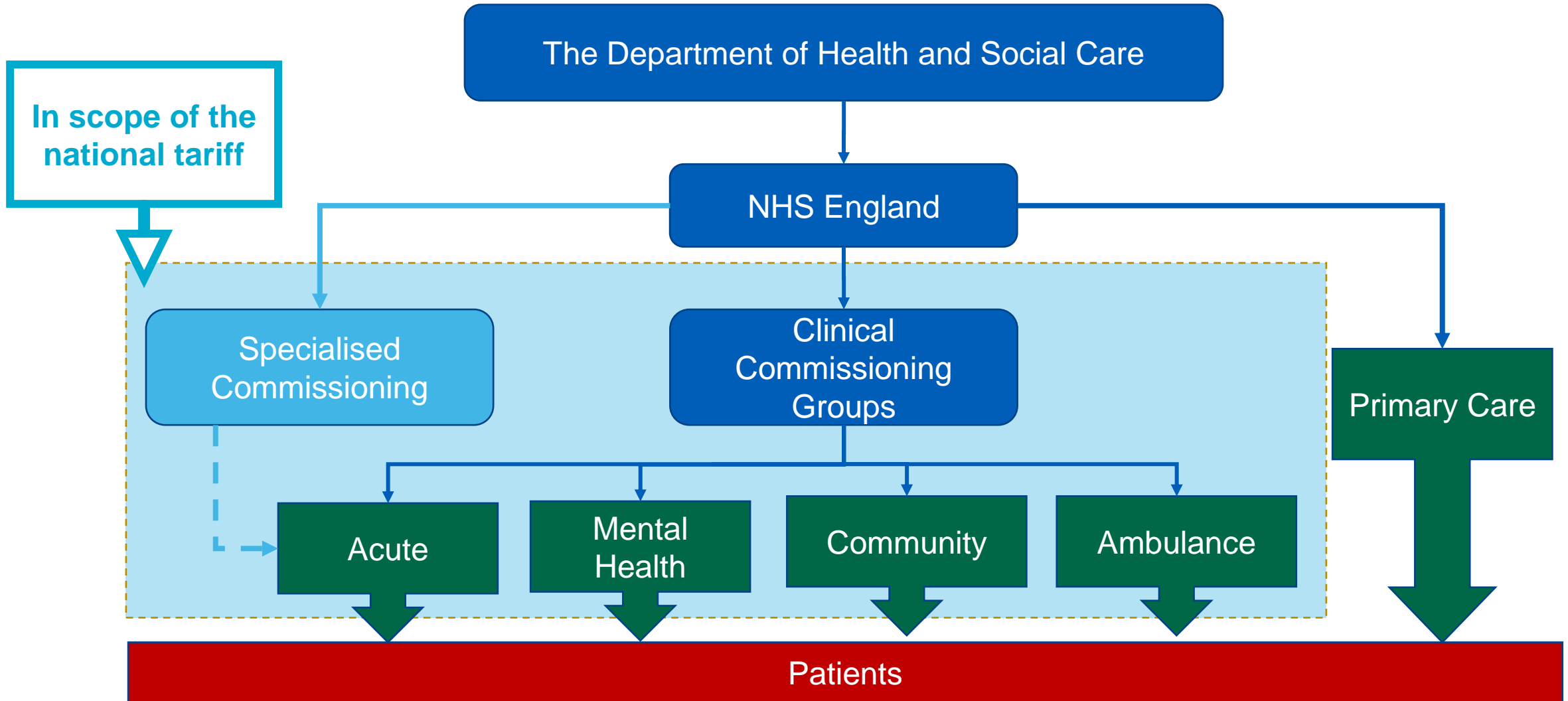


# What is the national tariff?

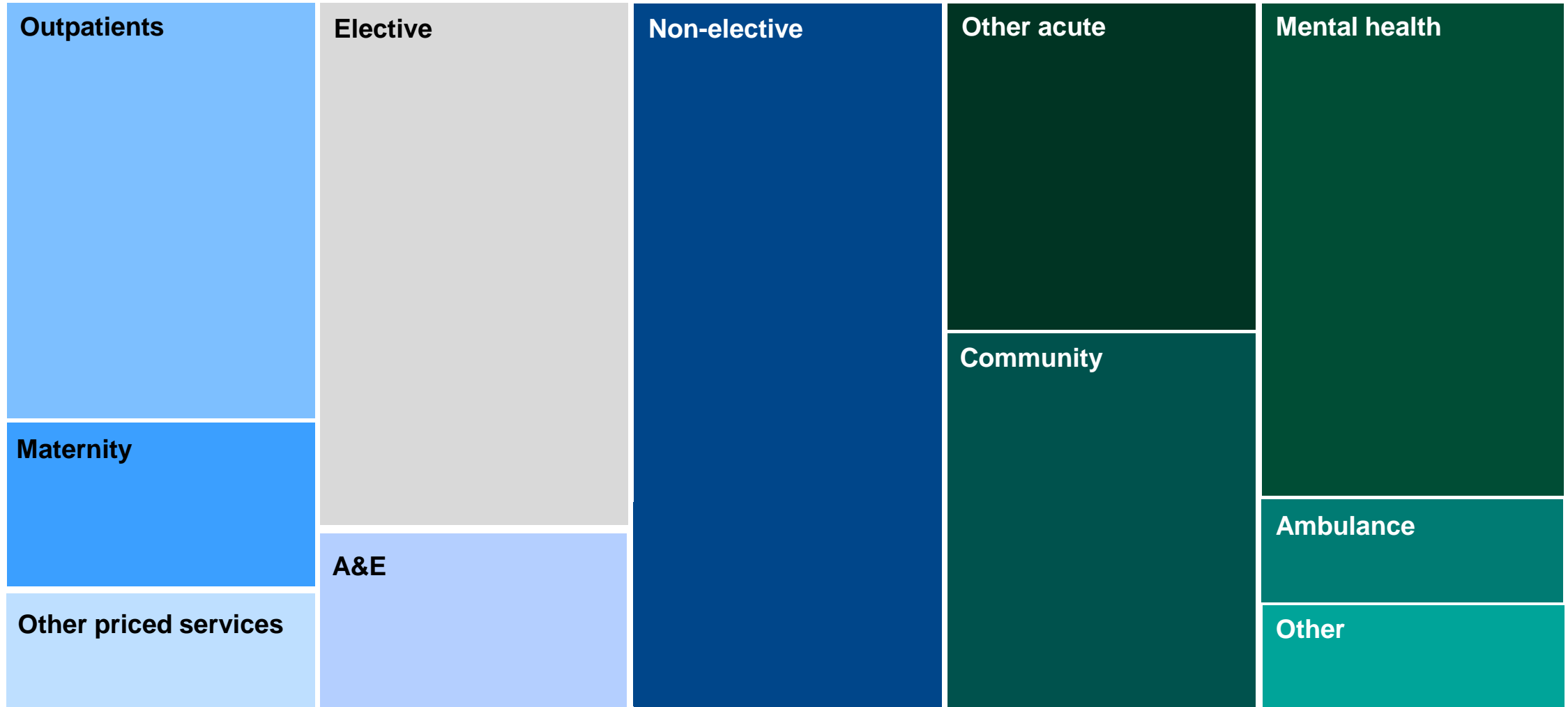
The National Tariff Payment System is a set of **rules, prices and guidance** used by providers of NHS care and commissioners to ensure available funding delivers the most efficient, cost effective care to patients.

The payment system does not dictate the amount of funding available.

