

Payment by Results

2010/11 National Tariff

From reference costs to national tariff: a quick guide

Key Principles

- Retrospective costs are turned into prospective prices by adjusting them to make them consistent with tariff payment policy.
- Tariff based on underlying Reference Costs, with three year lag
 - 2010/11 tariff is based on 2007/08 Reference Costs
- Use HES data consistent with Reference Costs for spell conversion (for Admitted Patient Care tariff only)
 - 2010/11 tariff is based on 2007/08 HES
- Provider level Reference Costs aggregated to national HRG level (or TFC level for Outpatients).
- Structural adjustments should not increase tariff quantum.

Reference Costs (2007/08)



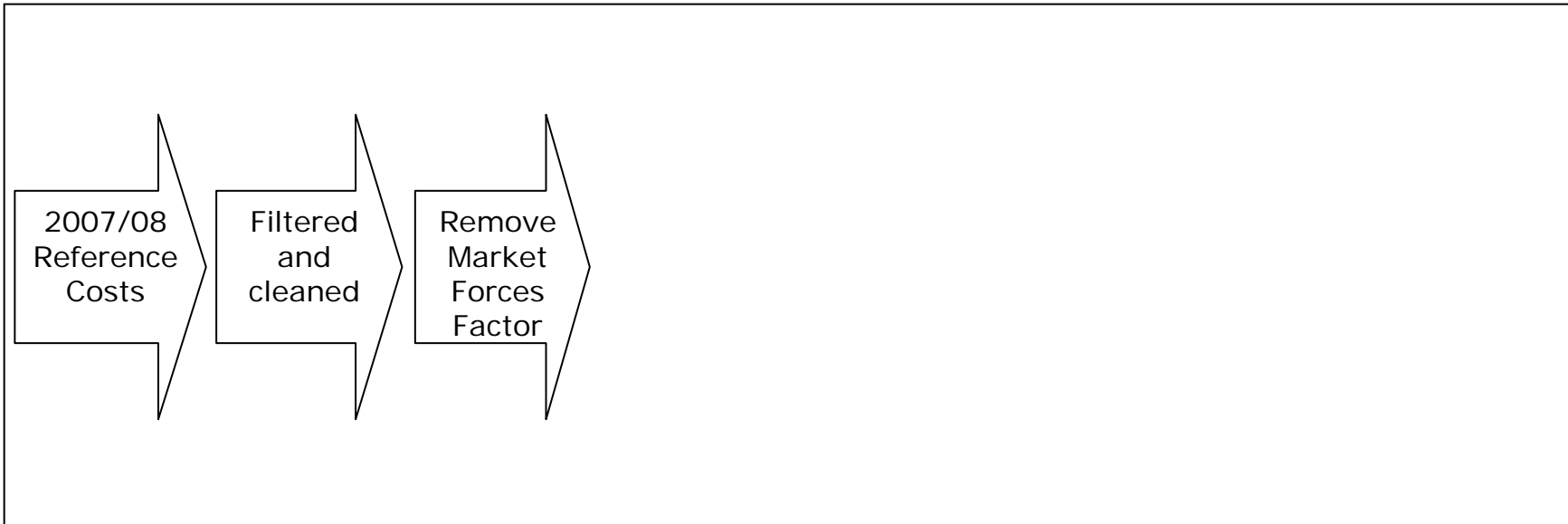
- 2007/08 Reference Costs are the basis of tariff calculation.
- Nationally mandated cost collection from NHS providers.
- For admitted patients, costs and activity collected at FCE level.

