

NHS Alliance position statement on Payment by Results

The NHS Alliance supports the principles of Payment by Results (PbR) which provides both transparency and a better understanding of healthcare costs. Nevertheless there are concerns about the policy's detail and its implementation. These concerns can be summarised as follows:

- ⊕ Rather than rewarding results, outcomes or quality, in practice PbR rewards activity. If it is to become a useful tool in improving NHS cost effectiveness and efficiency, more attention must be paid to service specification, monitoring and evaluation.
- ⊕ PBR is just that – a tool and not a policy objective in its own right. It must be applied flexibly and with a willingness to amend its form in the light of experience and local circumstances.
- ⊕ At its worst, PbR could result in the ossification of services and inhibit the development of innovation in service design. It is critical that the tariff be unbundled to avoid this, so that the individual component costs can be charged against appropriate providers.
- ⊕ The tariff may also inhibit shifts from secondary to primary care, particularly if services moved attract the same tariff as secondary care when provided in primary care. The NHS Alliance believes therefore that there is considerable merit in the concept of the tariff being a **Ceiling Price** and not a fixed absolute price, allowing for local negotiation where appropriate.
- ⊕ The NHS Alliance is concerned that attempts to apply PbR principles to all care – in particular complex care, mental health and primary care – may produce unforeseen and unintended consequences and would not represent a good return on the investment required. The Alliance takes the view that PbR should be confined to those areas it is currently applied to, or can be easily extended to, until a fuller evaluation of its impact and implications can be undertaken.
- ⊕ From time to time, there are disagreements between providers and commissioners as to billing accuracy. Unbundling the tariff should go some way towards minimising these. However, it may be helpful to appoint an independent arbitrator for those instances that cannot be resolved locally. Action should be taken to discourage 'gaming' by all parties.