# NHS Funding Flows

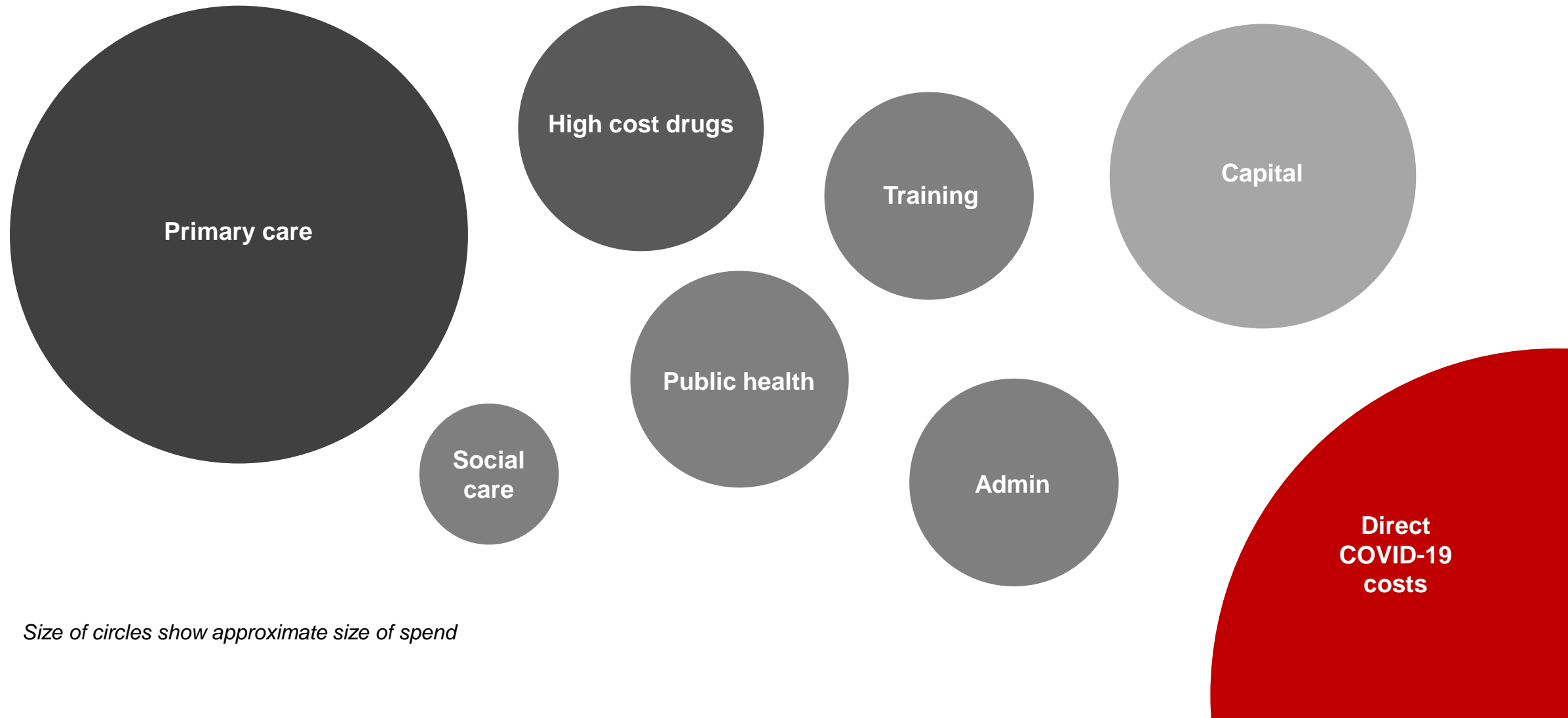


# What is in scope of the tariff?



*Size of blocks show approximate size of spend*

# What is out of scope of the tariff?



*Size of circles show approximate size of spend*

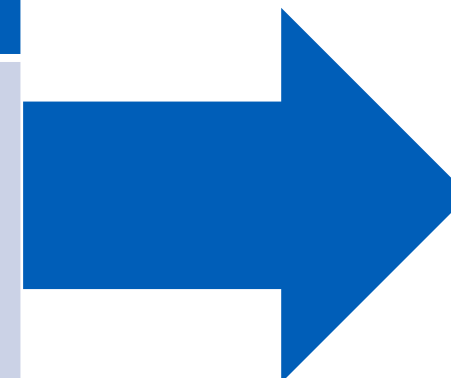


# NHS payment system – recent history



2003/04 – 2013/14	2010/11	2014/15	2017/18	2019
<b>Payment by Results (PbR).</b>	First Best Practice Tariffs (BPTs) introduced.	<b>National Tariff Payment System</b> replaces PbR.	Move to HRG4+ currency design, increasing the number of prices and range of complexity they cover.	NHS Long Term Plan commits to payment system reform, moving away from activity-based payment.

2019/20	2020/21 – 2021/22	2021/22	2023/24 –
Blended payment introduced for urgent and emergency care and adult mental health services.	Block payment arrangements used for almost all services as part of NHS response to COVID-19.	Aligned payment and incentive (API) blended payment introduced to cover almost all activity in scope of tariff. API not used in practice until 2022/23.	<b>NHS Payment Scheme</b> due to replace National Tariff Payment System.



