



25 May 2015

CONSULTATION ON PROPOSED COUNCIL FEES FOR DOCTORS

Introduction

In 2014 the Medical Council of New Zealand (the Council) indicated it was examining Council's fee structures. That work has now been completed and Council is proposing a re-costing of our fees.

The outcome of this review and consultation will assist Council in determining its current and future revenue streams for 2015 and beyond.

Council has reviewed the actual cost of each aspect of Council's work based on current costs and volumes using an Activity Based Costing (ABC) methodology. This is a method of allocating costs based on the activities the Council undertakes to meet its responsibilities under the Health Practitioners Competence Assurance Act 2003 (HPCAA).

In undertaking this review the Council has considered the Auditor-General's principles for setting fees. Further KPMG has reviewed the Council's methodology and concluded:

'We found that the Council's application of the ABC methodology, and the assumptions used in performing the fees calculation, are appropriate for the current year.'

Principles for setting fees

The Auditor-General has published several principles for the setting of fees. These include:

1. The legal entity (the Council) must have legal authority to charge a fee.

The HPCAA specifically empowers the Council to set a range of fees including a specific disciplinary levy.

2. A fee will not extend to allowing over-recovery.

The Council's reserves are approximately 40% of our annual expenditure. The Council budgeted for a financial deficit in 2014/15 of \$475,000 which will reduce our reserves. The budget for 2015/16 is for financial break-even.

3. Any cross subsidising must be clearly authorised and transparent, and the reason for doing so clearly documented.

The Council's practising certificate (PC) fee has historically cross subsidised other activities of Council where a fee has been charged. This has included, for example:

- Doctors applying for Certificates of Good Standing;
- International Medical Graduates applying for registration;
- Doctors on provisional vocational registration undergoing a vocational practice assessment;
- Doctors undergoing regular health monitoring.

Council's goal

When the Council consulted in 2014 about an increase in the practising certificate fee, feedback received included the suggestion that we should adopt a more user pays approach to the fees we charge and therefore the income we receive.

The principle of user pays has formed the basis of the review of fees that we have undertaken. This has been applied consistently with the principles of the Auditor-General. We also want to limit cross subsidisation so that the new fee structure is fair and equitable and may withstand scrutiny of any audit process or parliamentary enquiry.

A schedule of fees (all GST exclusive) with comments/notes explaining the fee has been developed and is attached. If the Council decides, following consultation, to implement the new schedule of fees, additional annualised income of up to \$1.171M would be attainable (subject to activity volumes remaining the same). I also wish to highlight that while there are proposed increases in several fees, there are also several proposed reductions in fees, including registration of New Zealand and Australian graduates. You will also find that some fees have not changed.

If additional income results from the review, the Council could use it in one of the following ways:

1. to reduce the PC fee;
2. to use a portion of the additional income to reduce the PC fee and to use the balance to further fund Council's medical regulation work;
3. to use a portion of the additional income to reduce the PC fee, another portion to further fund Council's medical regulation work and the balance to increase the Council's financial reserves.

Consultation

The Council is now consulting with you and other interested persons on the proposed new fees. We want your feedback prior to making any decision on whether to implement the new fee schedule in whole or in part; and how to utilise any additional income attained.

The earliest implementation date for a change of fees would be 1 September 2015. This is the first date in the new financial year (1 July to 30 June) when the quarterly run of PC renewals is implemented. You may also wish to provide feedback on the appropriateness of this date.

Please provide your feedback to the Council at feeconsultation@mcnz.org.nz by 5pm Friday 26 June 2015.

Rationale and methodology of new fees

The existing fees the Council charges (excluding PC fees) have not been reviewed and updated for several years. Indeed in some cases, the fees that the Council charge appear to cover only the direct

labour costs, rather than fully recovering the total cost of the activity being undertaken. This has resulted in the whole profession (through the practising certificate fee) funding services that only a proportion of the profession actually use. A good example of this is the fee for a Certificate of Good Standing, something required only by New Zealand registered doctors seeking registration outside of New Zealand.

The Council's review of fees has looked at direct staff costs based on activities undertaken. Examples include registering an international medical graduate (IMG) applying for vocational (ie, specialist) registration; registering a New Zealand doctor applying for vocational registration; accreditation of training providers of Intern training.

