

Background information on proposed Fees increase for the Psychotherapists Board of Aotearoa New Zealand for the 2009/2010 Year

Purpose of this paper

Is to inform and give notice, to practitioners and stakeholders on a proposal to increase the Annual Practising Certificate Fee (APC) for the Psychotherapists Board of Aotearoa New Zealand (the Board).

What is the APC Fee used for?

The APC fee is used each year to cover a number of things, such as:

All matters relating to the operation of the protecting public safety through regulation of the profession, as set out in Section 118 of the HPCAA this includes:

- Registering the profession and applications for Annual Practising Certificates
- Accreditation of qualifications
- An emphasis on ensuing competence of the profession through recertification and reviewing competence to improve performance through an educational focus
- Managing matters of professional conduct through Professional Conduct Committees (PCC) and where necessary dealing with cases before the Health Practitioners Disciplinary Tribunal (HPDT) these costs are funded in part by the APC fee called a "disciplinary levy"¹
- Development of standards such as clinical and cultural competencies and ethical conduct

To do this the Board has to:

- Develop and implement policy
- Communicate to the profession and others via hui, meetings, conferences, Ministry of Health meetings
- Produce Annual Reports/Audits

So this work can be achieved the fee also has to cover:

- The Board operating expenses
- Secretariat costs (including personnel, IT, Website development, rent, financial accounting, consumables)

Rationale for the proposed increase

Practitioner fees are the only source of income generated by the Board². The Board must set fees at a level to recover operating costs. Current fee levels are not covering operational costs. This means that current practitioner fees are too low and must be increased to cover the cost of psychotherapist regulation.

Background

After many years of lobbying for psychotherapy to become a regulated profession, this was finally achieved by order of the Governor-General of New Zealand on the 15th October 2007 under the Health Practitioners Competence Assurance Act 2003 (HPCAA).

¹ In this document the APC fee covers the disciplinary levy

² Some Boards working under the HPCAA are able to gain income from interest and service to other Boards or for collection of workforce data- currently this is not possible for this Board

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The HPCAA allows the Board, among other things to prescribe fees in relation to its activities. A regulatory authority must generate sufficient revenue from the profession to meet its statutory obligations and cover its operating costs. These costs can only be generated via registration and APC fees or through grants.

Board Financial History

Year one - October 2007 to September 2008

The Board's first year of operation was one of establishment. During this period the Board did not generate income. Due to the difficult financial times the Board could not get a bank loan but did receive a \$60,000 contract from the Ministry of Health to report on the issues relating to the start up of a small Board.

In addition the Board received \$81,000 in loans from professional associations.

Expenditure in the first year was kept to a minimum due to lack of funding. During this year the Board members worked on pathways to registration and ways to organise the Board. To keep cost to a minimum the Board set up within the Occupational Therapy Board of New Zealand's office and only employed a Registrar when it was necessary to have someone available on a daily basis.

Year two – October 2008 to September 2009

At the end of the first year, expenditure totaled \$184,000³ and due to the lack of income at 30 September 2008 the Board carried forward a deficit of \$117,797³ along with a liability relating to the \$81,000 in loans from the professional associations. (All but one of these incurs interest p.a.)

From October 2008, with scopes of practice, qualifications and fees gazetted the Board was able to call for registration and therefore generate income. In this year the Board gained income, both from the initial registration of the practitioners and from the Annual Practicing Certificate fee.

Expenditure in the second year was used primarily to set up systems to allow the Board to operate. These systems included a website, processing of practitioner applications both for registration and for annual practicing certificates, policy development, assessment of qualifications, and the draft document for clinical competencies.

It is expected that by the end of the second year (30th September 2009) after careful operation the Board will generate a surplus of approximately \$86,000. This surplus will cover some of the deficit from the first year. The surplus is not sufficient to repay loans.

Year three - September 2009 to October 2010

In the coming year there will be little income from registration fees, as this will only come from newly registered members of the profession, most income needs to come from the APC fee.

