

Guidance on blended payment for mental health services

**A joint publication by
NHS England and NHS Improvement**

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1 Background

1. As part of the [2017/19 National Tariff Payment System](#) (NTPS), NHS England and NHS Improvement introduced specific local pricing rules for mental health services for working-age adults and older people. Local pricing rule 7 required providers and commissioners to agree local payment approaches that were:
 - linked to quality and outcome measures and the delivery of access and wait standards
 - in the form of either episodic, capitated or a locally agreed alternative payment approach.
2. Following extensive engagement with the service during 2017 and 2018, we have amended local pricing rule 7 in the [2019/20 NTPS](#). The amended rule makes blended payment the default approach for all mental health services for working-age adults and older people. We describe the approach in [Section 2](#).
3. The blended payment approach can help support the ambition for mental health services set out in the [NHS Long Term Plan](#), and the renewed commitment that mental health services will grow faster than the overall NHS budget, with new ringfenced local investment worth at least £2.3 billion a year by 2023/24.
4. To support the payment approach, we are clarifying that local pricing rules 3 and 4 do apply to national mental health currencies.
 - Rule 3 sets out that, where a national currency is specified for a service, it must be used as the basis for local price setting, unless an alternative payment approach is agreed in accordance with rule 4.
 - Rule 4 states that, where a national currency is specified for a service, but the commissioner and provider of that service wish to move away from using it, the commissioner and provider may agree a price without using the national currency.
5. Mental health clusters remain the currencies against which activity data must be reported to NHS Digital's Mental Health Services Data Set (MHSDS).¹ As

¹ MHSDS – the Mental Health Services Dataset is the patient-level dataset for mental health services in England. A monthly submission to the dataset is mandatory for any provider of NHS funded care, including independent sector provider. This requirement is set out in the [Standard Contract](#).

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such, mental health clusters are the basis for the blended payment approach. There is flexibility for providers and commissioners to agree alternative currencies as the basis for blended payments at a local level, where this complies with the relevant local pricing rules, and to agree an alternative payment approach that better suits their local health economy. The framework for locally determined prices incorporates three principles which must be applied by commissioners and providers:

- local payment approaches must be in the best interests of patients
- local payment approaches must promote transparency to improve accountability and encourage the sharing of best practice
- commissioners and providers must engage constructively with each other when trying to agree local payment approaches.

6. The changes aim to:

- ensure providers are appropriately reimbursed for the services they deliver to patients and to provide incentives for continuous improvements in quality, efficiency and expanding access
- ensure that payment for mental health services supports the delivery of evidence-based services that are aligned with population-level health needs and system-wide changes
- improve the reporting, recording and costing of mental health activity for working-age adults and older people which supports financial transparency in data aligned with the Mental Health Investment Standard
- minimise transactional burdens and friction and to provide the space to transform services.

7. While blended payments for mental health share similar principles to the approach used for emergency care, the default approach set out in this guidance reflects the importance given to achieving good outcomes, the need to increase access to services and the expectation that in agreeing the details of the payment approach commissioners ensure they will meet the requirements of the Mental Health Investment Standard.

2 Blended payment: the basics

8. The default blended payment approach consists of the following elements:
 - a fixed payment based on the agreed forecast level of activity required to meet the objectives set out in the planning guidance
 - a variable element based on an estimate of the variable cost of delivering activity (see [Section 3](#) for more details on the fixed and variable elements)
 - an element of payment linked to locally agreed outcomes (see [Section 4](#)).
9. This guidance describes how a blended payment approach could be implemented at a local level. It is intended as a starting point for local pricing discussions. Providers and commissioners can modify this approach to suit their local needs. However, where commissioners and providers cannot agree a local approach, we would expect them to use the one set out in this document. The NHS England and NHS Improvement regional teams would support local areas with this.
10. We have kept the blended payment approach described here as simple as possible to limit the administrative burden of implementation and delivery.
11. The rest of this document explains our proposals for:
 - how the fixed and variable elements could be calculated
 - how outcomes can be linked to payment.

