



HFMA statement on the enhanced tariff option (ETO) from Monitor and NHS England

Paul Briddock, HFMA policy and technical director, said:

'Providers have been asked to choose between an Enhanced Tariff Option and a Default Tariff Rollover. The options will move money around between different providers and between providers and commissioners, but do little to address the fundamental issue facing the NHS in 2015/16 – that it has an affordability gap.

'The original tariff proposals included an efficiency requirement of 3.8%, which compares with assessments of achievable efficiency of around 1.5% to 2%. This has created an affordability gap for 2015/16.

'Previous years' tariffs have also included similar high efficiency requirements. However, trusts have already achieved the easily gained efficiencies and options such as income growth – used in the past to supplement cost improvements – are no longer an option. In addition, activity and staffing pressures mean further cost reductions in some areas are just not possible without changing clinical service models – which cannot be achieved over night. The challenges facing trusts are clear when you look at the increasing number in deficit.

'The alternative ETO which providers are now being asked to consider adds an additional £500 million to the proposed funding available for providers in 2015/16. This addresses in part some of providers' concerns about the unrealistic efficiency demands in the original proposals and the additional pressures created by the proposed marginal rate for specialised services and it will be interesting to see how many providers opt to accept the proposal.

'However it simply passes an element of the problem back to commissioners. The HFMA is concerned that the ETO proposal is still concentrating on where the affordability gap will sit, and does not address the real issue of fully closing the gap. There is a danger that the failure to address the issue of affordability will undermine local relationships – between different types of provider and between commissioners and providers.

'In reality, the current challenges are such that we need providers and commissioners working in partnership. As HFMA president Sue Lorimer has highlighted in her theme for this year, we are "stronger together". We need all parties fully focused on the transformation of healthcare and greater integration between health and social care – which remain the realistic solutions to current pressures.

'We fully recognise that the tariff setting process is highly complex but we need to avoid this situation arising again. The planning round is difficult enough and the timescales are already tight, without unnecessary delays and uncertainty around tariff prices and rules.

'The HFMA has stressed the importance of basing changes to tariff on a clear evidence base and has also praised Monitor and NHS England in the past for the transparency with which they have set about reforming payment systems.

'This transparency is absolutely vital in helping health economies to plan for the year ahead and beyond and needs to be a prominent feature in the tariff setting process. Engagement with the sector about tariff plans has to be early enough to allow for meaningful discussion and change without threatening the planning timetable.

'We also need to have a balance between stretching efficiency requirements and achievable cost improvements. Efficiency targets should push health economies to improve services and optimise the value of pathways, but should not be set at a level that demand cost improvements that have not been achieved before and are unlikely to be achieved. If so they simply mask issues and joint decisions that need to be made between commissioners and providers over affordability.

'We made the point in our original response to the tariff proposals, and we continue to believe, that the national tariff is not the right place to be having discussions about the affordability of services.'



Healthcare Financial Management Association (HFMA):

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- Registered charity status
- 13 branches, covering the four home nations
- A headquarters in Bristol and conference centre in London
- More than 300 partner organisations

HFMA was established in 1950 as an independent and charitable organisation. It represents finance professionals' views to the government and other key national stakeholders such as Monitor, the government's health service regulator, NHS England and the National Trust Development Authority as well as the media. More information can be found here: www.hfma.org.uk

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