



Department  
of Health

# Education & training tariffs

Tariff guidance for 2016-17

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Education & training tariffs: Tariff guidance for 2016-17

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HEE local offices responsible for commissioning education and training placements and providers of education and training placements

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# Section 1 Overview

## Background

1. The Department of Health introduced transitional tariffs for non-medical placements and undergraduate medical placements in secondary care from 1 April 2013. A similar tariff for postgraduate/medical trainees came into effect on 1 April 2014.
2. Prior to the introduction of the transitional tariffs, these training placements were subject to local arrangements, creating inequities in funding. The transitional tariffs aim to ensure that providers are reimbursed consistently for the training placements that they deliver.
3. The tariffs support the redistribution of the existing funding budget, made available by Health Education England (HEE) for the payment of the training placements.
4. To determine the potential requirement to change the level of funding for education and training, work is underway to develop a single integrated collection exercise that will enable us to understand any possible cross-subsidisation between service and education.
5. The first mandatory integrated cost collection exercise, running in parallel with the main service reference costs collection exercise will take commences in June 2016.

## Education and training tariffs in 2015-16

6. In response to the requirement to deliver savings in 2015-16 and the statutory need for commissioners to live within the funding that Parliament had allocated to HEE for training placements, the 2015-16 undergraduate medical tariff was reduced by 1.9%.
7. The reductions to the undergraduate tariff and the savings that this delivered allowed the tariffs for non-medical and postgraduate medical to be frozen at 2014-15 prices.
8. The decision to freeze the non-medical and undergraduate prices reflected the outcomes of the 2014-15 cost collection exercise and the fact that these tariffs were constrained by affordability when first implemented. By freezing these tariffs and not applying any uplift for 2015-16, providers still needed to absorb any inflationary cost pressures.

## Section 2 Purpose

9. This guidance provides information relating to the tariffs for education and training placements in 2016-17, specifically;
  - powers and requirements with regards to application of the transitional tariffs
  - the scope of the transitional tariffs
  - the calculation of the transitional tariffs
  - the transitional tariff prices
  - the impact of the 2016-17 tariff prices on the existing transitional arrangements
  - the implementation of these tariffs locally, including where to direct any queries
  - the ongoing work within HEE to improve the transitional tariffs going forward

## Section 3 Powers and requirements

10. Powers and requirements with regards to tariffs for education and training placements were set out in legislation, in the Care Act 2014<sup>1</sup>. These powers came into force in April 2015 and are as follows:
  - The Secretary of State may specify a tariff setting out approved prices, which may be different for different types of education and training.
  - A tariff specified in this way must be published.
  - The Secretary of State may specify a procedure for varying the approved prices – the procedure must be published and any prices that have been varied must be published.
  - A published tariff or variation procedure may be revised or revoked by the Secretary of State.  
Payments made by HEE or one of its local offices must be made with reference to the approved price, or price as varied under the approved procedure.
11. The Secretary of State is publishing the approved prices and the procedure for their variation by publishing this tariff guidance.
12. Any prices that have been varied in line with the agreed procedure will be published by HEE.

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<sup>1</sup> <http://www.legislation.gov.uk/ukpga/2014/23/part/3/chapter/1/crossheading/tariffs/enacted>

## Section 4 Scope of the 2016-17 tariffs

13. The education and training tariffs are applicable to all placements that take place in England at any type of provider organisation (whether NHS funded or not), unless explicitly listed as excluded in section 5 of this document.
14. A placement in England that attracts a payment through the national tariff must meet each of the following criteria:
  - be a recognised part of the education/training curriculum for the course and approved by the higher education institute and the relevant regulatory body, as appropriate;
  - meet the quality standards of the regulator and the commissioner;
  - be quality assured in line with the commissioner's agreed processes;
  - be direct clinical training (including time for clinical exams and study leave) with an agreed programme being a minimum of one week;
  - have the appropriate clinical and mentoring support as defined by the relevant regulatory body; and
  - is not workplace shadowing.
15. Time spent by students and trainees at provider organisations which do not meet this definition, are not covered by the tariffs and any funding should be determined locally by the provider and commissioner.
16. The tariffs cover funding for all direct costs involved in delivering education and training by the provider, for example:
  - Direct staff teaching time within a clinical placement
  - Teaching and student facilities, including access to library services
  - Administration costs
  - Infrastructure costs
  - Education supervisors
  - Pastoral and supervisory support
  - Trainee study leave and time for clinical exams
  - Health and well-being (excluding any occupational health assessments that are carried out by the university and funded separately)
  - Course fees and expenses (as required to achieve professional registration)
  - Student/trainee accommodation costs
  - In-course feedback and assessment
  - Formal examining
  - Staff training and development relating to their educational role