3 Fixed and variable payment elements

12. In establishing the fixed payment element, providers and commissioners should work together to agree realistic forecast levels of activity and the total anticipated costs of delivering the associated activity. The starting point will be a good understanding of historic activity and unit costs. Looking ahead the forecast activity must align with delivering the strategic objectives set out in the [Five Year Forward View for Mental Health](#) and the [NHS Long Term Plan](#) (LTP) of providing increased access to evidence-based services to meet local population health needs. The LTP prefaces an additional investment in mental health services of at least £2.3 billion a year by 2023/24. Forecast activity should also reflect demographic pressures and a realistic assessment of the impact of system efforts across the local health economy to increase access to

meet population needs efficiently. Activity plans (and the fixed payment) may need to be updated in-year to reflect final LTP implementation plans.

13. In agreeing planned activity, commissioners and providers should involve their sustainability and transformation partnership (STP) or integrated care system (ICS), and other system partners in planning discussions.
14. The variable element should reflect the best possible estimate of the incremental costs of activity increasing or decreasing.² This will need to be agreed locally and should reflect the different cost structures of relevant services.
15. Payment terms for the fixed and variable elements need to be agreed and activity will be subject to monitoring and review – for example, each quarter. Providers should supply fully coded and costed activity to support the review process.
16. Providers and commissioners may want to consider an agreement for how to manage situations where actual activity differs significantly from forecast activity. This may include reopening the fixed payment or agreeing a different variable rate to reflect the actual cost of delivering the revised activity levels.
17. We have not changed the requirement to link an element of payment to access, quality and outcomes under the revised rule 7.

4 Payment for outcomes

18. The [Five Year Forward View for Mental Health](#) recommended a payment system that would support improvement in access to, and the quality and outcomes of, mental health services, providing a means of assessing and comparing value. In the 2017/19 NTPS, we required providers and commissioners to link an element of payment to agreed access, quality and outcomes measures.
19. The building blocks for developing and sustaining an outcomes-based payment include:
 - leadership and engagement
 - transparency

² The default activity level should be the cluster currencies. However, providers and commissioners can agree alternative currencies if this follows the relevant local pricing rules.

- rationalised reporting
 - improving and learning focused NHS.
20. These are outlined in more detail in [Delivering the Five Year Forward View for Mental Health: Developing Quality and Outcomes Measures](#).
21. Commissioners should outline in their sustainability and transformation plans how they will use outcomes to drive standards and quality in accordance with the vision as set out in the [Five Year Forward View for Mental Health](#) and [NHS Long Term Plan](#) underpinning a blended payment approach. Commissioners and providers are free to decide which quality and outcome measures are linked to payment. However, services must be measured and benchmarked against national access standards.
22. An element of payment for outcomes should form part of the variable element of the blended payment approach (rather than the fixed payment element). We recommend that the value of the outcomes component should initially be set at a minimum of 2% of the total contract value.
23. Quality and outcome measures which can be used include:
- people on care programme approaches (CPA) followed up within seven days
 - proportion of people on CPA with a crisis plan in place
 - age standardised mortality rate from suicide
 - bed occupancy rate
 - use of accident and emergency for people using mental health services
 - mental health IAPT and EIP waiting time targets
 - access to cognitive behaviour therapy for people with schizophrenia
 - validated patient and clinician reported outcome tools.
24. For more information, see [Health of the Nation Outcome Scales \(HoNOS\)](#).³

³ HoNOS was developed during the early 1990s by the Royal College of Psychiatrists as a measure of the health and social functioning of people with severe mental illness. The scales contain 12 items measuring behaviour, impairment, symptoms and social functioning. The scales are completed after routine clinical assessments in any setting. www.rcpsych.ac.uk/events/in-house-training/health-of-nation-outcome-scales

5 Length of blended payment contract

25. The 2019/20 NTPS is set for one year, from April 2019. We would expect that contracts using a blended payment approach would be updated for each tariff cycle. This would include agreeing levels of activity to inform the fixed element of the blended payment. It will also allow flexibility to include in contract priorities set out in the [NHS Long Term Plan](#).

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