The review has also included any direct costs such as reimbursement for doctors (assessors) undertaking vocational practice assessments; and a proportion of overhead costs such as the Council expenses associated with administration and other corporate functions. This includes a portion of management, finance, information, and administration costs.

With the newly proposed fees, the overheads are allocated on the proportion of time for any single activity type against the total time for all activities combined. So for example, if the registration of IMGs applying for vocational registration takes 10% of Council registration team's time, then 10% of the overheads are also allocated to that activity type.

Historically, the Council has averaged some registration fees which has led to cross subsidisation. This is not good accounting practice but where cross subsidisation may be appropriate, our external auditors and the Office of the Auditor-General expect it to be clearly documented and authorised.

Although it is not an ideal situation when the Council uses cross subsidisation to cover its costs, there may be individual instances where it is appropriate. We invite you to closely examine the proposed changes in the fee schedule and provide feedback on whether cross-subsidisation should be authorised.

Some specific fee changes that you may wish to comment upon are:

1. Vocational practice assessment (VPAs) – the proposed change is from the current \$4,000 to the actual cost of \$16,419.55. The Council undertakes approximately 30 VPAs per year. This is a summative assessment of whether an IMG with provisional vocational registration has met the standard to be registered with full vocational registration. The doctors undertaking a VPA are mainly working in more provincial centres in New Zealand and therefore this fee change would likely impact most on medium and smaller DHBs.
2. Special purpose: Postgraduate training registration – the proposed change is from \$377.78 to \$1,869.83. This is a pathway to temporary registration in New Zealand (a maximum of 2 years) with the aim that the IMG will attain increased capability through experience in the New Zealand health sector and then return to their home country. There are approximately 50 registrations in this category each year.
3. Vocational registration of International graduates – the proposed application fee change is from \$377.78 to \$2,479.22. This is the main pathway to vocational registration for IMGs from outside of New Zealand and Australia. There are approximately 160 registrations in this category each year. IMGs registered through this pathway are employed in most DHBs throughout New Zealand, although the majority are employed in DHBs outside of the main centres.

Conduct and Competence

There are Council responsibilities that are subsidised by the whole profession. Examples include individual investigations of conduct or assessment of competence. These activities should not have a specified fee. In relation to a conduct investigation, there are legal processes for the recovery of cost when disciplinary charges are proven at the Health Practitioners Disciplinary Tribunal. The Tribunal functions like a Court and has the power to order costs against any doctor once misconduct is established. The Council does not have the legal authority to set a separate fee in these cases.

Competence assessments are other responsibilities the Council believes should not be charged for. The Council undertakes approximately 40 competence assessments per year. Naturally, there is a level of uncertainty as to the outcome of the assessment. If the doctor is found to be at the required standard of competence, then it would be unfair for the Council to charge the doctor concerned a fee.

Fair and equitable Practising Certificate fee

The Council strongly believes that it is essential that fees be fair and equitable. There is one part of the practising certificate process that appears not to meet this standard ie, at present any doctor who wishes to undertake work for a period of say 4 weeks after the expiry of their current PC is required to pay a full 12 month fee. We believe this is unfair and inequitable. In this instance, the possibility of introducing a quarterly fee may be perceived as fair practice by doctors to whom this would apply. We would appreciate your feedback on this change.

Council also seeks feedback on the issue of a reduction in the PC for doctors with a low total income from all sources, not only medical practice. At present assistance is available for those doctors with an annual income under \$20,000 from medical practice. If you support such a scheme, please give an indication of the income level below which it should apply. Please note the definition will be total income from all sources, not just medical practice as the policy should apply to those truly with a very low overall total income

I look forward to your feedback.

A handwritten signature in black ink, appearing to read 'Andrew Connolly', with a long, sweeping tail extending downwards and to the right.