# Blended payment

# Blended payment – overview

A **fixed element**, set based on forward-looking forecasts of activity and costs.



At least one of...

variable element

and/  
or

risk-sharing  
element

and/  
or

quality- or outcomes-  
based element

# Blended payment – aligned payment and incentive

A **fixed element**, set based on forward-looking forecasts of activity and costs.



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or

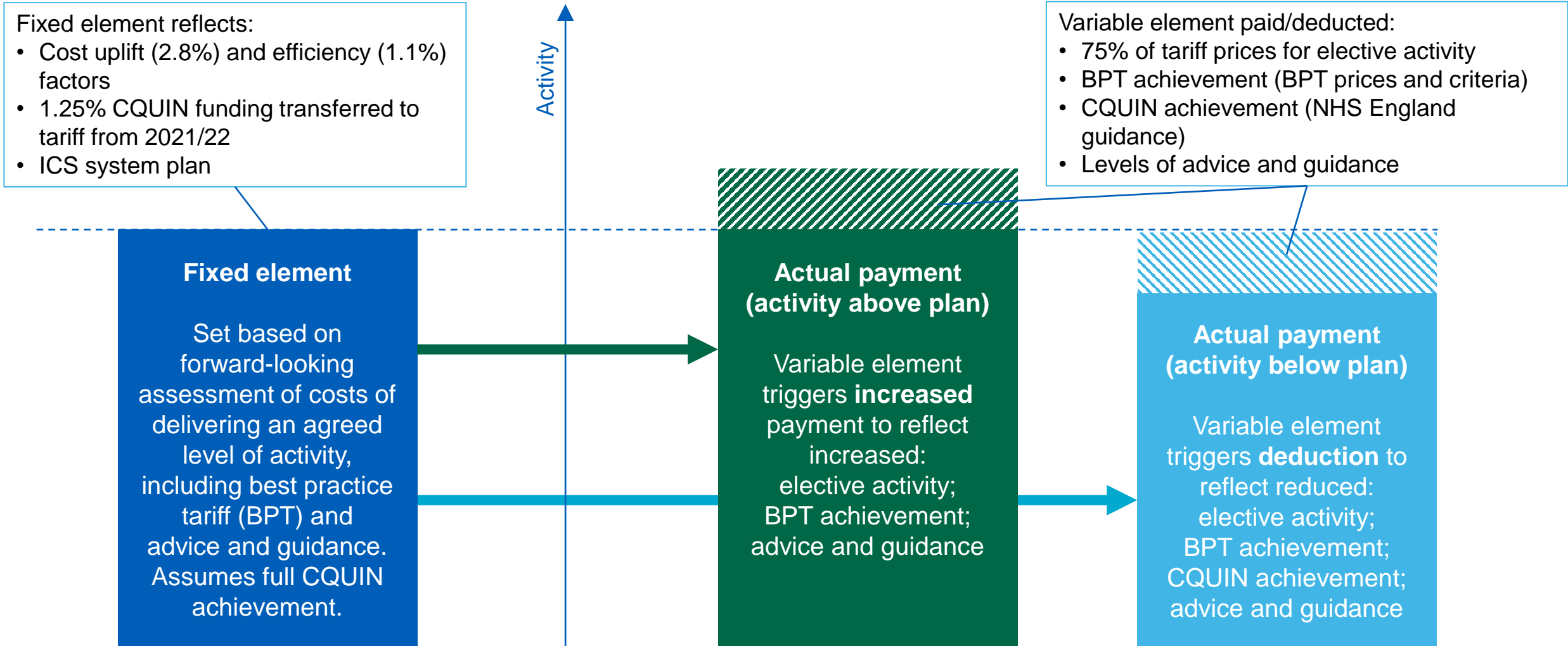
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# 2022/23 national tariff

