HEALTH AND WELLBEING BOARD

29 JULY 2014

Title:	Mental Health Tariff
Report of the Clinical Commissioning Group	
Open Report	**For Decision**
Wards Affected: ALL	**Key Decision: NO**
Report Author: Sharon Morrow, Chief Operating Officer Barking and Dagenham CCG	**Contact Details:** Tel: 020 3644 2370 E-mail: Sharon.morrow@barkingdagenhamccg.nhs.uk
Sponsor: Conor Burke, Chief Officer Barking and Dagenham CCG	

Summary:

The paper provides a briefing on the national tariff payment system 2014/15 and the tariff deflator of -1.8% that has been applied to mental health service contracts. NHS England and Monitor are responsible for setting the NHS payment system and published the 2014/15 national tariff payment system in December 2013 following a period of consultation with commissioners and providers.

The payment guidance recognises the challenge faced by providers and commissioners to improve productivity and operational efficiency and to transform patterns of care.

Monitor believes that there are opportunities for improving care and safety by using resources more efficiently and is requiring providers to make productivity improvements of 4% in 2014/15. It is expected that productivity improvements will be made through operational efficiencies and not impact on the quality of patient services.

Concerns have been expressed nationally by mental health leaders and some politicians that that mental health services will lose resources at a time when there is a focus on improving mental health standards and ensuring parity of esteem.

Recommendation(s)

The Health and Wellbeing Board is recommended to

(i) Consider what the implications are for the borough and to what extend parity of esteem between mental and physical health is damaged by this policy.

1. Background and Introduction

1.1 The purpose of the paper is to brief the Health and Wellbeing Board on the national tariff payment system and how this has been applied to mental health providers in 2014/15. The report outlines how the risk of productivity improvements impacting on the quality of patient services is being monitored.

2. Operating Plan guidance

2.1 National guidance [Everyone Counts: Planning for Patients 2014/15 to 2018/19] was published in December 2013 alongside CCG and NHS England direct commissioning allocations for 2014-2016.

2.2 This included guidance on financial planning, outlining the assumptions that NHS commissioners should make in setting budgets and agreeing contracts with providers. Financial planning assumes that commissioners will be required to make efficiency savings of around 9% in 2014/15, which includes a provider efficiency savings.

3. 2014/15 national tariff payment system

3.1 NHS England and Monitor took on responsibility for the NHS payment system from the Department of Health under the provisions of the Heath and Social Care Act 2012.

3.2 Monitor and NHS England consulted on proposals for the 2014/15 national tariff between October and November 2013 and published the 2014/15 national tariff payment guidance on 17 December 2013. There were no substantial changes to the original proposals as a result of the consultation process.

3.3 The scope of the tariff payment guidance includes acute, community and mental health providers. Monitor is responsible for ensuring that licensed providers comply with the national tariff and also has powers for ensuring that commissioners comply with the national tariff.

3.4 The 2014/15 payment guidance recognises the substantial challenge faced by providers and commissioners to improve productivity and operational efficiency and also to transform patterns of care. Monitor believes that there are further opportunities for improving care and safety by using resources more efficiently and is requiring providers to make productivity improvements of 4% in 2014/15. An impact assessment, published by Monitor in October 2013, supported the conclusion that this was a reasonable, if stretching, efficiency requirement that balanced the need for providers to remain stable and commissioners to manage rising demand.

3.5 Provider contracts in 2014/15 have been uplifted for inflationary costs that average 2.5%. Some cost uplifts reflect costs that apply only to acute services and not to community or mental health services. An uplift of an estimated £150 million nationally which was identified for acute trusts, relating to service developments required following the recommendations of the Francis and Keogh reports, has not been applied to non-acute services. The net tariff reduction in 2014/15 has therefore been adjusted to - 1.5% for acute services and to - 1.8% for non-acute services.

3.6 The differential tariff reduction across acute and non-acute services has raised concerns that mental health services will lose out at a time when there is a focus on improving mental health standards and ensuring parity of esteem.

3.7 There are mechanisms in place to provide assurance that productivity improvements do not impact on the quality of patient services. Foundation Trusts are required to submit a two year operational plan 2014/15 – 2015/16 to Monitor that includes cost improvement plans to deliver the 1.8% efficiency requirements. Cost improvement schemes should improve or maintain quality whilst driving up productivity and will include a combination of efficiency schemes and schemes which are more transformational.

3.8 The CCG also has an established process through the Clinical Quality Review Meetings to review provider cost improvement plans and this is a commissioner requirement that is set out in the operating plan.

4. Mental health services

4.1 Mental health services have historically been funded through block payment arrangements with the level of block payment generally based on historic levels of funding. Aligning payment to patient outcomes has historically not been part of the payment approach in mental health.

4.2 The introduction of a mental health tariff from 2015/16 will identify currencies for 21 care clusters for adult mental health services that group patients based on common characteristics, such as level of need and similar resources being required to meet those needs. Commissioners and providers will set local prices for each care cluster operating under the rules set by Monitor.

4.3 For services that are not covered by the adult cluster currencies, local providers and commissioners will need to agree local prices based on the principles of the mental health tariff guidance.

5. Mandatory Implications

5.1 Joint Strategic Needs Assessment

Section 7 of the JSNA recommends that, given the anticipated population increases and the high levels of deprivation in the borough, there is likely to be a much greater demand on services to improve the mental health and wellbeing of Barking and Dagenham residents.

5.2 Health and Wellbeing Strategy

The Health and Wellbeing Strategy reflects mental health and wellbeing as a theme across the life course and acknowledges the impact of income poverty on people's mental health.

5.3 Integration

The scope of the tariff payment guidance includes the commissioning of NHS health care services are commissioned under joint commissioning arrangements even if commissioned by the Local Authority. The CCG and Local Authority will be entering into a range of joint commissioning arrangements through the Better Care Fund in 2015/16.

5.4 Financial Implications

All providers are required to deliver 4% efficiency savings in 2014/15. In addition to the NHS Deflator they also need to fund pay and price increases, which means that for NELFT as a provider organisation the annual cost improvement requirement is 4% (the level of annual efficiency indicated by Monitor).

Implications completed by: Sharon Morrow, Chief Operating Officer, Barking and Dagenham CCG

5.5 Legal Implications

None.

5.6 Risk Management

Trust cost improvement plans are reviewed by the CCG to provide assurance that they are deliverable without impacting on the quality and safety of patient care. Foundation trusts are required to submit cost improvement plans to Monitor as part of their two year operational plan.

5.7 Patient/Service User Impact

Efficiencies from the tariff deflator are delivered by operational efficiencies and not through cuts to services.