However, the Board expenditure may rise as the Board will have to start budgeting for additional work related to ensuing competence and managing complaints.

As the Board nears the end of its first registration year it has a better understanding of the HPCAA, its functions and the expenses associated with those tasks. The Board estimates that expenses will increase to approximately \$400,000 pa. The Board has received advice from the Auditors General's Office that the Board needs to budget to a 'reasonable and

³ These figures are yet to be audited.

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sensible' level of work to be undertaken each year. For example, it would be reasonable to budget for at least two serious disciplinary cases per year and the cost of managing some complaints and concerns about competence.

The table below provides information from several other Boards' Annual Reports and highlights the cost of regulation and implementation of the HPCAA. It is noted that except for the psychotherapy Board, all other Board's/Council's listed below are well established, debt free and carry reserves for complaints/discipline.

These Boards/Councils are now "maintaining" many of the functions of the HPCAA. This Board is still in its infancy with many areas and functions still to be developed and implemented. The Board's APC fees are low in comparison to other Boards of similar size.

| Board | Income | Expenditure | APCs | APC Cost |
|---|------------------|--------------------|-------------|-----------------|
| 2008 Podiatrists Board | \$192,725 | \$195,266 | 259 | \$800.00 |
| 2008 Chiropractic Board | \$442,831 | \$408,240 | 300 | \$1,100.00 |
| 2008 Osteopathic Council | \$463,710 | \$330,784 | 320 | \$450.00 |
| 2008 Dietitians Board | \$212,300 | \$256,060 | 430 | \$450.00 |
| 2008 Optometrist & Dispensing Opticians | \$461,141 | \$513,518 | 777 | \$560.00 |
| 2008 Psychologists Board | \$1,208,703 | \$1,336,218 | 1,625 | \$856.00 |
| 2008 Pharmacy Council | \$1,812,649 | \$1,628,120 | 2,801 | \$495.00 |
| 2008 Midwifery Council | \$1,694,016 | \$917,880 | 2,850 | \$280.00 |
| 2008 Physiotherapy Board | \$1,371,151 | \$1,159,136 | 3,480 | \$250.00 |
| 2008 Dental Council | \$2,402,262 | \$2,193,560 | 5,916 | \$700.00 |
| 2009 projection for the Psychotherapists Board | \$406,200 | \$341,323 | 495 | \$956.25 |

Note 1: The above table is sorted by year then the number of practitioners who hold an APC. APC numbers are approximate not exact

Note 2: Some Boards has been able to reduce practitioner fees as they have been able to amass a reserve fund which has assisted with covering expenditure.

Note 3: Dietitians Board, Podiatrists Board have not had any complaints - this clearly assists with their fee setting.

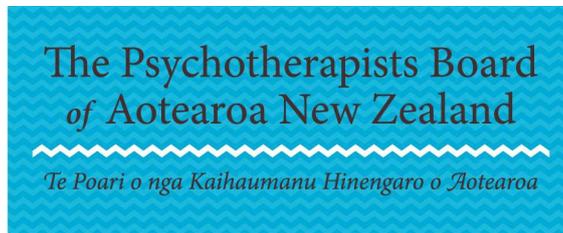
Reduction of expenditure

The Board has already taken decisive steps to reduce operating costs and expenditure. Board members are always conscious of the Board budget. Board fees have been reduced, workload for Board members reduced, timeframes pushed out and consideration given to contracting out professional services if this enables matters such as assessment of qualifications and development of policy at a lower cost.

Board members fees

Board members are appointed by the Minister of Health to operate the HPCAA and thus help to protect the public. The Board is made up of members of the profession and lay people.

Board members are paid for attendance at Board meetings and any work undertaken outside of meetings i.e. assessing practitioner qualifications, reviewing fitness to practice cases. The guidelines for claims are set out in a Cabinet circular that applies to many government appointed bodies.



To keep track of fees costs, all additional fees for work outside a Board meeting must be preapproved. Members are not paid for preparation for Board meetings.