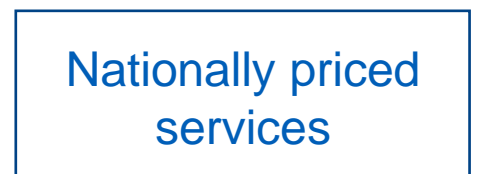
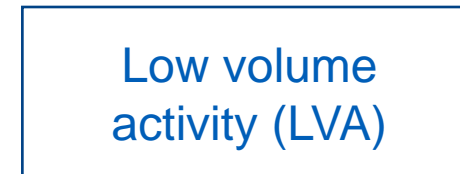
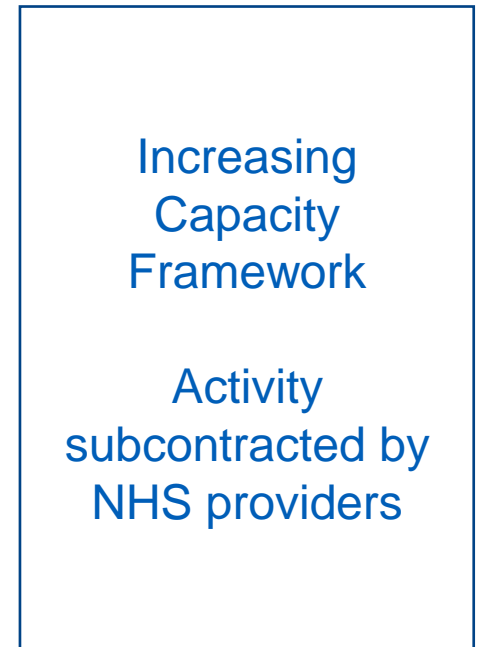
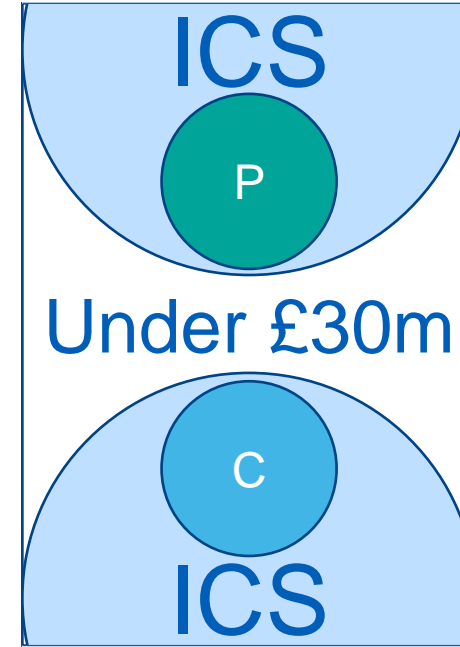
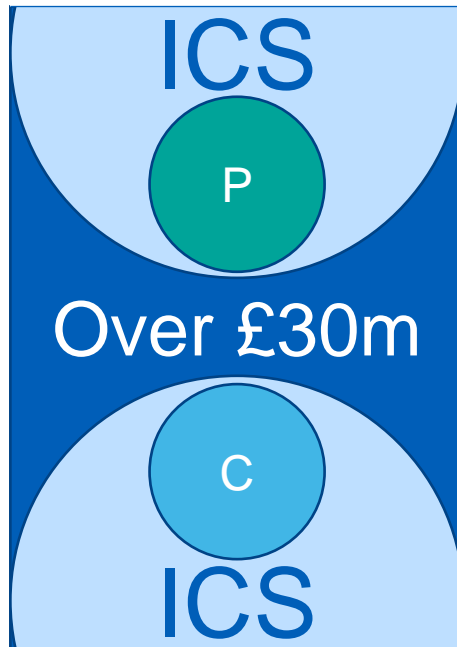
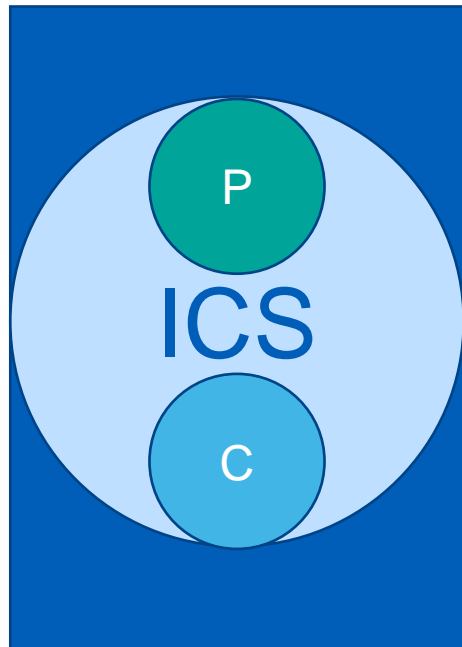
# Aligned payment and incentive (API)



# Scope and threshold of API

Covered by API arrangements

Not covered by API arrangements



- Provider
- Commissioner

# API – fixed element

The fixed element should...

