4 March 2025

NHS Providers response to 2025/26 NHS payment scheme consultation

On 30 January 2025, NHS England (NHSE) launched the formal consultation on proposed changes to the NHS payment scheme (NHSPS). The full consultation notice and all supporting material can be found here.

Please find below NHS Providers' response to the statutory consultation notice.

Accepting or rejecting the proposed NHS payment scheme

1 Do you accept or reject the proposed 2025/26 NHS payment scheme? *Accept*

Proposals applying to all payment mechanisms

2 To what extent do you support the proposed one-year NHSPS? *Tend to support*

Trusts are in favour of setting the NHSPS and broader financial framework over a longer period of time – similar to the 2023/25 NHSPS which was set over two years. This provided them with greater financial certainty and stability, enabling them to focus on the delivery of financial and operational plans. In future, even longer settlements may support systems to undertake longer-term reforms and transformation. Given departmental budgets beyond 2025/26 will not be confirmed until after the forthcoming spending review, trusts understand the rationale for only setting the NHSPS for one year on this occasion. Trusts will also be reassured by the steps taken by NHSE to ensure that the 2025/26 NHSPS will remain in place until a new NHSPS has been confirmed.

Trusts will welcome NHSE's commitment to recalculating all prices for 2026/27 with reference to cost data from 2023/24. It is vital that NHSPS prices accurately capture the true cost of delivering services if the NHS is to be financially sustainable.

3 To what extent do you support the proposed payment principles? *Tend to support*

Trusts remain in favour of the core payment principles set out in the 2023/25 NHSPS.

4 To what extent do you support the proposed cost uplift factor? *Neither support or oppose*

In recent years, inflation has eroded the value of funding allocated to trusts. For example, in 2023/24 trusts' financial plans were based on an inflation assumption of 2.5%. According to the Office for Budget Responsibility's report from the autumn budget 2024, the actual level of inflation (measured by the GDP deflator) for 2023/24 was 6.2%. Furthermore, although inflation across public services is typically measured with reference to the GDP deflator, there are mixed views across the provider sector as to the accuracy of this measure in capturing inflation across the health sector. It is important the cost uplift factor effectively covers the impact of inflationary cost increases and is continually monitored to ensure providers are not overexposed to possible future fluctuations in inflation.

Non-acute providers remain concerned about the cost weighting used to calculate the cost uplift factor for 2025/26. As the consultation states, the cost weights used in this calculation are based on previous cost uplift factors and assume an average cost spread which is representative of all provider organisations. Non-acute providers have consistently highlighted that their cost profile is considerably different from acute providers. For example, a much higher proportion of their total costs relate to pay costs. We appreciate the availability of data from non-acute trusts may make it more difficult to accurately disaggregate their cost bases but would appreciate NHSE's commitment to continue working with us on this issue.

Sixty-four per cent of respondents to our annual survey of provider HR directors stated that a pay uplift of at least 5% would be needed for 2025/26 to support recruitment, retention and morale for Agenda for Change (AfC) staff. While recognising that the cost uplift factor does not pre-judge the outcome of the pay review body process, it is vital that NHSE recognises and mitigates the impact of any funding shortfalls generated as a result of a pay award uplift which exceeds the 2.8% nominal estimate. Trusts want to avoid the recent pattern of diverting resources from vital transformation budgets to top up system allocations. However, it is imperative that cost pressures from any pay uplifts are not passed on to trusts, which are already under significant financial strain.

5 To what extent do you support the proposed efficiency factor? *Neither support or oppose*

Trust leaders are committed to doing all that they can to achieve the best value for taxpayers. We recognise that NHS England has committed to delivering a 2% productivity and efficiency savings target, nearly double the 1.1% target in the 2023/25 NHSPS. Trusts are concerned that the efficiency ask for 2025/26 will be considerably more challenging than 2024/25. In 2024/25, trusts were required to deliver £9.3bn of efficiency savings, and a significant proportion of these will be non-recurrent (one-off). Delivering recurrent, cash-releasing efficiency savings is extremely difficult due to a

combination of factors including: recent spikes in inflation, industrial action and intense operational pressure as the service continues its recovery from the pandemic. There is a limit to the amount of efficiency savings trusts can realistically identify each year without impacting service provision. Government and national bodies should understand and acknowledge the consequences of a continued focus on delivery of short-term efficiency savings. This could distract from efforts to transform services and achieve long-term financial sustainability.