Other factors influencing the decision

Overdraft facility

The Board has just received confirmation that the overdraft facility that has been in place to manage cashflow throughout the year (especially in the first year of operation) will not be renewed. This means that the Board no longer has a reserve cushion should it be needed throughout the year.

Loan Providers

The Board has updated the loan providers as to our financial position and has invited them to consider offering grants or terms that place the Board in a more favorable position.

Looking to the future

As the Board must give due notice of any fee increase and as the Board must be fiscally responsible and ensure that the practitioner fees cover costs and that the fee increases are in place in time for the new Annual Practising Certificate year, the Board is communicating with the profession now.

As can be seen above, psychotherapy is considered a small profession with the Board having fewer than 500 registered practitioners; however the Board is still required to engage in the same regulatory functions any RA must carry out under the HPCAA.

The HPCAA is very clear; the functions of a Regulatory Authority must be funded by the profession.

Therefore unless the Board receives further grants, it has three options available to cover the deficit, payment of loans and operating expenses:

1. Reduce expenditure (operating costs)
2. Increase income (practitioner fees)
3. Both of the above.

Summary

The Board has reluctantly conceded that the only fiscally prudent course of action to enable the Board to repay their loans, deficit and to cover operating costs is to increase the APC fee. An APC increase needs to be addressed before the next APC year starting 1st October 2009.

The APC fee increase deemed necessary for the below is \$300.00 per person.

The yearly APC fee will increase from \$618.75 to **\$956.25** including GST*

The APC fee increase deemed necessary for the below is \$200.00 per person

Reduced APC Fee will increase from \$450.00 to **\$675.00** including GST*

The short year APC will increase from \$450.00 to **\$675.00** including GST*

* includes a disciplinary levy of \$56.25

NOTE: All APC fees paid after midnight on the 1st October will incur a late fee of \$112.50.

The above increases will allow the Board to repay the loans and incurred interest. This will allow the Board to pay off the deficit and build a small reserve. This reserve will be used to cover costs relating to complaints, discipline and to fulfill fiscal requirements.

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Will this be the last increase?

This is not something the Board can guarantee.

Any future increase will largely depend on the number of Competence Reviews⁴, and Professional Conduct cases undertaken by the Board and whether cases are referred to the Health Practitioners Disciplinary Tribunal. Professional Conduct Committees (PCC) and Health Practitioner Disciplinary Tribunal (HPDT) cases are costly. The Board has no control over the costs associated with a case taken to the HPDT.

To give an example the Psychologists Board (an allied profession) spent \$500,000 per year during the 2006/2007 and 2008/2009 year on PCC and HPDT cases alone. This figure does not take into account Competence Reviews. This is not to say the same thing will happen with psychotherapy - this is just an example of how costly complaints can become.

The Board does not rule out decreasing practitioner's fees when and where possible in the future.

Annual Report

By law the Board is required to annually present to the Minister of Health audited financial accounts. An auditor is appointed by the Auditor General to work on his behalf for this purpose.

The Board is currently undergoing the audit process and once prepared the Board's Annual Report will be made public. This report will contain a statement of financial performance for the year ending 30th September 2008.

Feedback

The Board acknowledges that a fee increase may distress some practitioners. The Board appreciates that many practitioners will express dissatisfaction however the Board is in the position of needing to increase income in order to decrease its deficit and repay loans.

The Board would appreciate any constructive feedback on how the Board could limit an APC fee increase.

Timeframe

Please forward your comments and feedback before **Thursday 24th July 2009.**

All responses should be sent to:

The Registrar
Psychotherapists Board of Aotearoa New Zealand
PO Box 10-787
The Terrace
Wellington
Or registrar@pbanz.org.nz

Appendices (attached to the email)

Board Budget 2008.2009 and pie chart
Board Budget 2009.2010 and pie chart
Board Budget 2010.2011 and pie chart
Board Budget 2011.2012 and pie chart

⁴ A Competence Review is an educative opportunity where the practitioner is assessed and where necessary assisted through a training programme to ensure they are practising to the required standard of competence.