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Dear Mike, Peter, Tracey, Ron, Cally and Robert,

RE: Project Diamond

Thank you for your letters of 27 January. We look forward to meeting some of you on Friday to discuss the various issues you have raised associated with specialised services. We welcome your commitment to working together to resolve these complex challenges.

In advance of our meeting I thought it might be helpful to set out how we could approach the discussion on Friday.

We would like to spend most of the time exploring with you the future direction of specialised services and how we could work together to develop a shared medium term vision. In particular we think this needs to include our vision for the future shape and model of services, how we get there and the type of pricing and/or funding system required to underpin service provision in the future. This is by far the most significant issue in relation to the future financial health of the system as a whole and your organisations in particular.

We recognise that that we also need to cover some of the immediate funding and pricing issues that you have raised in your letters regarding 2014/15. I thought it might be helpful to clarify prior to the meeting our position on these particular issues.

As we have made clear in previous correspondence, NHS England is not responsible for the allocation of Research & Development funding. We are aware that Richard Douglas wrote to you in February 2014 confirming that there would be no MFF payments on Research & Development funding in 2014/15. We are therefore not proposing to cover this issue during our discussions on Friday.

You will also be aware that I wrote to you in January 2014 making explicitly clear that payments in 2013/14 should not be read as establishing a commitment for future years, and that we would treat allocation of any funds in 2014/15 on their merits and on a case by case basis.

Finally, the consultation on the tariff for 2015/16 closed on 24 December 2014. We have received an unprecedented volume of responses from both providers and commissioners and are currently in the process, together with Monitor, of reviewing the responses before agreeing next steps. We would therefore be happy to listen to your views regarding the 50/50 risk share proposal for specialised services and any suggestions you have for potential modifications to the proposal, but we will not be in a position to provide a final response at this point until we have completed our review of all the points arising from the consultation.

I look forward to our discussion on Friday.

Yours sincerely,

Paul Baumann
Chief Financial Officer