6 To what extent do you support the proposed approach to excluded items in the NHSPS? *Tend to support*

We support updating the list of excluded items, in line with advice provided by relevant steering groups, to ensure the list is kept as up to date as possible. We do not have sufficient expertise to comment on the specific items added or removed from the list.

7 To what extent do you support the proposal to move reimbursement of ustekinumab to fixed payment? *Neither support or oppose*

We neither support nor oppose this proposal. Given the nature of the proposed amendment we do not have sufficient evidence or expertise to express a view on behalf of our membership.

8 To what extent do you support the proposed approach to best practice tariffs (BPTs)? *Tend to support*

We broadly support the proposed approach to best practice tariffs, ensuring this remains in line with NICE recommendations and aligning with relevant GIRFT initiatives on right procedure right place (RPRP).

Elective and activity-based payments

9 To what extent do you support the proposal to require commissioners to set payment limits for elective activity, and all services paid for on an activity basis? *Neither support or oppose*

The elective recovery fund (ERF) was introduced to support trusts to deliver on the shared ambition to drive up elective activity levels and reduce the size of the elective waiting list. Since its introduction, trusts have been working flat out to deliver this ambition and are now delivering more elective care than ever before. However, by December 2024 the waiting list was still 7.46 million cases, with just over 3 million cases waiting over 18 weeks for treatment and 200,000 waiting over a year.

In January 2025, NHSE published a new national plan which set out how the NHS would reform elective care in order to meet the government's target of meeting the 18-week constitutional standard by March 2029. Targets for 2025/26 set out that trusts must deliver a minimum five percentage point improvement by March 2026 and that the percentage of patients waiting less than 18 weeks for elective care should be 65% nationally.

While trusts understand the importance of ensuring that the volume of activity delivered each year remains affordable, there will be considerable concerns that the introduction of payment limits may act as a barrier to achieving their elective activity targets for the year. It is vital the payment limits set by commissioners are proportionate and do not disadvantage individual providers.

It is important that, when setting payment limits, commissioners should ensure the patient's right to choose a provider is preserved. We recognise that the proposal to introduce payment limits has not been designed to reduce patient choice, but are aware that some organisations have raised concerns that payment limits will have that effect. We are not close enough to the non-NHS provider sector to know whether this analysis is correct. However, we would encourage further assessment of the impact on quality of care, in particular patient access and waiting times, of this approach, with analysis disaggregated by clinical service area and with attention to health inequalities impacts.

Payment mechanism: Aligned payment and incentive

10 To what extent do you support the proposed scope of the API payment mechanism? *Tend to support*

Trusts support the continuation of the aligned payment and incentive (API) approach for virtually all NHS provider-commissioner relationships. We agree that this will provide trusts with a stable financial framework and enables greater collaboration between providers and commissioners across systems. It is important that the same payment mechanism is used across the country to avoid the possibility of variations that could embed inequalities of access, and ultimately of health, between systems or regions.

11 To what extent do you support the proposed design of the API fixed element? *Tend to support*

12 To what extent do you support the proposal to require providers and commissioners to review their fixed payments? *Neither support or oppose*

While we agree it is important for both providers and commissioners to ensure fixed payments are both accurate and appropriate, we feel it may be unrealistic to expect providers and commissioners to conduct a full-scale review of their fixed payments in the relatively short space of time between publication of the planning guidance and the beginning of the 2025/26 financial year.

Trusts will welcome NHSE's decision to update and increase the level of accident and emergency, non-elective and maternity guide prices to more closely align prices with the costs of delivering these services.

13 To what extent do you support the design of the elective variable element? *Neither support or oppose*

See our previous answer to question ten for our response to the specific proposal to set payment limits for elective services.

Trusts will welcome a continued pause on the use of the CQUIN incentive scheme, given their concerns on the significant administrative burden associated with monitoring performance against CQUIN indicators.

14 To what extent do you support the proposed payment rules for specialised services? *Tend to support*

We agree that there should continue to be differentiated payment arrangements for specialised services – it is vital that providers of specialised services are appropriately reimbursed for the services they deliver. We welcome the move to include specialist top-ups as part of the fixed element. This will provide trusts with an effective guarantee of the income they will receive to cover the delivery of these services.

15 To what extent do you support the proposal to move to variable payment for abortion services? *Tend to support*

In the context that demand for abortion services is rising and patients are currently facing prolonged waits to access care, we welcome the approach taken by NHSE to remove financial barriers that may impede trusts from expanding capacity to meet current and future levels of demand.