Filter and Clean Data



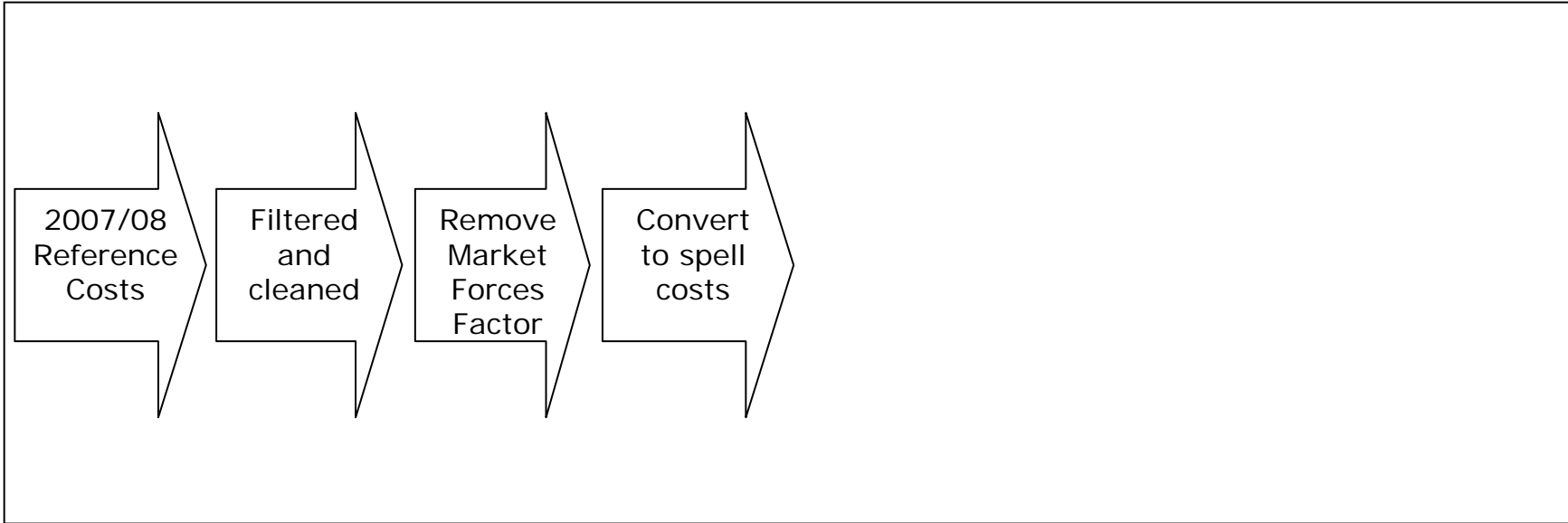
- Data is filtered for services within the scope of the national tariff.
- Data is cleaned using a conservative criteria.

Remove Market Forces Factor



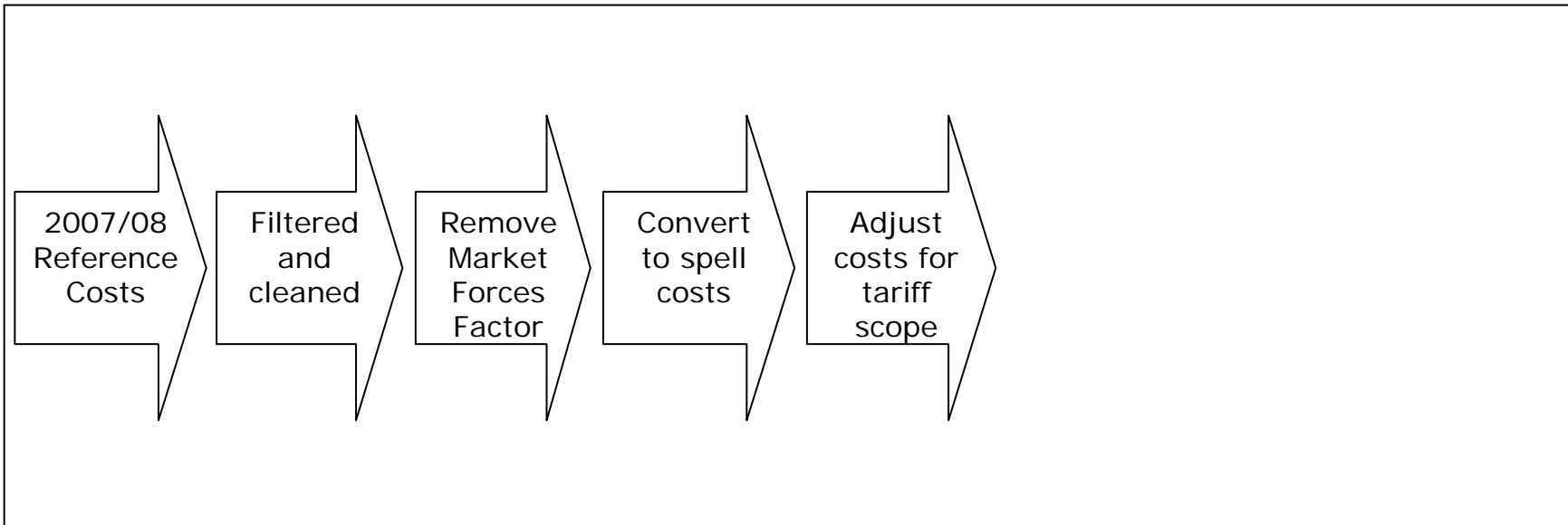
- The Market Forces Factor (MFF) represents the level of unavoidable local cost to providers.
- Tariffs are net of these costs to ensure true national average.
- Providers are paid MFF in addition to tariff prices.