Andrew Connolly
Chairman

Fee	Number of fees / activities (pa)	Existing Fee	Recommended fee	Comments/ Notes
1 Examination (Pre-registration for NZ exams)				
New Zealand Registration Exam (NZREX Clinical)	52	3,333.33	3,358.90	NZREX Clinical is the entry examination for international medical graduates who do not meet the requirements for any other pathway to registration. Doctors who pass NZREX Clinical are required to complete Intern requirements prior to being eligible for general registration.
Appeal of Decisions from NZREX (proposed new fee)	3	0	475.22	Appeal of decisions from NZREX is a new process. A new fee is therefore proposed.
Review of Decisions from NZREX (Simple recount only)	6	111.11	199.37	Review of decisions from NZREX is a recount and is a current process available to candidates.
Early withdrawal prior to cut-off	10	130.43	171.71	Based on 2 hours administration time, assuming no direct costs (re-advertising etc.)
Late withdrawal post cut-off	1	666.67	671.78	The increased fee is based on 20% of the examination fee. It is a disincentive to late cancellation.
2 Registration fees (General scope of practice)				
Request for registration advice	34	133.33	0.00	The Council recommends not charging a fee for this at all. Most often the registration team will provide recruiters with advice on the eligibility of a potential registrant, without them going through the formal 'request for advice' process. The recruiters are not charged for this – this is a core service we provide. Every so often someone will ask for this advice more formally (using the REG150 form) and will then be charged. This seems imbalanced that some pay, and others who know how to contact staff directly, get the same advice through a more informal process and don't pay.
Application types for registration				
Provisional general to full general registration for New Zealand /Australian graduates	378	111.11	186.98	The fee has increased to reflect the higher level of work required to complete an application relative to other forms of registration. Applicants for this type of registration have previously been subsidised by other registration fees and has been readjusted. The fee now reflects true cost of different labour content and processes.

APPENDIX 1- MCNZ FEES

29 May 2015

All figures are NZD excluding GST

Fee	Number of fees / activities (pa)	Existing Fee	Recommended fee	Comments/ Notes
Provisional general to full general registration for NZREX graduates	36	377.78	186.98	The fee has been reduced to reflect the lower level of work required to complete an application relative to other forms of registration. Applicants for this type of registration have previously been subsidising the more intensive registration types and has been readjusted. The fee now reflects true cost of different labour content and processes.
General registration for New Zealand / Australian graduates	63	377.78	186.98	The fee has been reduced to reflect the lower level of work required to complete an application relative to other forms of registration. Applicants for this type of registration have previously been subsidising the more intensive registration types and has been readjusted. The fee now reflects true cost of different labour content and processes.
Provisional general to full general registration for grads from a competent authority (United Kingdom and Ireland)	374	377.78	336.57	This type of registration has previously been set close to the correct level and only needs a minor adjustment to bring it in to line with the correct fee.
Provisional to general for applicants from a comparable health system	218	377.78	934.91	This type of application has previously been subsidised by other applications for registration. The increased fee represents the actual cost of this work being undertaken. Note the existing fee of \$377 only just covers the direct labour cost and does not provide any contribution towards overhead costs.
Special Purpose : Post graduate training	52	377.78	1,869.83	This post graduate training application has previously been subsidised by other applications for registration. The increased fee represents the actual cost of this work being undertaken. Note the existing fee of \$377.78 does not cover the direct labour cost of 25 hours of work required for this application and does not provide any contribution toward overhead costs.
3 Changes to existing registrations				
Variation to registration	600	111.11	0	The Council processes about 600 variations every year. There is no fee charged when a doctor on provisional or special purpose registration needs to change their scope of practice in some way, and needs a new PC to be issued. There are no fees charged for a change in supervisor, dates of employment, place of employment, etc. except when the doctor is applying to change employer. To make the fees consistent for this type of activity, the Council is recommending no fee for this.
Change of existing scope / variation to practising certificate	494	0	0	No fee is currently charged for this activity. It is the recommendation of the fees review that this activity not be charged for in future.