...be reflective of efficient provider costs

...be used to ensure patients receive the best possible care and experience

...reflect system planning assumptions

It must also follow the local pricing principles:

Be in the best interest of patients

Promote transparency

Be the result of constructive engagement

Consider health inequalities



# Setting the fixed element



## Fixed payment should cover all activity

- The costs of delivering services within the system plan, including:
  - funding for new ways of delivering services
  - costs associated with transforming outpatient services.
- The costs of the elective activity plan.
- Agreed levels of BPT performance.
- Full CQUIN achievement.
- Funding for specified high cost drugs and devices.
- The cost of implementing products covered by the MedTech Funding Mandate (the products themselves would be paid for separately).

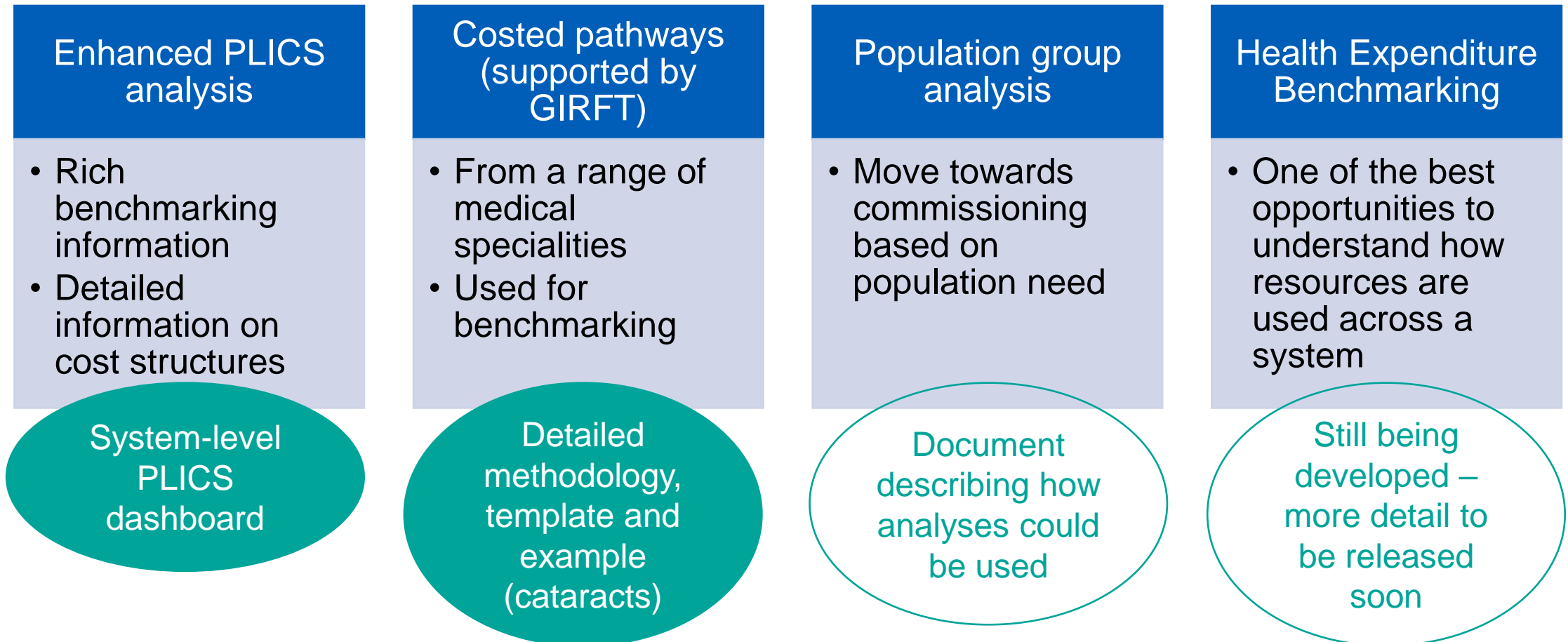
## Considerations

- Recommended that block payments used for second half of 2021/22 are used as the starting point (in line with planning guidance).
- Consideration should be given to other factors:
  - inflation
  - efficiency
  - demand for services
  - other funding for specific services
  - the expected costs of delivering the elective activity plan
  - services changes resulting from the system plan.

