Key areas of work for the 2020 national tariff

NHS England and NHS Improvement (NHSE/I) have today published the tariff engagement document for 2020/21, summarising the key changes to payment systems under consideration for next year. A two week consultation on the proposals has also been launched today. Formal consultation is to begin in December, after the general election.

This briefing outlines the most important changes being proposed, and sets out NHS Providers' initial response. We encourage members to respond directly to the consultation, and will prepare our own response on behalf of the sector. We want to hear from members too, to help inform our view: please send your feedback to david.williams@nhsproviders.org and patrick.garratt@nhsproviders.org .

Key proposed changes to the national tariff payment system

Approach to national tariff

This tariff engagement document has been published a month later than last year's, which was itself later than intended. It gives a very high-level view of the main proposed changes to the tariff for 2020/21.

NHSE/I have carried out pre-engagement on these proposals via a series of webinars and workshops, carried out during August and September this year.

NHSE/I want to ensure that changes to the tariff:

- Support more effective resource and capacity planning;
- Give shared incentives to commissioners and providers;
- Fairly reflect the costs incurred by efficient providers; and
- Minimise transactional burdens.

As with 2019/20, next year's tariff will be for one year. NHSE/I say this is due to the "limited time for policy development work since the publication of the 2019/20 national tariff payment system, and the significant changes to the payment system anticipated for the years ahead".

Price relativities will be rolled over from 2019/20 into 2020/21. This is intended to enable more focus on other areas such as the development of blended payment models.

NHSE/I have invited feedback via an online survey. The deadline for comments is 18 November 2019. For any questions about the survey or providing feedback, contact pricing@improvement.nhs.uk.

Formal statutory consultation on the 2020/21 tariff will be launched "as soon as possible" after the general election, the document states.

Blended payments

Following the introduction of blended payment approaches for mental health and urgent and emergency care in the 2019/20 tariff, NHSE/I are planning to extend the model into three new areas in 2020/21: outpatients, maternity, and adult critical care.

Blended payments are designed to support the aims of NHSE/I's payment systems goals: support more effective resource and capacity planning; provide incentives for commissioners and providers to deliver the optimal level of care; fairly reflect the costs incurred by efficient providers in delivering care and; minimise the transactional burdens, provide financial stability and reduce barriers to support service transformation.

The payment model mixes an "intelligent fixed element", based on an agreed activity forecast, an element that accounts for activity that varies from plan, an ability to share the risk of unexpected costs between providers and commissioners, and payments based on patient outcomes.

As this is a relatively novel approach, introduced in only two services this year, there is nothing in the engagement document detailing or evaluating its impact. However NHSE/I do reveal changes are being considered to focus more on outcomes based elements of the blended system in these areas.

Outpatients

The proposed changes to payment approaches for outpatient care are explicitly linked to the NHS long term plan, which pledges to reduce face to face outpatient visits, and extend the use of "virtual" consultations.

- In 2020/21blended payments for outpatients are proposed for all services that are currently nationally priced.
- Blended payments would apply to services commissioned by both clinical commissioning groups and NHS England. However they would not apply to diagnostic imaging services, or "outpatient procedures", and would only be applied where contract values are more than £4m.

- Video consultations should have the same price as face-to-face consultations.
- An outcomes based element would be aligned to metrics being developed by the outpatient transformation programme.

The tariff engagement document states that NHSE/I are considering moving to a blended payment system for outpatients "centred around the journey of patients through the system". The blended payment proposals would be a first step towards paying for "meaningful groupings of activities across settings", to allow payments based around the entire patient journey.

Later tariffs, beginning in April 2021, could then begin to introduce pathway based payments for ophthalmology, dermatology and rheumatology because they are high volume with well established pathways.

The document states that the proposals set out have taken into account feedback on earlier iterations, which had caused concern that they were too complex and may not support the aims of the long term plan.

Maternity

NHSE/I state that changes to the maternity tariff are aimed at supporting the objectives set out in the 2016 Better Births report and the long term plan.

A blended payment approach has been proposed to support:

- Financial planning carried out at the "local maternity system" level described in Better Births
- Reduce provider-to-provider payments, and the associated administrative burden
- Accelerating "continuity of carer", as recommended in Better Births

Under the model outlined, the "fixed" element of the blended payment tariff would be based on national prices and projected activity for each provider. This would be adjusted up or down based on historic income flows between providers.

Costs associated with activity expected to be delivered by providers outside the local maternity system would be held by commissioners. This should remove the need for provider-to-provider payments.

A risk sharing element would share the financial impact of risks materialising, for example in variations in the number of complex cases.

Although an outcome based element is under consideration, referencing the targets set out in the long term plan, the document states: "We are considering setting principles and a framework for the outcomes element, with an initial focus on process measures".

Adult critical care

Plans for blended payments for critical care were detailed in pre-engagement workshops in the summer. It was proposed that a "fixed" element could cover the estimated costs of critical care capacity to support a defined population. This could be complemented by a variable payment to cover incremental costs associated with volumes of patients with two or more organs supported, plus a possible outcomes based payment.

NHSE/I note that, while the existing payment system does not support innovations or reduce the avoidable use of critical care, concerns were raised around the complexity of existing commissioning arrangements, and the difficulty of agreeing how much capacity is needed locally.