Fee	Number of fees / activities (pa)	Existing Fee	Recommended fee	Comments/ Notes
Change of employment	95	111.11	0	This fee is currently charged. It is the recommendation of the fees review that no fee is charged for this activity

4 Registration fees (Vocational scope of practice)

Application for registration

Vocational registration application - Australasian / New Zealand graduates, already registered in New Zealand	45	111.11	186.98	Existing fee covers a range of processes each with different direct labour content. Fees re-costed to reflect true cost of each process
Vocational registration application - Australasian / New Zealand graduates, not yet registered in New Zealand	215	377.78	330.56	Existing fee covers a range of processes each with different direct labour content. Fees re-costed to reflect true cost of each process
Vocational registration applications - International medical graduates	164	377.78	2,479.22	The fee for international medical graduates covers a labour intensive process with a greater requirement for tracking the application and liaison with third parties. The existing fee does not recognise the additional work involved and therefore is being subsidised by other registration fees and through the practising certificate fee. The proposed fee reflects the true cost of the application.
Paper-based assessment of documents vocational educational advisory body		653.00	725.00	Fee agreed with colleges under Memorandum of Understanding. Has not been adjusted for over 5 years. This adjustment reflects inflation only.
Face to face interview with vocational education advisory body		2,365.00	2,628.00	Fee agreed with colleges under Memorandum of Understanding. Has not been adjusted for over 5 years. This adjustment reflects inflation only.
Vocational practice assessment	30	4,000.00	16,419.55	It has long been acknowledged that this fee is understated and the review has confirmed this. The current fee of \$4,000 just covers the cost of the direct labour and does not cover the other cost such as flights, accommodation and the payments made for 2 doctors to undertake the one to two day assessment. If the fee was only to cover the cost of direct and indirect costs incurred, the fee would need to be increased to \$11,410. However the fully costed fee of \$16,419.55 is the true fee that should be charged to ensure that there is consistent application of the overhead costs across all fee types. While the true cost represents a significant increase in the fee, Council needs to consider whether the new fee is considered too high and may wish to cross subsidise the fee in some way. Should the Council wish to consider applying a reduction in the fee, the Council may be subject to a review of fees by Parliament's Regulation Review Committee.

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Fee	Number of fees / activities (pa)	Existing Fee	Recommended fee	Comments/ Notes
Additional evaluation (if required)	5	508.00	564.00	Fee agreed with colleges under Memorandum of Understanding. Has not been adjusted for over 5 years. This adjustment reflects inflation only.
Advice on proposed supervision and employment		75.00	83.00	Fee agreed with colleges under Memorandum of Understanding. Has not been adjusted for over 5 years. This adjustment reflects inflation only.
5 Restoration to practising certificate status				
Restoration to the register	12	0	186.98	This is a new fee. The fee proposed is for general and vocationally registered doctors previously on the Register who are returning from overseas. This fee has been costed at the New Zealand graduates rate.
Certificate of good standing	1,710	35.56	124.08	This fee currently does not cover the direct cost of labour. The proposed fee covers the direct cost and an allocation for overhead expenses.
Certificate of registration	29	35.56	124.08	This is an existing fee. Doctors are able to make duplicate copies of their practising certificates through myMCNZ online so it is recommended that this fee be deleted.
Copy of practising certificate	29	35.56	0	This is an existing fee. Doctors are able to make duplicate copies of their practising certificates through myMCNZ online so it is recommended that this fee be deleted.
Any other document certifying registration status or standing	94	35.56	124.08	This fee currently does not cover the direct cost of labour. The proposed fee covers the direct cost and an allocation for overhead expenses.
6 Subscription to medical register				
Register for 12 months on disk or sent by email (updated monthly)	48	200.00	287.61	This fee is for enabling access to the register for a period of 12 months.
Register downloaded from the Council's website (one off)	7	100.00	106.53	This fee is for enabling access to the register on a one off basis rather than for a 12 month period.

