Towards an NHS payment system that does more for patients

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As an NHS patient, care is provided free at the time you need it, whether this is from, say, a hospital or community nurse or psychologist. But behind the scenes a payment is made for your care by your local clinical commissioning group.

This group consists of GPs and others who know about the needs of people in your area (for health and social services). Together they decide how best to spend much of the NHS budget that is provided to your area each year.

Your local clinical commissioning group and the providers of your NHS care agree the price for any care you receive by following the payment rules and the price list that make up the NHS payment system.
In 2012, Parliament put NHS England and Monitor jointly in charge of the NHS payment system, as part of many changes to the structure of the health service. NHS England leads the commissioning of health services in England and Monitor is the sector regulator for health services.

We plan to change the payment system gradually to make it do more for patients with the money available. A major step in this direction is publishing our first set of NHS prices and rules, known as the 2014/15 National Tariff Payment System.

We want to design a payment system that creates incentives for commissioning groups and health care providers to keep on improving the quality and efficiency of care for patients.

In this leaflet we explain:

- how NHS prices and payment rules affect the quality of care people receive;
- how the 2014/15 National Tariff Payment System will be a step in the right direction; and
- why Monitor and NHS England are qualified to redesign the payment system.
The design of the payment system influences the quality of NHS care for patients in lots of ways. To start with, through the payment system we can make sure commissioning groups pay providers enough money to cover the costs of caring for patients. To help with this, there are procedures for making sure ‘the money follows the patient’ but with safeguards in place to protect the confidentiality of medical information.

If commissioners pay providers of NHS services too little, they won’t be able to afford to give the high standards of care that patients need and have the right to expect. If commissioners pay providers too much, they may lose focus on keeping their costs under control. We also won’t get as much care as we could for the amount of taxpayers’ money that is being spent.

The prices for health care agreed through the payment system need to get that balance right.

The payment system could also do more to encourage improvements to the way NHS patients are cared for. For instance, if you have a number of health problems, you may need care from several health professionals working together, including your GP.

You might also prefer to have as much care as possible given to you at home, whether from your GP, local community nurse or social services, so you don’t face sudden emergencies. Emergency treatment in hospital is costly. So more care for you at home is likely to mean better value for money, as well as care in the place that you prefer.

We need to see more of this kind of joined-up working, or “integrated care”, to get the best for patients from the NHS budget. This requires social services, primary care and specialists to co-ordinate their planning and work smoothly together. The payment system rules can do a lot to help that happen.
How will the *2014/15 National Tariff Payment System* be a step in the right direction?

Much of the current payment system enables the NHS to deliver high quality, efficient care. However, we hear more and more from NHS providers and commissioners about parts of the system that get in the way of them doing their best for patients. Everyone thinks there is potential for the payment system to do a much better job.

That said, the NHS price list in the *2014/15 National Tariff Payment System* is much the same as last year’s. This is because we don’t want to make big changes to the payment system on top of all the other change going on at the moment in the NHS.

That could be very disruptive and make it difficult for commissioners and providers to plan for the year ahead.

Also, we don’t yet have all the evidence we need to redesign the payment system in a way we can be sure is helpful.

We need more details from providers about their costs and from patients, doctors and nurses about the quality of NHS care.

Gathering this evidence takes time and involves us working closely with health professionals, all types of care provider, commissioners, patient groups and health charities.

The rules in the *2014/15 National Tariff Payment System* for setting prices for services that don’t appear in the price list will be both clearer and more flexible.
Commissioners and providers will have more freedom to arrange payments differently as long as they can demonstrate that any new arrangements will benefit patients. We’re doing this largely because we know that commissioners and providers sometimes found the old rules a barrier to designing services they believe would serve patients better.

In return for this greater freedom, we will be asking commissioners and providers to tell us exactly how they are arranging payments for NHS services and the expected benefits for patients. Giving us this information, along with the other evidence we are gathering, will help to ensure that we make really sensible changes to the payment system in future.
How are Monitor and NHS England qualified for this job?

As the body with overall responsibility for commissioning health care services, NHS England initially determines proposals for what health care can be bought for a particular price.

If we take, say, a hip operation, the price covers the clinical activities involved, such as the operation and nursing care and possibly the physiotherapy a patient needs to get back to being as mobile as possible. So the team at NHS England includes clinicians and patient representatives with experience of how health care services work and what patients expect.

Meanwhile Monitor is responsible for designing the proposals for the methods for setting prices in the national tariff, and the rules on setting local prices where there isn’t a national price. So Monitor’s team is made up of economists who gather, analyse and share the cost and quality information that will underpin rules and prices that promote better care for patients. Monitor and NHS England then agree all the components of the proposals, reflecting each other’s views.

In carrying out this task, NHS England is guided by its mandate from the Secretary of State for Health¹, its clinical priorities and, above all, its commitment to understand and act on the needs of patients. Monitor is similarly guided by its primary duty to protect and promote the interests of patients. This means we both put patients first in all we do.

¹http://mandate.dh.gov.uk