

Monitor - Pricing (Tranche 2)

The Optical Confederation represents the 12,000 optometrists, 6,000 dispensing opticians, 7,000 optical businesses and 45,000 ancillary staff in the UK, who provide high quality and accessible eye care services to the whole population. The Confederation is a coalition of five optical representative bodies: the Association of British Dispensing Opticians (ABDO), the Association of Contact Lens Manufacturers (ACLM), the Association of Optometrists (AOP), the Federation of Manufacturing Opticians (FMO) and the Federation of (Ophthalmic and Dispensing) Opticians (FODO). As a Confederation we work with others to improve eye health for the public good.

As we have made clear in previous responses (i.e. to the Framework Document last November and the consultation documents in January 2012) pricing regulation would be particularly inappropriate for community optical practice.

General Ophthalmic Services

As far as sight testing services (General Ophthalmic Services or GOS) are concerned we have been given assurances by Ministers that sight test fees (both for fixed practices and domiciliary services) will remain negotiated nationally with the NHS Commissioning Board and delivered against a centrally negotiated (i.e. single national) contract, on a demand-led basis.

The reason for this is that sight testing is already delivered through a highly-competitive, open market, retail system where providers compete with one another for patients on quality, access and price. Moreover the national GOS contract which has served the NHS and patients well for many years contains provisions for, and no barriers to, new entrants to the sight testing market.¹ A number of publications have reviewed the optical market and found it to function very effectively, delivering choice, equity of access; and is a potential model for other parts of the health service to follow.^{2,3,4} We would also refer you to the attached paper titled *Optical Market Benefits March 2012* which provides additional evidence of the competitive nature of the community optical market.

The community optical market has delivered significant year-on-year value gains both for the NHS and for patients including improving access, quality, choice; the option of latest technologies in equipment and lens design; and real-term price reductions.

In addition, the optical market is already heavily regulated not only under the Companies Act, Office of Fair Trading, Advertising Standards Authority etc but also by the sector-specific

¹ NHS England (2008) General Ophthalmic Services Contracts Regulations 2008 available here http://www.legislation.gov.uk/ukxi/2008/1185/pdfs/ukxi_20081185_en.pdf

² Mintel (2008) Opticians Report – February 2008

³ Speirs, J (2003) Patients, Power and Responsibility – see Chapter 19 ‘*With eyes to see: one people, one market, one service*’

⁴ Bosanquet, N. (2010) *Liberating the NHS: Eye Care, Making a Reality of Equity and Excellence*

regulator, the General Optical Council. Optical practitioners and optical bodies corporate, as GOC registrants, are under duties to make “the care of the patient their first and continuing concern”.⁵

To impose further regulation on this efficient and successful market would be to impose an unnecessary and avoidable cost-burden with no evidence of a need for change and no demonstrable benefit to patients or the NHS.

Locally Commissioned Services

As far as locally commissioned services are concerned, again the introduction of pricing licensing conditions would be unnecessary.

The national “sight testing” tariffs cannot be “locally modified”. For locally commissioned enhanced primary ophthalmic services (POS), given the genuinely consumer- and market-driven nature of the optical sector, pricing modification already works efficiently without the need for regulatory intervention.

The optical market is structured on the basis of spare capacity at any given time (without any subvention from NHS funds) and providers have to compete for patients to stay in business. The main evidence we would point to for this is the ease with which patients can book an appointment for a sight test and the lack of any waiting lists.

This spare capacity means that both local commissioners and providers are already appropriately incentivised to agree a good deal for the NHS on fees. In a market with freedom of entry (and spare capacity), community optical providers are incentivised to offer a competitive price for additional services, while the lack of barriers (and willing providers) mean that local commissioners can agree competitive fees. Usually such fees are reviewed annually and, depending on local agreements, providers can enter the market or others leave it as the case may be, and commissioners can adjust fees through negotiation in response.

New conditions for other sectors

We do not have wide experience of other sectors but we can contribute our experience of the benefits to both the NHS and patients that a functioning NHS market has delivered in our sector (better choice, access, and lower real prices) and the absence of these benefits within traditional NHS providers where competition does not operate and regulation has to take its place.³

Given the absence of genuine markets in most of the acute sector (and often the imbalance of power between providers and commissioners), we believe that a local modification system may be necessary. However, the NHS Commissioning Board should monitor the use of this flexibility closely in our view to ensure that it is used sparingly; otherwise the incentives to innovate, become more efficient and add value, which working to a tariff implies, will once again fail to be delivered.

⁵ Codes of Conduct for Business and Individual Registrants, General Optical Council

In our view, other sectors of NHS health care have a lot to learn from the optical sector in terms of how a genuinely market-driven system can operate for the benefits of patients, commissioners and providers.

To impose a further burden of unnecessary regulation on the vital community eye care sector would be unnecessary and risk pushing small providers out of business undermining the very principles of competition on which the success for patients and the NHS is founded.

We are happy for the contents of this response to be made public.

This response has been submitted by:

Mark Nevin

Optical Confederation

March 2012