Convert to spell costs



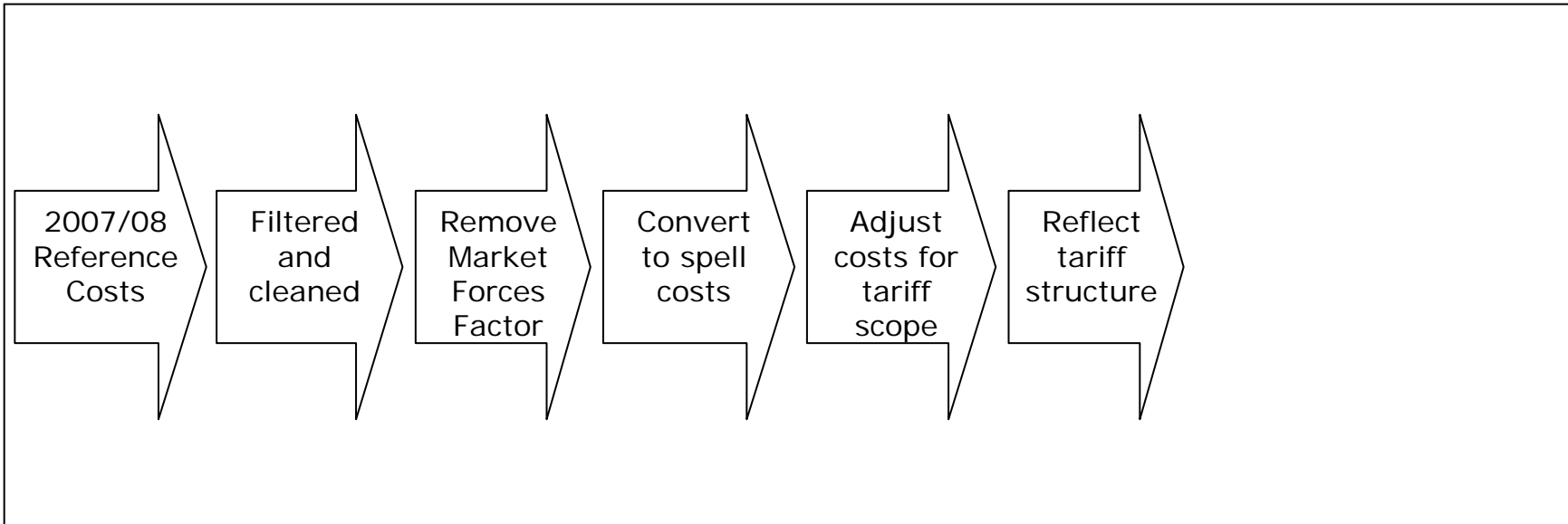
- Reference Costs are collected on an FCE-basis, but the admitted patient tariff is paid for on a spell-basis.
- Costs converted to spell level by applying FCE costs to HES data which is grouped to both FCE and spell level.

Adjust costs for tariff scope



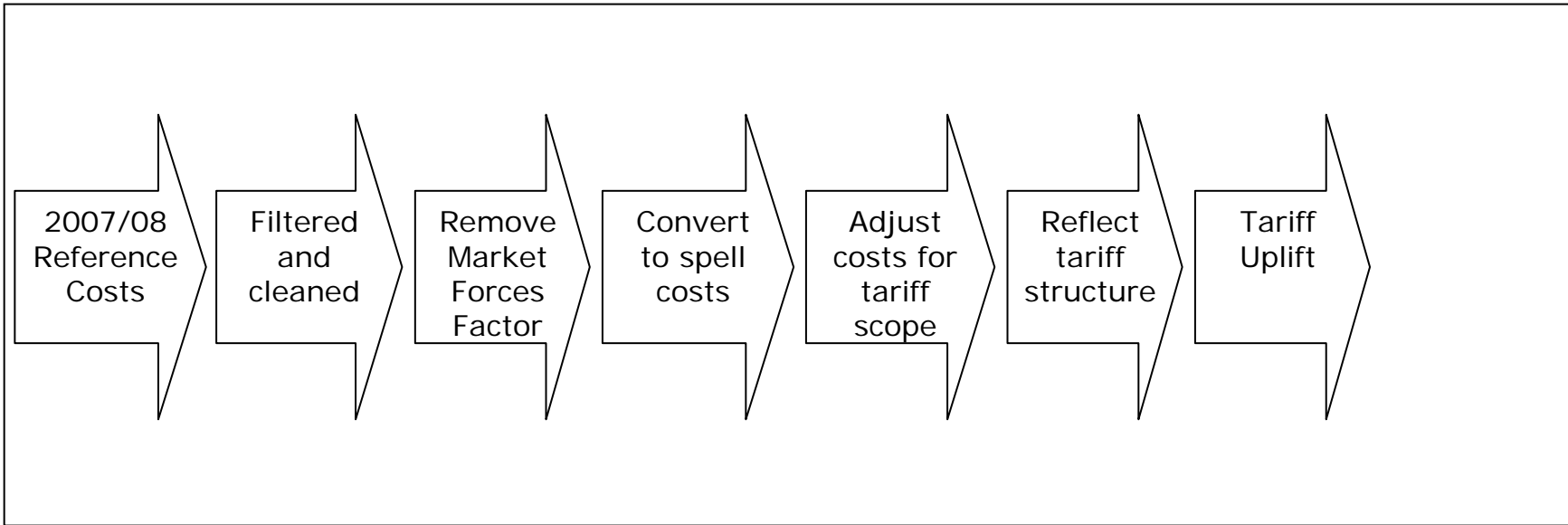
- There are a number of costs that are either (a) collected separately in Reference Costs, (b) have come into effect after the collection and so are not reflected in underlying costs, or (c) are outside the scope of the tariff.
- These costs are added/removed to ensure the tariff is reflective of the differences between the costs and the tariff.