17. The tariffs do not cover:

- Tuition costs
- Items funded under Education Support, such as
  - Foundation Programme Directors
  - Foundation Programme administration support staff
  - Heads of Schools
  - Programme Directors
  - Core Leads
  - Relocation costs and exceptional travel costs
  - Directors of Medical Education / Associates

18. Training placements that take place outside England but are commissioned by HEE and its local offices should be paid for at a locally agreed rate, although it may be appropriate to use the published national tariff as a starting point. (see section 10)

## Section 5 Exclusions

19. Where a category of trainee is not covered by a tariff, the price paid to a provider for placements must be agreed locally between the commissioner and provider. It may be appropriate to use the published national tariff as a starting point for these discussions.
20. Funding for placements commissioned by HEE and its local offices must not be used to subsidise any element of the cost of placements for non-NHS funded students/trainees.
21. There are a number of exclusions specific to one or more of the transitional tariffs; these are detailed below for information.

### Undergraduate medical placements exclusions

22. The transitional tariffs for undergraduate medical placements do not cover
  - Placements in hospices
  - Medical placements in GP practices

Work is on-going to develop medical education and training tariffs for placements in GP practices. The Department of Health and HEE are working with a group of experts in general practice looking at education and training with a sample of training practices to collect information about the costs of providing placements in GP practices. This will enable us to develop appropriate tariffs for this activity. It is anticipated that these tariffs will distinguish between delivering different types of placements, for example, for medical students, foundation trainees and specialty registrars

At present, the price paid for undergraduate medical placements in GP practices varies across the country. Like with the secondary care placements, this approach creates inequities in funding.

The proposed introduction of a national tariff aims to address the inequities in funding and create a fair playing field. While this work is underway, providers will continue to be funded using existing arrangements.

- Placements for dental students and trainees

A national indicative tariff was set for undergraduate dental placements in 2006, and this was reviewed locally in subsequent years resulting in locally agreed prices that are slightly different. Whilst the variation is narrower than for primary care due to a common starting point in 2006 HEE is looking to review prices paid and revert back to a consistent tariff in 2017-18.

Undergraduate dental students on medical placements (“medical for dental”) are paid at locally agreed prices, under a separate funding stream to that for undergraduate medical or dental placements.

## Postgraduate medical placements - exclusions

23. The postgraduate national tariff is not applicable to:

- dental trainees
- placements in GP practices (although hospital placements for GP specialist registrars are covered by the tariff)
- placements in hospices
- placements in public health
- National Institute of Health Research (NIHR) trainees
- Less than Full Time (LTFT) trainees
- Trust funded posts
- Nationally introduced one-cycle posts (ie any remaining Hewitt and Johnson posts), which remain out of tariff until the end of the individual’s training cycle
- Out of Programme Experiences, where individuals temporarily step off the standard training programme
- Doctors in Difficulty
- Ministry of Defence training posts

## Section 6 Calculation of tariffs

24. As part of the Department's funding settlement within the Comprehensive Spending Review, HEE has been notified that it will receive a largely 'flat cash' settlement for programme funding for 2016-17.
25. Given that a significant proportion of HEE's budget is committed to students already in the system, there are cost pressures due to increased commissions in previous years (non-medical commissions increased 5.5% and 8.1% in 14-15 and 15-16 respectively leading to total number of students in the system being 4% higher).
26. These pressures, coupled with other unavoidable cost pressures, such as the impact of tuition loans increasing from £3,000 to £9,000 for medical and dental students, results in HEE having to make some difficult choices to enable it to live within this settlement.
27. As a result, there is a requirement for HEE to reduce each of the 2016-17 tariff prices by 2% against the equivalent 2015-16 prices.
28. We are aware that the delay in confirming the reduction in prices for 2016-17 will have a potentially destabilising financial impact for some NHS providers. To ensure that we mitigate against any such impact, and to reflect the late notification of the reductions, it has been agreed that the tariff payments for 2016/17 should include a payment equivalent to the 2% reduction.
29. Confirmation of the 2016-17 tariff prices is explained in table 1 below, including a breakdown of the tariff price and the additional payment to NHS providers for 2016/17. The tariff price will be the starting point for the calculation of the 2017/18 tariff prices to ensure that HEE remains within its funding settlement.
30. The national tariffs are calculated on the basis of average costs and do not take into account some features of cost that are likely to vary across the country. The tariffs and additional payment are therefore adjusted by the Market Forces Factor (MFF) in order to compensate for the cost differences of providing training placements in different parts of the country.
31. For simplicity, the MFFs that are used for payment are the same as those applicable to the service tariffs. Further information on the MFF, including the current rates, is published by Monitor<sup>2</sup>. Please note that the salary contribution