Fee	Number of fees / activities (pa)	Existing Fee	Recommended fee	Comments/ Notes
Register data request - contact the Council office for information	5	100.00	106.53	This is the hourly fee charged for special information requests for data to be extracted from the register.
7 Practising certificate fees (including disciplinary levy)				
Practising certificate fees (including disciplinary levy)				This fee is not included as part of the fees review as it is reviewed annually, in conjunction with the budgeting and practising certificate fee setting process. The consultation paper discusses how the PC fee may be affected if changes from this fee review are implemented.
8 Health				
Five year programme for monitoring health related illness		5,333.33	0	The frequency and duration of testing is now more varied than originally envisaged for the five year programme. As a result, direct costs incurred in testing are on-charged to the doctor progressively as they are incurred. It is recommended that this practice of on-charging all costs that are incurred for each doctor continue. Therefore we are proposing that the gazette fee be deleted.
Health administration fee	59	0	1,378.55	This administration fee is a new fee and is additional to the direct costs of screening. The current practice does not provide for any Medical Council staff and other related costs to be on-charged. It is recommended that an up-front administration fee is charged to recover direct costs from doctors as they are incurred.
Sexual misconduct assessment (SMAT)				
SMAT deposit		\$3,000 deposit	\$6,000 deposit	The current practice is to charge a SMAT deposit of \$3,000, with any additional costs on-charged to the doctor progressively. The cost of a SMAT is currently \$6,000. The deposit has been increased to equate to the average cost of SMAT proceedings over the last five years. It is recommended that the deposit be increased from \$3,000 to \$6,000 and any difference between the \$6,000 and the actual cost would be refunded or payable by the doctor.

Fee	Number of fees / activities (pa)	Existing Fee	Recommended fee	Comments/ Notes
SMAT administration fee	1	0	1,618.48	This administration fee is a new fee and is additional to the direct costs of the SMAT. The current practice does not provide for any direct labour costs or overheads. It is proposed that an up-front administration fee is charged as costed in addition to recovering of SMAT costs direct from doctors .

9 Performance

Educational supervisor costs for remediation of performance issues		3,600.00	0	Educational supervision costs vary significantly depending on the actual doctor being supervised the specific performance issues. It is recommended that the existing fee of \$3,600 be stopped and be replaced with an administration fee of \$2,162.90 (see below) plus the direct costs incurred.
Performance administration fee	9	0	2,162.90	This administration fee is a new fee and is additional to the educational supervisor costs. The direct external costs do vary considerably from case to case and it is suggested that these could be recovered from doctors as incurred plus a one off administration fee of \$2,163 up front. This administration fee will be charged in addition to the direct costs of the program.
Performance assessment costs	31	0	14,576.64	Performance assessment committee costs are currently not charged to doctors. This work is funded through revenue from practising certificates. The Council recommends that this fee is not introduced. The consultation paper provides reasons for this.

10 Fees for Vocational Educational Institutions

Recognition/accreditation of new vocational scopes of practice and programme	1	6,666.67	6,678.71	There is very little recent comparisons for this process. This costing is based on the most recent accreditation of addiction medicine.
Recognition of a new re-certification programme only (Continuing professional development)	1	2,782.61	2,782.61	This fee relates to the accreditation of a new re-certification programme.

Fee	Number of fees / activities (pa)	Existing Fee	Recommended fee	Comments/ Notes
Re-accreditation of a New Zealand vocational training and re-certification programme				
Vocational education institution administration fee	1	0	687.58	This administration fee is a new fee. This is a new process and has not been gazetted. Due to extremely variable direct costs it is recommended that an administration fee is charged up front with additional direct costs recovered directly from the body being re-accredited as they are incurred.
Re-accreditation of a New Zealand vocational re-certification programme only				
Re-accreditation of a New Zealand vocational re-certification programme Administration Fee	0	0	589.35	This administration fee is a new fee. This is a new process and has not been gazetted. Due to extremely variable direct costs it is recommended that an administration fee is charged up front with additional direct costs recovered directly from the body being re-accredited as they are incurred.
11 Education - Pre-vocational training institutions				
Accreditation of training provider (post graduate Y1 & Y2)	0	0	14,487.35	This is a new fee. The Council has accredited training providers (mainly DHBs) for pre-vocational training for many years and these costs have been met by revenue from the practising certificate payments. Costs cover direct labour; indirect costs including travel, accommodation, assessor fees; and overheads.
12 Health Practitioners Disciplinary Tribunal (HPDT)				
		80.00	115.00	No charges are currently made for HPDT activities. However, HPDT staff contract with other Regulatory Authorities to provide secretariat services. The hourly rate of \$80 was agreed in 2007 but the inflationary effect takes the fee to \$114.59