HFMA response
February 2019

National tariff payment system 2019/20: A consultation

Consultation by NHS Improvement and NHS England

Who we are

The Healthcare Financial Management Association (HFMA) is the representative body for finance staff in healthcare. For the past 60 years, it has provided independent and objective advice to its members and the wider healthcare community. We are a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through our local and national networks. We also analyse and respond to national policy and aim to exert influence in shaping the wider healthcare agenda. We have a particular interest in promoting the highest professional standards in financial management and governance and are keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

The formal consultation notice in relation to the 2019/20 national tariff payment system was discussed at the HFMA's Payment Systems and Specialised Services Committee on Tuesday 29 January 2019. The Committee comprises senior finance staff from NHS providers, clinical commissioning groups, commissioning support units and NHS England regional teams. We also welcome the regular presence of colleagues from the national teams of both NHS Improvement and NHS England at the meetings and value the open dialogue this facilitates. Because of this ongoing dialogue we are able to contribute our views as the policies in relation to payment systems develop.

Our comments

Blended payment for emergency care

Our members have discussed the proposed blended payment approach for emergency care and suggest that additional guidance, offering increased clarity over a number of both high-level and practical issues, would ease the transition to the new default position. This would include:

- Further communication highlighting the main drivers for the policy, including how it is designed to change the commissioning and providing approaches, in order to help provide focus in the negotiations and discussions ahead.
- Guidelines of how best to come to a mutually agreeable level of activity would also assist local contract negotiations and avoid potential disputes.
- Clarity and consistency with planning guidance, over whether the approach covers all non-elective care or just emergency non-elective care. For example, patient transfers and maternity care can fall under non-elective but are not necessarily emergency care. We assume that non-emergency non-elective care is not included but there is a risk that terminology is not consistently used and may cause confusion.
- Clarity of the application of the changes to the marginal rate emergency tariff and 30-day readmission rules. Worked examples would be helpful as our members identified a number of different ways in which the guidance could be interpreted.

In addition to these points of clarity, has any consideration been given to setting a minimum contract level as a percentage of total provider urgent and emergency care (UEC) income as well as the £10m value? For example, £10m in value or a de minimus (e.g. 15-20%) of total provider UEC income.

Market forces factor

Our members have raised no specific concerns or reservations regarding the use of more up-to-date data or the proposed revised calculation methodology for the market forces factor (MFF), a review of which was called for in the HFMA's previous national tariff consultation response[1].

They have, however, indicated a desire to ensure that the need for a five-year implementation does not arise again. We suggest consideration be given to the data and methodology being reviewed and, if necessary, updated on a more consistent basis, for example every two years or with each tariff update.

Procurement arrangements

Our members have noted that based on the current prices offered by Supply Chain Coordination Limited (SCCL), not all providers are able to identify a savings potential from moving to SCCL. By removing the overhead cost of SCCL from the tariff quantum those organisations will experience a reduction in income without necessarily being able to gain an equal benefit from the proposed procurement prices.

Also, members have commented that the proposal to cover the overhead costs by reducing the tariff quantum places the risk of the initiative with provider organisations. The category tower service providers themselves do not appear to carry any of the financial risk.

Adjustments to maternity payments

Our members have recognised the issues in moving to non-mandatory tariffs for maternity payments but strongly suggest that this should not be taken as an opportunity for organisations to move away from these tariffs. In addition, the prompt release of further detail on the national top-slice areas (abnormally invasive placenta and fetal medicine) would help those organisations providing this care plan with more certainty in conjunction with specialised commissioners.

General

In the past the HRG metrics engine has proved to be a valuable tool, supporting the transparency of the price calculation. Our members are disappointed about its absence from the 2019/20 proposals and request that it be reinstated for future tariff rounds.

[1] HFMA, *HFMA response to the national tariff 2017/19 consultation*, December 2016

Some providers commented on the difficulty they have faced in reconciling their impact statements back to their control totals, with one specific issue being the tariff inflator applied to total clinical income (including pass through drugs and devices). Increased detail on the allocations and tariff price changes would be helpful, such as a reconciliation of where and how the tariff quantum has moved, including adjustments for the provider sustainability fund and MFF monies amongst others.

Members have also commented on the potential to further view how best practice tariffs (BPT) are handled in the base admitted patient care (APC) price list, given that in reality only the compliant or non-compliant BPT tariffs will apply.

Our members look forward to confirmation of the CQUIN requirements.

Future tariff duration

While it is understood that a one-year tariff at this point in time allows the national tariff payment system to support a number of key priorities identified in the *NHS long term plan*, several of our members have commented that the previous two-year tariff afforded welcome stability for operational and system planning, though this is balanced against any period longer than one year having a greater impact when the tariff is refreshed.

Recognising that work on the engagement for the next tariff will commence almost immediately, one option which may offer the advantages of stability with an element of flexibility would be a two-year tariff with the opportunity to update prices (but not currencies) at the end of the first year.

Members of the HFMA's Payment Systems and Specialised Services Committee remain keen to contribute to the composition of the next tariff and will continue to offer assistance where required.

We hope you find these comments useful. Please feel free to contact Andrew Monahan (andrew.monahan@hfma.org.uk) if you need clarification on any of the points made above.