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<sup>2</sup> <http://www.monitor.gov.uk/nt> under "A guide to Market Forces Factor"

is based on the salary for the post rather than the salary of the individual filling the post and is not multiplied by MFF.

Table 1: 2016/17 tariff prices

Type of placement	Tariff for placement activity 2016/17	Additional payment for all placement activity in 2016/17
Non-medical	£3,112 + MFF	Payment equivalent to 2.0408% of placement tariff + MFF
Undergraduate medical	£33,286 + MFF	
Postgraduate medical	£12,152 + MFF  Plus a contribution to basic salary costs as per Annex A	

32. Specific information relating to payment of each of the tariffs locally is set out below.

### Non-medical tariff

33. Salary support for the professions covered by the non-medical placement fee is at HEE's local discretion.

### Undergraduate medical

34. The tariff is applicable only to students who are included within the Higher Education Funding Council for England (HEFCE) intake target of medical school places. Placements for students who are not within this target are subject to locally agreed funding arrangements.

## Postgraduate medical placements

35. For postgraduate medical placements, funding is on the basis of training posts. Investment specific to individuals will usually be excluded from the tariff, as set out above. The local office of HEE may agree to maintain the salary element to support a locum appointment; however, the placement fee could be withheld for long term vacant posts. Prior to any changes to existing payments, this should be discussed and agreed between the HEE local office and placement provider.
36. As indicated in table 1, HEE will continue to make a contribution to the basic salary costs of all postgraduate medical students.
37. HEE has been given additional funding in 2016/17 to reflect increases to National Insurance Contributions of 1.89% of pay costs. Aside from this increase, the funding given to HEE for the payment of postgraduate salary costs in 2016/17 is broadly consistent with the funding available in 2015/16.
38. To ensure therefore that the salary contribution from HEE is affordable within the available budget, we have taken the decision to replace the previous percentage contribution with a specific monetary contribution. This is based on 50% of 2015-16 basic salary + on costs adjusted for increased national insurance contributions.
39. The 1.89% increase in funding for National insurance contributions will be passed over in full to providers through an increase to the salary contributions for employer on costs which have increased from 25% to 27.36%.
40. The move to a monetary contribution from HEE will mean that there is a specific payment from HEE by grade for all postgraduates. These payments vary to reflecting national, fringe and London pay scales. The amounts payable from HEE for postgraduate salaries are included in Annex A.
41. We are aware that there are some local arrangements in place for the payment of salaries, including commissioning on the basis of weighted average pay costs. Where it is agreed locally to commission on the basis of weighted average pay costs for a whole rotation of staff at different grades then the existing price being paid can be maintained and should be uplifted by 1.89%.

Where no agreement can be reached locally around payment of a weighted average then the payments made to a Provider should reflect the payments included in Annex A.

## Section 7 Currencies for tariff

42. The tariffs in 2016-17, will continue to be paid based on a year's worth of placement, i.e. the tariffs fund a year's worth of placement at a provider. For example, if a provider took two students for half a year each, they would receive the full tariff, whereas if they took only one student for half a year, they would only receive 50% of the tariff.
43. Where HEE make payments on the basis of "student weeks", the rate is likely to vary to reflect local placement practice. The length of the placement will be determined by the time the student/trainee spends receiving the direct clinical training as defined within the outcome standards of the regulatory body.
44. The tariff only applies to placements commissioned by HEE and its local offices. Funding for placements commissioned by HEE and its local offices must not be used to subsidise any element of the cost of placements for non-NHS funded students/trainees.

