

**FINANCE** SHAs warn of significant risk of financial instability to system

# Trusts and commissioners at odds over tariff benefits

**Sally Gainsbury**

sally.gainsbury@emap.com

Hospital trusts and commissioners are disputing the impact of the new payment by results tariff on their income.

They also disagree about how to minimise disruption when it is introduced.

The new tariff – known as HRG4 – was finally published by the Department of Health last week. But strategic health authority area-wide letters seen by *HSJ* show that despite last minute changes it is still expected to create substantial financial instability.

In one letter sent to local finance directors, NHS North West finance director Mark Ogden confirms the impact of the tariff on local hospitals “presents a significant risk to the financial stability of the system”.

One hospital stands to lose £7.9m while another stands to gain £15.5m, simply through the introduction of the new pricing mechanism, rather than any change in the type or volume of their work.

But while hospitals think the new tariff will see them increase their total income by a net £108m across the region, primary care trusts have told the SHA it will swell their spending by £218m (or approximately 2 per cent) if all other things are equal.

The discrepancy of £110m indicates confusion over the true impact of the change.

This will hinder agreements on which organisations deserve financial help from the SHA.

The 2009-10 operating framework gives SHAs permission to help, but they are concerned that whatever they do must be in keeping with new rules on health service competition and must be fairly applied to all providers.

In the North West, Mr Ogden has asked finance directors to make suggestions on what the SHA could do.

But he warns: “It is critical that this financial intervention is discussed with the system in advance and represents a payment regime that is ‘transparent and fair’ as defined within... the principles and

rules for co-operating and competition.”

The issue has been further complicated by the DH’s decision to leave outpatient procedures out of the national tariff. This follows concerns that cost data is incomplete and the inclusion of new procedures in the tariff could lead to an increase in patients being counted and charged for. Prices for that work will depend instead on local negotiations around DH guide prices.

In the South Central region, the SHA has decided that all trust income for outpatients will effectively be capped at 2008-09 levels. This is an attempt to resolve potential disputes over price and calm PCT fears that they cannot afford an increase in activity.

Some trusts have claimed this will see them lose even more income as they have significantly increased outpatient procedures in a bid to fulfil government policy to treat patients more quickly.



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