

**FEDERATION OF SPECIALIST HOSPITALS RESPONSE TO MONITOR/NHS ENGLAND'S
'2015/16 NATIONAL TARIFF PAYMENT SYSTEM: ENGAGEMENT DOCUMENTS'**

The Federation of Specialist Hospitals (FSH) is a coalition of hospitals that contribute significantly to the provision of specialist care in the UK. Established in 2009, the Federation aims to provide a voice for specialist hospitals on areas of particular interest, including the National Tariff and the future configuration of the provider landscape.

Many of the procedures carried out by the Federation's members fall under the National Tariff. The proposals contained in the engagement document directly affect the ability of specialist hospitals to deliver the best outcomes for patients at good value for the health service.

We welcome the opportunity to comment on Monitor and NHS England's proposals for the 2015/16 National Tariff. This response provides some general comments on the proposed approach before turning to issues which are relevant to a number of the consultation questions.

General comments

First and foremost, the Federation welcomes the intention to develop the payment system in a manner conducive to the development of new models of care. Specialist hospitals are often at the forefront of the delivery of innovative care models, leading the way within provider networks and shared care arrangements to deliver the best care as close to people's homes as possible. There is, however, a risk that the Tariff's focus on short term efficiency savings will hinder the shift towards more effective care delivery models.

In particular, the Federation is keen to ensure that the Tariff can be strengthened to provide accurate reimbursement for the most complex services. By their nature, specialist providers have a disproportionately complex casemix and are especially vulnerable to deficiencies in the reimbursement of complex care, including methodological issues around the calculation of reference costs and the application of average ratios to more intensive care. Where patients present with greater clinical complexity or where investment in more sophisticated technology is required to treat more difficult cases, specialist hospitals must be compensated sufficiently.

The Tariff should also ensure that the appropriate incentives are in place for investment in innovations and service transformations. However, investment is increasingly difficult in the light of baseline underfunding and requirements for year-on-year efficiency gains. Adequate funding that allows investment is essential in underpinning a comprehensive health service and a sustainable specialist provider sector. While the Federation broadly welcomes the move to HRG4+ in the near future, this should not be seen as a panacea and further work to improve Tariff reimbursement of complex services will be required.

Reflecting the needs of specialised services

The Federation is pleased to see the engagement document's emphasis on innovation in local pricing and other more flexible payment options. This is particularly important as national prices have consistently failed to recognise the higher costs associated with some complex procedures, which has left some providers worse off than others. The Federation therefore welcomes the opportunity to work with Monitor and NHS England to explore alternative payment approaches.

The Federation notes the proposal for “accelerating the pace of convergence towards only remunerating efficient costs for specialised services”. However, there is insufficient detail in the document to allow an answer to the consultation question on “promoting value in acute services without national prices” (Question 20). To minimise confusion, Monitor and NHS England need to evaluate and clearly explain the implications of implementing each of the two options proposed, including any impacts on specialist hospitals' abilities to innovate and deliver new models of care.

Supporting quality and outcomes

In developing a long-term vision for the payment system, the Federation would support greater consideration of payment related to outcomes as a lever for incentivising quality. Members have a strong record of achieving high quality outcomes for both complex and routine interventions. Contrary to the perception that specialist hospitals sometimes deliver more complex procedures than required, members of the Federation are committed to ensuring that the level of care is driven by need and the desire to achieve the best outcomes for patients.

Members have welcomed the introduction of national service specifications for specialised services. It is equally important to ensure that incentives are aligned between the National Tariff and these commissioning documents, not least to ensure that the payment approach does not undermine the quality and sustainability of services.

In the light of recent financial pressures on NHS England's specialised commissioning budget, there have been concerns that the payment system will be used as a means of reducing spend without proper regard to either the causes of the budgetary problems or the potential impact on providers. Tariff reductions should not be used to penalise providers who combine efficiency with good outcomes to achieve relatively better financial positions. Indeed, a failure to recognise outcomes would be at odds with Monitor's own stated objectives.

There are also fears that services will be moved from specialised commissioning to the National Tariff without a clear process of engagement. The process for amending the coverage of the Tariff should be made more transparent,

ensuring that decisions are driven by clinical and patient outcomes rather than financial considerations alone.

Provider engagement

The Federation has previously expressed significant concerns in relation to the current Tariff objection threshold of 51%, which requires more than half of the provider sector as a whole to object to a pricing proposal in order to trigger a referral to the Competition Commission. Members believe this requirement is too onerous. The Federation urges Monitor and NHS England instead to consider provider responses by specific HRG chapters.

The Federation remains supportive of efforts to move towards new payment designs at pace and scale, and would welcome the opportunity to provide further comments as the details of the Tariff are developed.

FSH
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