## Section 8 Transitional arrangements

45. To ensure that NHS providers were not destabilised through the introduction of the tariffs, the payments for placements have been subject to transitional arrangements. This means that provider gains and losses under tariff have been limited on a year by year basis, compared to the funding previously received for education and training through local arrangements.
46. These transitional arrangements will continue in 2016/17 with the cap on annual losses remaining at £2m or 0.25% of income.

### Changes in activity

47. The transitional arrangements associated with the move to tariff accounted for the impact of pricing changes on the levels of activity at the time of transition. To reflect any changes in volume since the point of transition, HEE will adjust the income to a provider to reflect any increase or reduction in activity for 2016/17.
48. Any changes in income to reflect changes in activity should be agreed locally between HEE and the relevant NHS provider. HEE will share details of the activity underpinning the proposed adjustment with the relevant NHS provider for agreement. Where there is no initial agreement of the activity, the NHS provider should share additional information with HEE to determine the requirement for further local discussions and negotiation.
49. Changes in activity should be paid or deducted at the full tariff rate, including payments for any activity transferred to Primary Care and/or the independent sector. Where reducing activity at full tariff from a provider who is currently paid below tariff would result in a negative payment then the local office should agree the appropriate amount to remove. It should be noted that where an amount below tariff is taken from a provider, then this may limit the amount that can be paid to the new placement provider.

## Section 9 Implementation of the tariffs

### Lead employer models:

50. Lead employers provide an outsourced HR and payroll system for a number of postgraduate trainees. The organisation hosting the post should receive the tariff payment and refund the salary costs to the lead employer. However, the host organisation may agree with HEE for appropriate payments to be made direct to the lead employer.

### Host providers/pooled support:

51. Where a provider hosts particular services, such as library services, HEE may agree the basis for any recharges that the host provider wishes to make. If all the organisations within a local area agree to a pooled support system they may agree that HEE or other named organisation manage a proportion of the placement fee on their behalf.

### Local prices:

52. Local prices for placements not covered by the national tariff should be agreed between providers and commissioners. It may be appropriate to agree to use the published national tariff for some of this activity. Providers and commissioners should engage constructively to agree transparent local prices which are in the best interests of students/trainees.
53. Funding for placements commissioned by HEE and its local offices must not be used to subsidise any element of the cost of placements for non-NHS funded students/trainees.

## Section 10 Flexibilities

54. Providers and HEE can agree to adjust tariffs or currencies in exceptional circumstances. This may be appropriate, for example:

- where commissioners and providers agree on an innovative way of delivering placements
- where provision of training is necessary in a given location or type of provider, but is not economically viable at the national tariff.

55. In order to determine whether the provision of training is not economically viable, the provider must be able to demonstrate that:

- Their average cost of the training placements is higher than the national tariff;
- The provider's average costs are higher than the national tariff price as a result of structural issues that are:
  - Specific to that provider (i.e. not nationally applicable);
  - Identifiable, i.e. the provider must be able to identify how the structural issues it faces affect the cost of the services;
  - Non-controllable, i.e. beyond the direct control of the provider, either currently or in the past<sup>3</sup>; and
  - Not reasonably reflected elsewhere in the calculation of national tariffs, rules or flexibilities.
- The provider is reasonably efficient when measured against an appropriately defined group of comparable providers, given the structural issues that it faces<sup>4</sup>; and
- The provider has tried to engage constructively with its commissioners to consider alternative training delivery models, and it is not feasible to deliver the training required at the national tariff.

56. Any tariffs that are varied from the national tariffs according to the flexibilities set out above will be published by HEE for transparency. Prices that are not equal to the national prices due to the provider's transition plan do not need to be published by HEE as tariff variations.

57. Where a small amount of placement activity is commissioned from a provider and the burden of administering the payment system to the provider would be disproportionately high compared to the appropriate tariff payment, then the

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<sup>3</sup> This means that higher costs as a result of previous investment decisions or antiquated estate are unlikely to be grounds for justifying that the provision of training is uneconomic at the national price.

<sup>4</sup> If a provider is not reasonably efficient when measured against an appropriately defined group of comparable providers, it would have to demonstrate that its costs would still be higher than the national price, even if it were reasonably efficient.

commissioner and provider may agree to local support arrangements. This could see the continuation of existing local support arrangements, possibly on a payment in kind basis, equivalent to tariff value.