# Products to support fixed payment

Products are being developed but are not mandated for use in 2022/23.

We are using **FutureNHS** to test and develop the products – we welcome your feedback.



# API - Variable element



## Elective activity

- 75% of tariff prices **paid** for activity **above** level agreed in the fixed element.
- 75% of tariff prices **deducted** for activity **below** level agreed in the fixed element.

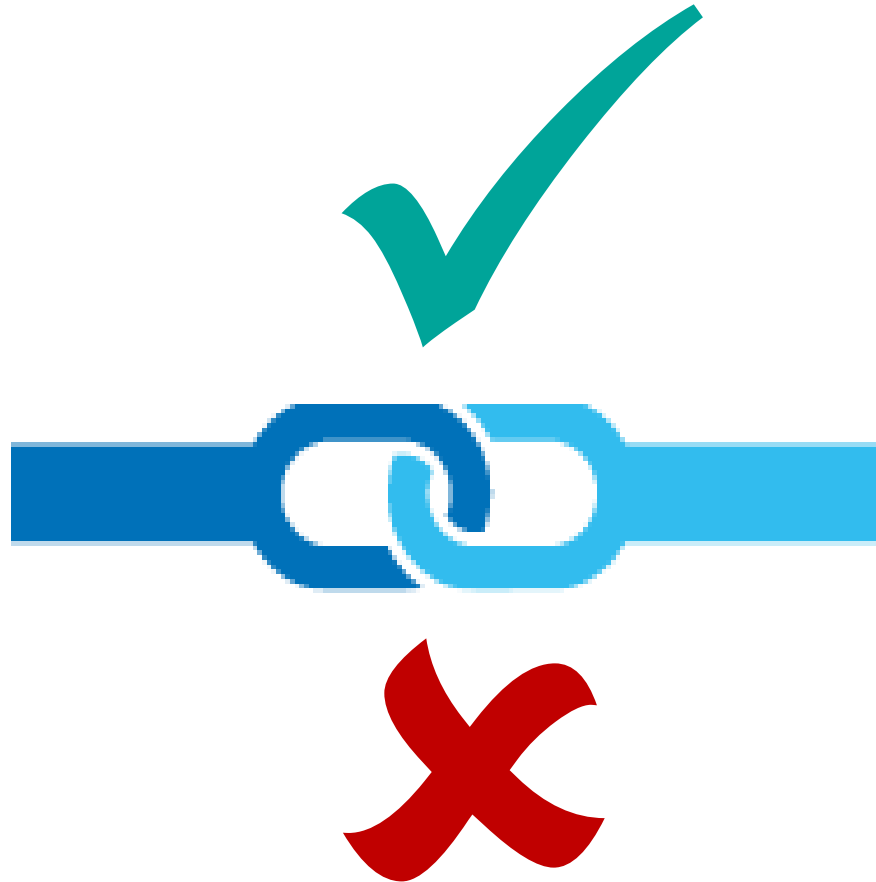
## Best practice tariffs (BPTs) and CQUIN

- BPTs – adjustments based on BPT achievement above or below the level agreed in the fixed element.
- BPT prices and criteria to be used to calculate the adjustment.
- CQUIN – deduction for less than full achievement of CQUIN, based on NHS England guidance.

## Advice and guidance

- Locally agreed adjustments based on level of advice and guidance delivered against the levels expected in planning guidance.

# Variations to API arrangements



Any changes to the API arrangements set out in the tariff rules (need to be approved by NHS England and NHS Improvement before contracts are signed).

Applications should be submitted using the template on the [Locally determined prices](#) webpage.

# High cost exclusions

Excluded from price calculations	Excluded from API fixed element
<ul style="list-style-type: none"><li>• High cost drugs</li><li>• High cost devices</li><li>• Innovative products (covered by MedTech funding mandate)</li></ul>	<ul style="list-style-type: none"><li>• High cost drugs (where usage is volatile or unpredictable) – including NICE-approved items introduced in-year</li><li>• High cost devices</li><li>• Innovative products (covered by MedTech funding mandate)</li></ul>

The list of high cost drugs and devices excluded from price calculations are reviewed for each tariff. Nominations for additions and removals can be made using the [Nominations form](#).

