



Te Kaunihera
Rata o
Aotearoa

**Medical
Council of
New Zealand**

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Tēnā koutou

Consultation on the Practising Certificate Fee and Disciplinary Levy 2020/2021

Executive summary

Thank you for considering the Medical Council of New Zealand's (Council) recent consultation on the proposed increases to the 2020/2021 practising certificate (PC) Fee and disciplinary levy, and to the many individuals and organisations who made submissions.

After careful consideration of the feedback, Council resolved the following increases:

- PC fee increase of \$28.57 to \$599.96 (GST exclusive).
- Disciplinary levy increase of \$13.89 to \$168.25 (GST exclusive).

This represents a total annual increase of \$42.46 (GST exclusive), or 5.85%

The 2020/2021 fees were published in the New Zealand Gazette on 31 July 2020 and take effect from 1 September 2020.

Council received eighty written submissions from practitioners and organisations. These submissions were reviewed by all Council members prior to considering its decision at an extraordinary meeting held on 21 July 2020.

Council decided to proceed with a fee increase but at a reduced level than originally proposed. The reduction in the fee increase was enabled by additional cost savings identified after consultation began. The Council remains committed to operating in a cost effective manner and several of these cost-saving initiatives are outlined in this letter.

Council is very mindful of the impact to the profession and stakeholders in these unprecedented and challenging times, with significant disruptions from COVID-19. Ultimately it considers these fee increases are necessary to ensure financial sustainability. The Council receives no government funding, cannot borrow or go into debt, and manages its operations on a full cost recovery basis.

Components of the PC fee and disciplinary levy¹

Doctors' PC fees and disciplinary levies are set by Council under s130 and s131 of the Health Practitioners Competence Assurance Act 2003 (HPCAA).

The components making up the combined PC fee and disciplinary levy are set out in the following table.

PC fee and disciplinary levy	2019/20 Fee	2020/21 Fee	\$ Change	% Change ⁱ
Practising certificate fee	\$571.39	\$599.96	+ \$28.57	+ 5.00 % ²
Disciplinary levy	\$154.36	\$168.25	+ \$13.89	+ 9.00 % ²
Total PC fee and disciplinary levy	\$725.75	\$768.21	+ \$42.46	+ 5.85 %

Consultation background and feedback

A consultation paper proposing changes to the PC fee and disciplinary levy was published on Friday 12 June 2020. Feedback was sought from practitioners and stakeholders over a four week period ending Friday 10 July.

A total of eighty written submissions from a total of ~18,000 practitioners and stakeholders, providing a response rate of less than 0.5%. Data indicates ~10,500 opened the consultation email and ~3,000 opened the consultation paper. The responses were categorised as follows:

Categorised	Reponses	Percentage
For	18	22.50%
Against	43	53.75%
Other / Non-Specific	19	23.75%
Total	80	100.00%

Key themes noted from the submissions and either addressed in this letter, as part of the original consultation paper were:

- The impact of COVID-19 shaping the current economic environment, particularly affected are those in General Practice
- Focus on reducing costs to negate the need for an increase or at least limiting increases inflation or delaying any increase for at least 12 months
- Exploring tiered fee structure to accommodate part-time or low-income practitioners

Consideration of consultation feedback

The Council carefully considered and discussed the submissions before reaching its decision. The decision balances the need for financial restraint, the reality of meeting legitimate increased costs and acting responsibly to ensure financial sustainability.

Front of mind were the ongoing financial challenges of operating in these difficult times. Like most organisations, the Council is not immune to the impacts of COVID-19 and continues to be affected by other extraordinary events. To illustrate this:

- While approximately 80% of Council's income is generated through PC fees and the disciplinary levy, and is relatively stable, the balance comes from other registration pathways which are increasingly unpredictable in the current environment. Ordinarily a small budget variation can be absorbed through reserves however cash reserves are currently below minimum levels.

¹ All figures are GST exclusive unless otherwise stated.

² Includes inflationary adjustment of 2.5%. Source: <https://www.stats.govt.nz/indicators/consumers-price-index-cpi> (Annual CPI for the year ended 31 March 2020)

As at 30 June 2020, the Council held \$2.9m in cash reserves which represents ~17% (or two months) of the 2020/2021 budgeted operating expenses. The Council is seeking to replenish cash reserves, in a responsible manner, over the next 3 to 5 years to a minimum level of 25%. This means budgeting cash surpluses of ~\$0.5m in the short term while remaining at risk to any unexpected events or unforeseen budget shortfalls.

- The 2016 Kaikōura earthquake affected Council premises at 80 The Terrace (80TT), Wellington and resulted in a significant period of displacement and disruption for Council and its staff. An independent engineer's report identified potential safety risks with 80TT and despite remedial works the advice did not allay our safety concerns for the building should a similar seismic event occur.

Council relocated its permanent office premises and settled a business interruption insurance claim in 2019, yet remains committed to the ongoing lease costs of the former premises until July 2023. This was recognised as an onerous lease costs in our 2019 Annual Report.

The onerous lease continues to deplete Council's cash reserves at a cost of ~\$0.7m per year. Council has engaged with the building's owners throughout this process, including as recently as June, to seek a mutually agreeable solution regarding the lease. All attempts to date have been unsuccessful. If an agreement can be reached this would likely involve a material cash settlement which would further deplete cash reserves and put the Council at serious risk of any other adverse events that may arise in the immediate term.

Cost saving initiatives

Council remains committed to fulfilling its statutory obligations and strategic objectives, efficiently and effectively. We are doing everything we can to minimise compliance costs and to ensure outcomes to the public and practitioners.

In early June 2020, the Council agreed to the draft 2020/2021 budget which undertook a line by line review of the budget, reviewing Council operations in order to provide services with greater efficiency. Many of these savings were previously outlined in the consultation paper. However, Council recently considered a range of governance matters at its July 2020 meeting and additional savings have been factored, allowing for a reduced increase to that originally proposed.

The following cost saving measures have been adopted, many of which were frequently suggested through the submissions received:

- Significant reductions to the Council fee rate by 13% and Chairperson's honorarium by 22%
- No staff remuneration increases
- No international travel and significantly reduced domestic travel
- Ongoing commitment to review how we work by:
 - Increased delegation of decision making to management and staff (effective July 2020) to enhance operational processes and reduce Council governance costs
 - Reviewing composition of the Council committees and meeting frequency, through the increased use of delegations
 - Increased use of video conferencing to reduce travel, accommodation, and other meeting costs
 - Examining how we carry out accreditations and performance assessments

On behalf of the Council I would like to take this opportunity to thank those individuals and organisations who took the time to read and respond to the consultation. Our Council is absolutely committed to ensuring we are delivering efficient and effective regulation of the medical profession. I am pleased we have been able to find additional savings through this consultation process.

Nāku noa nā,

A handwritten signature in black ink, appearing to read 'C Walker', written in a cursive style.

Dr Curtis Walker
Chairperson
Medical Council of New Zealand

ⁱ These percentages have been rounded to two decimal points.