As a result, for 2020/21 NHSE/I are considering piloting a "more streamlined" blended payment approach. This would focus on the fixed and outcomes-based elements, potentially with a risk sharing element. Supporting that could be a set of indicative, non-mandatory benchmark prices. This pilot could inform a further consultation on blended payments for adult critical care in future tariffs.

Other areas of work

System collaboration and joint financial management

The document says that in addition to the core tariff, NHSE/I are planning to bring forward a requirement for all NHS providers and commissioners to have a "meaningful system collaboration and financial management agreement". This would be introduced via a reformed NHS standard contract and could require local systems to:

- Describe behaviours expected in a collaborative health system
- Set principles around open book accounting and transparency between partners
- Describe processes for resolving disputes and making decisions about how best to use resources
- Setting out a mechanism for overall financial management and risk sharing to support system control totals.

Market forces factor

The market forces factor (MFF) was updated substantially in the 2019/20 tariff. Based on feedback from providers, NHSE/I are reviewing how some elements of the MFF are weighted, with a view to potentially making further changes. These include which element of the MFF various costs, such as operating leases or outsourced services, are included within.

In 2019/20, the data used to calculated MFF values was updated for the first time in 10 years. This caused large changes to MFF values, which are being phased over four years. To avoid causing unnecessary instability in future, NHSE/I are considering whether it would be appropriate to update the data again in 2020/21.

Centralised procurement

A £204m topslice of the national tariff was introduced in 2019/20 to fund the running costs of Supply Chain Coordination Limited (SCCL), a new central procurement body. It is intended that this will be paid for via savings brought about through procuring goods on a national scale.

The tariff engagement document states that there is no estimate of SCCL's overhead costs for 2020/21. However it says NHSE/I are considering making no further adjustments to the tariff, regardless of any increase in SCCL's costs.

There is no detail given on the estimated savings brought about by the introduction of SCCL. It is therefore not known whether the cost of the topslice is likely to be recovered via lower procurement costs incurred by providers.

Service-specific tariff changes

NHSE/I are considering:

- Changes to top up payments for specialised orthopaedic services, to support the clinical redesign of services. The tariff would support a hub and spoke model led by Getting It Right First Time and the Trauma Programme of Care team. This would start with knee revision surgery in 2020/21.
- Incorporating the cost of chemotherapy supportive drugs into chemotherapy delivery tariffs, to remove the need for providers to invoice for these items.
- Introducing a new best practice tariff (BPT) for asthma, based on the existing chronic obstructive pulmonary disease BPT.
- Updating the BPT for stroke care, reducing the target time for brain scan on arrival at hospital from 12 hours to one hour, and adding a new requirement for assessment by a stroke specialist clinician within that time.
- Updating the BPT for day case to reflect achievement rates using 2018/19 data.
- Updating fragility hip fracture BPT to include all femoral fractures and distal fractures.
- Broadening the criteria for administering tranexamic acid under the major trauma BPT.
- How to incentivise the use of artificial intelligence.

NHS Providers view

We have provided initial reflections on the tariff proposals below. We plan to send a submission to NHSE/I and would be pleased to hear members' views to inform our final response.

Introducing blended payments for three new service lines is neither positive nor negative in itself: whether the new forms of payment lead to better care or a more sustainable provider sector overall will depend on the precise design of the blended model, and the amount of funding allocated. The tariff engagement document does not provide sufficient detail for us to form a judgement at this point.

We are pleased to see NHSE/I has listened to providers in designing the new blended payment systems – and particularly the suggestion that changes to adult critical care payments should be piloted ahead of further consultation.

However, we note that, given these approaches have only been running for a limited period of time, there is very little reflection or clear learning from changes made in 2019/20, when blended payments for mental health and urgent and emergency care were introduced. For instance, we do not know whether these new blended payment models have led to better capacity planning, fewer contractual disputes between providers and commissioners, improved services or better allocation of resources. The document also does not detail the level of take-up of these new models, or investigate why some systems may have opted for alternative approaches. We hope that lessons learned can be shared widely in time to inform further expansions of the blended payment approach.

Likewise, we note that there is no detail on the impact of the new centralised procurement system, also introduced in 2019/20. While there is an intention to continue with it for 2020/21, no evidence has been provided that SCCL has been able to procure goods more cheaply and thereby cover its running costs. It is positive that the topslice used to fund SCCL is not being increased in 2019/20. However until or unless it can be demonstrated that SCCL is saving the provider sector money, we strongly recommend SCCL's running costs be funded via a product mark-up, rather than a tariff topslice.

The proposal for joint financial management, including open book working between providers and commissioners will be a significant change for some health systems. Some areas will already be working in this way but, while it is a logical move to support full system working, it is likely to represent a major cultural shift for many providers and commissioners.. We would be interested in hearing members' views on this.

Although there is a stated intention to move towards multi-year tariffs to provide certainty, and 2019/20 has always been understood to be a "transitional" year, we note that 2020/21 is expected to be another single-year tariff. This is justifiable as long as changes are small and incremental, and a wider strategic direction is described.

Finally, we note that the tariff engagement document has been released a month later than it was in 2018. While the level of openness and engagement about the tariff proposals during summer and autumn this year has been very good, it is important to allow plenty of time for substantive engagement with providers. The late publication of this document may compress the timescales for consultation and risk the final tariff not being released until the new year. Experience tells us this may lead to an uncomfortably intense implementation period. We look forward to continuing to work with NHSE/I to input to the development of these plans on behalf of our members.