Reflect tariff structure



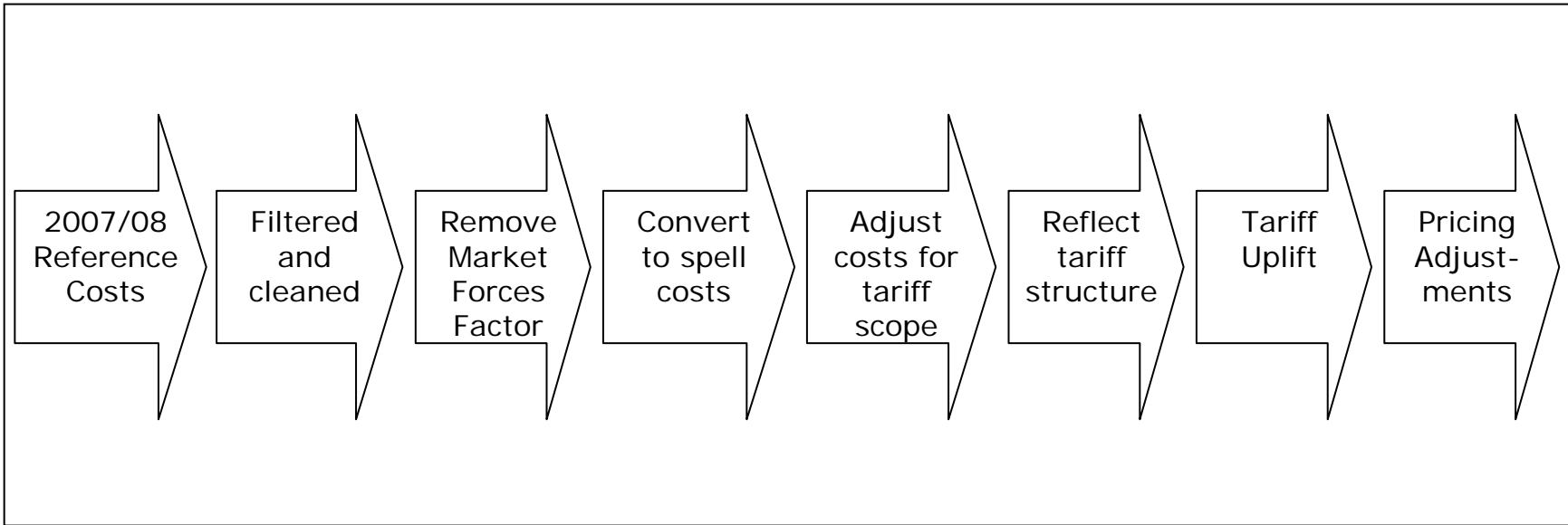
- Where policy decisions mean the structure of the tariff is different to that of Reference Costs, adjustments need to be made.
- In 2010/11, for admitted patients this includes combining elective and day case data to create a combined price as well as reflecting the difference between trimpoints for costing and those for payment.

Tariff Uplift



- The underlying cost data is at 2007/08 prices and so needs to be uplifted to reflect the year in which the tariff will apply.
- For 2010/11 this meant uplifting the costs by around 4.04%.

Pricing Adjustments



- Once calculated a number of adjustments are made to prices in response to stakeholder feedback during sense checking of the tariff.

Further information

- This presentation is designed to support the ‘Step-by-Step Guide to the Calculation of the National Tariff in 2010/11’, which can be found at:
 - www.dh.gov.uk/

- A technical guide to the calculation of the Market Forces Factor can also be found at:
 - www.dh.gov.uk/