

ECONOMIC REGULATION: FACT SHEET

Gateway reference: 15319

1. Introduction

Monitor is currently the regulator for foundation trusts and already has the status of a non-departmental public body.

Subject to Parliamentary approval, the Department of Health is proposing to develop Monitor into an economic regulator for all providers, rather than establishing a new body.

Monitor's role as economic regulator will be to ensure that the social market for provision of NHS services operates in the public interest by promoting patient choice and competition, where appropriate, and regulation of providers, where necessary.

This will be in the context of making substantial savings by reducing bureaucracy and reviewing the Department's arm's length bodies.

2. Patient choice

We are committed to giving patients choice of treatment and provider wherever possible. Money will increasingly follow patients' choices and reward providers that offer high-quality services that respond to patients' preferences. Monitor will promote patient choice and competition for services on a fair playing field and will have powers to address restrictions on competition where this acts against the public interest.

The best NHS providers should thrive, as more patients choose to use them, and funding follows those patients. Competition and a national tariff will create strong incentives for other providers to improve. Those providing poorer quality or unresponsive or inefficient services will come under increasing pressure.

3. Monitor's role

Monitor will carry out three core functions as economic regulator:

- Promoting competition
- Regulating prices
- Securing continuity of supply where there is no alternative provider(s)

Monitor will work with the NHS Commissioning Board to regulate prices for NHS services. Effective price regulation will support investment in NHS services by creating a more transparent and predictable system of reimbursement and strengthen incentives for providers to improve quality and efficiency.

Initially, Monitor's functions will apply to healthcare services, but we will make provision in the Health Bill to extend Monitor's functions to adult social care, subject to affirmative resolution in Parliament.

Monitor's regulatory powers will apply equally to all providers of NHS services, including organisations in the private and voluntary sector.

As in the current system, commissioners will retain responsibility for ensuring the continuity of service provision. Monitor will be able to identify services that require additional regulation and set conditions in providers' licences to protect the continuity of those services.

Monitor will be able to require contributions to a risk pooling system to ensure the continuity of services in the event of failure as well as being able to intervene directly in the event of failure, and trigger a special administration regime to secure continuity of supply.

4. Monitor and the CQC

The CQC currently registers providers of health and adult social care services to provide assurance that they meet essential levels of quality and safety and they will continue to exercise this role.

Monitor on the other hand will license providers of NHS services in order to deliver its economic regulatory functions such as setting efficient prices and promoting competition.

Monitor and CQC will need to work closely together on some issues, but their remits are distinct; Monitor carries out economic regulation while the CQC is responsible for assuring quality and safety.

Quality services and patient safety remains paramount so providers must register with the Care Quality Commission according to the services they provide.

Providers will have a joint licence overseen by both Monitor and CQC, to maintain essential levels of safety and quality and to ensure effective competition and the continuity of essential services.

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