

Response form for *Developing further Pricing licence conditions: stakeholder engagement document (tranche 2)*

If you would like any part of the content of your response (as distinct from your identity) to be kept confidential, you may say so in a covering letter.

We would ask you to indicate clearly which part or parts of your response you regard as confidential. We will endeavour to give effect to your request, but as a public body which is subject to the provisions of the Freedom of Information legislation, we cannot guarantee confidentiality.

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Job title: Technical Editor

Organisation: Healthcare Financial Management Association

Nature of organisation:

The Healthcare Financial Management Association (HFMA) is the professional financial voice of the NHS. We are a representative body for finance staff in healthcare. Our members work predominantly in the NHS and our aim is to maintain and develop the financial management contribution to healthcare in the UK.

We have confined our comments to this response drawing on the expertise of the HFMA's Payment by Results Special Interest Group, Foundation Trust Technical Interest Group and Finance Directors' Forum.

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Please write your answers to the following questions below. Please expand the boxes or continue on further sheets if necessary. Then follow the instructions at the end of this form to return your response to Monitor.

Question 1: Other than through the licence, how do you think we can best incentivise providers and commissioners to constructively engage?

The HFMA welcomes the consideration given to the best way to incentivise the constructive engagement of providers and commissioners. In our view, clarity of expectation and a rules-based system best support this aim. For example, the HFMA would welcome explicit direction in relation to local modifications of tariff to ensure that it enables providers to fully recover the cost of a service while incentivising efficiencies.

In addition, it is important that commissioners apply reimbursement rules appropriately. For example, commissioners are required to adjust tariff price to address 'cherry picking' issues. Although this is

primarily related to NHS healthcare provided in the private sector it is unclear whether commissioners might look to use in the principle in other circumstances. Organisations should, in our view, be able to clearly demonstrate why such a modification is being made and to that end, we would support a clear and transparent reimbursement mechanism, supported by licence conditions.

The HFMA recognises that the terms of the standard contract also provide an important tool for engagement and that local modifications provide a way to deal with issues specific to a local health economy. Our members have suggested that the following options may also support the wider principle of engagement:

- Development of new currencies linked to new pathways of care such that new tariffs and pricing models correspond to clinical delivery of services
- Incentives for commissioners to seek greater input from patients which is shared with providers. It would be helpful for example, for commissioners to increase the understanding of the 'value' patients want from services which is particularly important for long term, chronic disease management
- Support greater engagement of the public in the Public Health agenda
- Commissioners could also be set more specific, measurable public health targets to achieve. This could facilitate the involvement of providers through specific, measurable targets, perhaps linked to the quality agenda
- A financial incentive could be established through innovation funds held by commissioners for the purpose of developing new models of care
- A reduction in untimely delays for the introduction and changes to tariff operation. This is currently a lengthy process involving development, national and local road testing before contract negotiation can begin and is based on historic reference costs.

We would also support a mechanism for the future monitoring the performance of each health and social care economy as a whole, transcending individual organisational boundaries. Jointly overseen by Monitor and the NHS Commissioning Board such arrangements could help ensure healthcare services are commissioned to meet the needs of any given local population.

Question 2: Do you have any specific concerns around the requirement for providers to constructively engage with commissioners over local modifications? Please give reasons for your answer

The HFMA welcomes the attention given to this matter as in our view, local modifications may be needed in certain circumstances: the agreement of local prices is critical to reflecting local operational circumstances that are not currently covered by tariff. However operating within a robust national framework is also critical for the reimbursement system as a whole. Therefore in our view, local modifications must be tied to changes in specific circumstances and/ or particular procedures or services.

We would therefore welcome greater clarification as to the circumstances in which local price modification may be appropriate. In our view, it is also important to consider the mechanisms by which such modifications are to be proposed and reviewed. Any variance from national tariff needs to be justified and transparent so as to avoid any adverse impact on local clinical priorities and to maintain equity and fair access to services.

From a provider point of view, we believe it is important to recognise that local engagement may also have implications for 'commercial confidentiality'. Any proposed new business model put forward by a provider to underpin lower pricing of its services is likely to be shared with a wider audience and competitive advantage may therefore be eroded over time. While we recognise that providers need to continually improve care standards and productivity working closely with commissioners, this may be seen as a future disincentive to creative, competitive market practices.

The HFMA supports the principle of engagement between commissioners and providers, however in our view it is important that commissioners do not seek to move away from nationally set tariffs as this may lead to significant financial pressures in some local health economies. At present, the regulatory framework applied to providers does not recognise financial pressure which may result

from such commissioner decisions. The HFMA is concerned that including conditions in the provider licence which more closely relate to the conduct of commissioners may not be helpful. In our view, the challenge of engagement is to balance the influence of commissioners against the needs and development of providers.

Question 3: Do you consider a specific license condition encouraging local agreement for local modifications is necessary? Please give reasons for your answer.

The HFMA recognises that every effort should be made to reach agreement, particularly where a local modification is needed and as noted above, this could be supported by greater clarity as to what constitutes an acceptable case for a modification. In our view, further specific licence conditions are unlikely to be necessary if the reimbursement mechanism and contract guidance clearly explain what is covered by national tariff, what is subject to local agreement and/or local modification and under what conditions.

The HFMA also believes that extensive focus on local agreement may stifle the use of new solutions to service provision. Services are increasingly able to be provided remotely by non-local providers for example, telemedicine, telehealth, virtual clinics and phone call advice to GPs. This model is also evolving in Pathology services. Therefore, in our view, it may be helpful to require providers to comment on individual commissioner proposals whether local or not (as with any other procurement) to facilitate both service development and the development of the any qualified provider policy.

Engagement process

Thank you for responding to this engagement document. Please save this document and email it to licensing@monitor-nhsft.gov.uk with 'Pricing' in the subject line.

Alternatively, you can fax your response to 020 7340 2401, or post it to:

Monitor
Licensing Conditions Engagement
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London SE1 8UG

The ***Developing further Pricing licence conditions: stakeholder engagement document (tranche 2)*** was issued on 6 February 2012. Please submit your responses to the questions and any other comments that you have by 5pm on 5 March 2012. There will also be subsequent opportunities to respond to our licensing engagement documents.

If you wish to do so, you can request that your name and/or organisation be kept confidential and excluded from the published summary of responses. Please tick this box to ensure confidentiality.