16 To what extent do you support the proposal to set NHSPS unit prices to be used for community diagnostic centre activity? *Tend to support*

We agree that it makes sense to align payment arrangements for activity delivered in community diagnostic centres (CDC) with the payment arrangements for non-CDC activity.

17 To what extent do you support the proposal to move to variable payment for teledermatology for patients on the urgent suspected skin cancer pathway? *Neither support or oppose*

We neither support nor oppose this proposal.

18 To what extent do you support the design of the proposed approach to variations from the default API design? *Neither support or oppose*

We neither support nor oppose this proposal.

Payment mechanism: Low volume activity (LVA) block payments

19 To what extent do you support the proposed scope of LVA arrangements? *Tend to support*

Overall, the LVA has had a positive impact in reducing the administrative costs associated with dealing with low-value contracts. Therefore, trusts will be in favour NHSE's proposal to increase the LVA threshold to £1.5m to ensure a similar proportion of provider/commissioner relationships remain in scope of LVA arrangements.

20 To what extent do you support the proposed LVA design? *Tend to support*

We agree with the measures set out by NHSE that will underpin the calculation of 2025/26 LVA payments.

Payment mechanism: Activity-based payments

21 To what extent do you support the proposed scope of activity-based payments? *Neither support or oppose*

We neither support nor oppose this proposal. The majority of transactions involving our membership are not within the scope of activity-based payments.

22 To what extent do you support the proposed activity-based payment design? *Neither support or oppose*

We neither support nor oppose this proposal. The majority of transactions involving our membership are not within the scope of activity-based payments.

Payment mechanism: Local payment arrangements

23 To what extent do you support the proposed scope of local payment arrangements? *Neither support or oppose*

We neither support nor oppose this proposal. The majority of transactions involving our membership do not use local payment arrangements.

24 To what extent do you support the proposed local payment arrangements design? *Neither support or oppose*

We neither support nor oppose this proposal. The majority of transactions involving our membership do not use local payment arrangements.

Prices: role, calculation and related adjustments

25 To what extent do you support the proposed role of prices in the 2025/26 NHSPS? *Tend to support*

Trusts value the differentiation between unit prices (for elective activity) and guide prices (used as a benchmark for non-elective prices). It is important there is clear benchmarking information available to both providers and commissioners to support discussions on payment arrangements.

26 To what extent do you support the proposed approach to calculating 2025/26 NHSPS prices? *Neither support or oppose*

Ideally, trusts would be in favour of using a more up-to-date benchmark for 2025/26 prices but understand that 2022/23 PLICS data is not yet available to be used for price calculations. Although

trusts will appreciate the proposed approach is consistent with the approach used to calculate prices for the 2023/25 NHSPS, trusts do have understandable concerns that NHSPS prices are not reflective of the actual cost base for delivering services.

27 To what extent do you support the proposed price adjustments? *Tend to support*

Trusts will welcome the steps taken by NHSE to uplift the prices for specific services to ensure these more accurately reflect the cost of delivering these services.

28 To what extent do you support the proposal to update the data used to calculate MFF values? *Neither support or oppose*

There are mixed views across the provider sector on the methodology used to calculate the market forces factor (MFF). It is important that the methodology used to calculate the MFF accurately captures the cost base of providers across the country and ensures income levels are not disproportionately reduced.

On balance, we support the proposal to update the source data to calculate MFF values. Using more recent data to calculate MFF values will ensure that the updated values will be more representative of the cost incurred by providers to deliver services. Gradually introducing new MFF values over a two-step transition path will minimise the impact of the changes and ensure trusts can adapt to these changes over a longer period of time.

Mental health and community services currency development

29 Were you aware of the work to develop the currency models prior to the consultation?

- Mental health. *Yes*
- Community. *Yes*

30 To what extent do you agree with each of the development principles for community services and mental health services currency models?

- Currencies should support an understanding of the value of care delivered, not just count activity. *Strongly support*
- The currencies will place the patient at the centre, considering their overall needs, not just specific needs. *Strongly support*

- Models will be driven by available data wherever possible. *Strongly support*
- The currencies will segment based on patient complexity and needs. With iterative development steps to support effective roll out. *Strongly support*

31 Do you have any other comments about the mental health and community currency development?

We welcome the development of common currencies for both mental health and community providers. We believe this will provide trusts with greater tools to assist planning and benchmark performance across their sector. It is important currencies are both evidence-based and universally applicable to all relevant providers. We look forward to working closely with NHSE to support the development and implementation of further currency models.