## Section 11 Further work

58. Below is some further information relating to ongoing areas of work, linked to the calculation and implementation of tariffs for education and training.

## Integrated cost collection

59. As indicated earlier in section 1, the Department of Health has recently announced the intention to collect the costs of education and training alongside the service costs, as part of an integrated collection.
60. Integration of the education and training collection into the well-established reference cost collection means that trusts will exclude the cost of, rather than the income from, education and training (E&T) as part of a second reference costs collection in summer 2016.
61. The collection will run alongside the existing education and training cost collection exercise in 2016. A decision on whether we continue to collect this alongside the reference costs in 2017, or move to a single integrated collection, will be decided following the outcomes of the initial exercise.
62. The main aims of the integrated exercise are to
  - ensure providers get a better understanding of their service and education and training costs
  - improve the quality of the data submitted in the collection.
  - identify any potential requirement to rebase budgets
  - ensure that providers are reimbursed fairly for the service and education and training that they deliver.
  - reduce the burden on NHS providers of multiple data collection exercises
63. Further information relating to the integrated collection exercise is available within the integrated collection guidance document that was published in March 2016.

## Currency Development

64. The collection of the data at a granular level through the cost collections is necessary to enable HEE to establish currencies which are realistic and appropriate for payment. HEE are currently working on the outcomes of the 2014-15 exercise to inform future currency design. The provider sector will have an opportunity to provide feedback on the proposed currencies via a consultation which will take place during 2016.

## HEFCE funding

65. The main area of feedback received in response to the implementation of the tariffs has been around having a clear definition of what is funded through the

HEE placement tariff and what is funded by the higher education institute through the student loan, benchmark price or HEFCE.

66. HEE are continuing to work with HEFCE to provide additional information around the split and what should be funded from each funding source.

## Benchmark Price (BMP)

67. This guidance does not cover the BMP for non-medical undergraduate tuition. Any changes to the BMP will be published on the HEE website<sup>5</sup> once agreed.

## Section 12 Queries

68. For queries on the tariffs or their implementation, please contact your HEE local office in the first instance, and then HEE if necessary on [HEE.Tariffs@nhs.net](mailto:HEE.Tariffs@nhs.net).

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<sup>5</sup> <http://hee.nhs.uk/work-programmes/resources/>

69. Frequently asked questions will be published on HEE's website<sup>6</sup>.

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<sup>6</sup> <http://hee.nhs.uk/work-programmes/resources/tariff-guidance-and-implementation/>

## Annex A – Salary Contributions

- Below are the salary contributions that HEE will pay for each post graduate placement. These amounts are consistent with the 50% of basic salary in 2015-16 plus employer on-costs that HEE previously funded.
- Employer on-costs have increased in line with the 1.89% of total pay costs HEE received for National Insurance contributions. This is being passed over in full to providers through an increase to the salary contributions relating to on-costs changing from 25% to 27.36%.

Hospital & community health services (HCHS) salaries				
Grade	Spine point	HEE Salary Contribution		
		National £	Fringe £	London £
F1	Minimum Point of the FHO1 scale	14,415	14,509	15,791
F2	Minimum Point of the FHO2 scale	17,879	17,974	19,256
F1D	Second point of the FH01 Scale	14,415	14,509	15,791
F2D	Minimum Point of the FHO2 scale	17,879	17,974	19,256
F1 Community	Minimum Point of the FHO1 scale	14,415	14,509	15,791
F2 Community	Minimum Point of the FHO2 scale	17,879	17,974	19,256
ST1/CT1	Minimum point (0) of StR scale	19,105	19,200	20,482
ST2/CT2	Point 1 of StR scale	20,274	20,369	21,651
ST3/CT3	Point 2 of StR scale	21,907	22,002	23,284
ST4	Point 3 of StR scale	22,894	22,989	24,271
ST5	Point 4 of StR scale	24,085	24,180	25,462
ST6	Point 5 of StR scale	25,277	25,371	26,653
ST7	Point 6 of StR scale	26,468	26,563	27,845
GPST1 Hospital	Point 1 of StR scale	20,274	20,369	21,651
GPST2 Hospital	Point 2 of StR scale	21,907	22,002	23,284
GPST3 Hospital	Point 3 of StR scale	22,894	22,989	24,271
GPST Hospital placement (point not specified)	Point 2 of StR scale	21,907	22,002	23,284