For the 2023/24 payment system, nominations must be submitted **by 31 May 2022**.

Included in API fixed element
<ul style="list-style-type: none"><li>• High cost drugs (where usage is expected to be predictable and consistent)</li><li>• Costs of implementing Innovative products</li></ul>

# Role of prices

Prices continue to have a key role in the 2022/23 national tariff. There are three types of price:

## National prices

- Mandated for use (unless local variation is agreed) – cover unbundled diagnostic imaging only

## Unit prices

- Formerly national prices (and still calculated in same way), but no longer mandated for most activity.
- Used for API variable element, activity outside scope of API, Increasing Capacity Framework and activity subcontracted by NHS providers.

## Non-mandatory guide and benchmark prices

- Prices used to support local price setting, set based on data that may be not be usable for national or unit prices.

# Price calculation – 2022/23 tariff



Prices calculated using 2018/19 cost and activity data

Patient-level cost data (PLICS) used for the first time

Cost uplift factor: 2.8%

Efficiency factor: 1.1%

**EXCLUDED:  
Direct COVID-19  
costs**

# National variations



Market forces factor (MFF)	Specialist top-ups
<ul style="list-style-type: none"><li>• MFF adjusts for unavoidable variation due to geographical differences.</li><li>• MFF used in allocations as well as tariff payments.</li><li>• 2022/23 moves to fourth step of five-step transition path introduced following method and data update in 2019/20.</li><li>• Change in MFF values between source data and current year should be considered when setting API fixed element.</li><li>• MFF should apply to national and unit prices where they are used.</li></ul>	<ul style="list-style-type: none"><li>• Specialist top-ups increase the prices paid to providers of specialist services to reflect the additional complexity of the activity.</li><li>• The funding for the top-ups is generated by a top-slice (very slight reduction) across all prices.</li><li>• The specialist top-up rates have been kept on hold for 2022/23.</li><li>• Level of specialist top-ups received in previous years should be considered when setting API fixed element.</li><li>• Specialist top-ups should apply to national and unit prices where they are used.</li></ul>



# Local pricing rules

Reminder of the local pricing principles:



## General local pricing rules

Rule 1	Rule 2
<ul style="list-style-type: none"><li>• Apply the local pricing principles</li><li>• Tariff prices are to be used if providers and commissioners can't agree a price</li></ul>	<p>Commissioners and providers must have regard to:</p> <ul style="list-style-type: none"><li>• The tariff cost uplift and efficiency factors</li><li>• Transfer of CQUIN funding (1.25%) into tariff in 2021/22.</li></ul>

# Future plans

# Work being considered for 2023/24



The NHS Payment Scheme is due to come into effect from 1 April 2023. We are considering the following key areas of work.

## Reflecting policy developments

- Health and Care Bill
- NHS Long Term Plan refresh

## API fixed element

- Options for information, tools and products used to inform fixed payment for both acute and non-acute services

## API variable element

- How variable element can support elective recovery and non-acute objectives

## Quality

- Assess options for how payment system can effectively promote quality of care

## Duration of NHS payment scheme

## Decision on recalculation or rollover of national and unit prices

## Potential review of market forces factor

## Earlier engagement and consultation

# Evaluation of aligned payment and incentive



- Many services across the NHS have moved to an aligned payment and incentive (API) payment approach, which has replaced PbR and block contracts across health sectors.
- In line with the NHS Long Term Plan, the API blended payment model intends to promote greater integration of care, collective management of financial resources and more proactive and preventative care through facilitating collaboration at a system level.
- In order to continuously improve our payment policy, we are carrying out a mixed methods evaluation that will examine the impact the API payment approach has had on these areas.
- Initially, this will be done through speaking with finance managers working within providers and commissioning bodies involved in establishing and administering API contracts to discuss enablers and challenges of the API payment model in relation to the intended effects.
- If you are interested in sharing your experience in the use of the API payment, please contact our evaluation team who will provide you with further details about taking part.
- API Evaluation Team: [england.apievaluation@nhs.net](mailto:england.apievaluation@nhs.net)

# Questions

Contact [pricing@england.nhs.uk](mailto:pricing@england.nhs.uk) at any time with questions about the payment system.

Regular updates are also available on our [Developing the national tariff](#) web page.

You can give feedback on this webinar via this [very short survey](#).