

CONSULTATION DOCUMENT

Annual Practising Certificate Fee For the 2018-19 Practising Year

Released: Wednesday 1 November 2017
Submissions due: Friday 1 December 2017

1. Purpose

The purpose of this consultation document is to seek pharmacists' and stakeholders' views on the proposed Annual Practising Certificate (APC) fee for the 2018-19 practising year. Feedback is welcome and will be carefully considered by Council before a final decision is made.

2. Who we are and what we do

The Pharmacy Council (Council) is a statutory body established under the Health Practitioners Competence Assurance Act 2003 (HPCAA). Its primary purpose is to protect the health and safety of the public. To fulfil this purpose, it delivers the functions outlined under section 118 of HPCAA some of which include: setting standards and qualifications for registration; providing guidelines; authorising registration of pharmacists; reviewing and promoting competence, and acts on concerns about the competence, professional conduct or health of a practitioner.

3. Approach to fee change

Health practitioner APC fees and disciplinary levies are set by Responsible Authorities under sections 130 and 131 of the HPCAA. Council follows the good practice guidelines established by both the Office of the Auditor-General and the Treasury. This means Council considers how best to deliver its functions to expected standards of service and ensures this is done as effectively and as efficiently as possible. Council then applies a cost recovery approach to determine the necessary fees to meet the expenditure required to deliver the functions and ensure it remains a financially viable entity. Council is mindful of the accountability related to its expenditure and the importance of efficiency and equity to current and future practitioners.

4. Proposal

Council proposes a total Pharmacists Annual Practising fee, effective from 1 April 2018, of \$792.65 (inclusive of GST) an increase of \$126.50 (\$110 fee and \$16.50 GST) relative to the fee for the 2017/18 practising year of \$666.15 (19 percent increase). The proposed fee is made up of:

- APC \$596.76 (\$110 increase relative to 2017/18), plus
- Disciplinary levy \$92.50 (\$0 change from 2017/18), plus
- GST of \$103.39

The APC increase of \$110 (excluding GST) applies also to Pharmacist Prescribers; Pharmacist reinstating to practise; Pharmacist application for registration APC recognised equivalent qualification route; and Pharmacist application for registration & APC Trans-Tasman Mutual Recognition. It does not apply to Interns APC fee or Pharmacists APC Non-practising fee.

5. Summary table of the proposed fees

The table below provides a summary of the proposed pharmacists' fees for the 2018-19 practising year:

	APC \$	Disc Levy \$	Total Fee \$	GST \$	Total Fee incl GST \$	From 2017/18
Interns APC Fee	331.94	92.50	424.44	63.67	488.11	<i>No change</i>
Pharmacists APC Practising	596.76	92.50	689.26	103.39	792.65	<i>Changed</i>
Pharmacists Prescriber APC Practising	675.02	92.50	767.52	115.13	882.65	<i>Changed</i>
APC Reinstate to Practise (RTP) (full year)	683.72	92.50	776.22	116.43	892.65	<i>Changed</i>
Application for Registration & APC Recognised Equivalent Qualification Route (REQR)	896.76	92.50	989.26	148.39	1,137.65	<i>Changed</i>
Application for Registration & APC Trans Tasman Mutual Recognition (TTMR)	896.76	92.50	989.26	148.39	1,137.65	<i>Changed</i>
Pharmacists APC Non Practising	79.43	0.00	79.43	11.91	91.34	<i>No change</i>

6. Rationale for the proposed increase

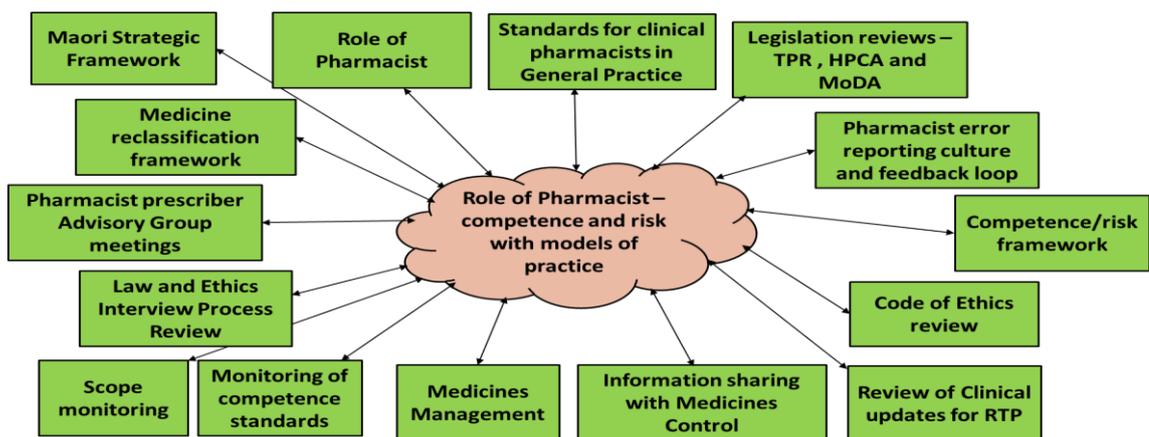
The proposed fee increase is necessary to meet the full cost recovery of the increased expenditure, which is required to deliver Council's regulatory functions. The increased expenditure (detailed in the attached appendix) is due principally to:

- Increased workload and deliverable requirements – Regulatory standards, frameworks and guidelines are needing to be regularly adjusted to reflect an evolving profession (including, for example, what is the role of the pharmacist in the future and what will that mean for ensuring public safety). Regulation must be enabling and proactive for an increasingly innovative sector. Combined with the increasing workload of regulatory development Council is dealing with complaints and disciplinary cases, that tend to be more complex;
- Capital expenditure requirements – building on the successful technology improvements in terms of online registration etc. Council is further supporting its ability to set regulatory standards and framework that is “right touch” through getting better case management information and business intelligence from its data (this will in effect ensure we target regulation around the pharmacist work that will impact most on ensuring public safety);

- Reserves are not sufficient – Council has progressively over the last decade worked to reduce its reserves as requested by the previous Minister of Health. Although the fee has been increased in the last two years this has been to meet specific areas of expenditure and has not enabled the reserves to be maintained at levels adequate to meet the growing demands for regulatory development. This has, at times, constrained cashflow (Council’s cashflows are the lowest just before the APC fee collection, i.e. February of each year).

As the annual practising year differs to our financial year (i.e. 1 April to 31 March versus 1 July to 30 June) it is necessary to consider the budgeted and forecasted expenditure for the next two financial years (i.e. 2017/18 and 2018/19). The proposed operating expenditure increase is on average approximately \$400,000 higher for each of the next financial years than that of the 2016/17 financial year (or \$800,000 across the next two financial years). In addition, capital expenditure of \$236,000 is required to be funded. The major expenditure increases are:

- Projects – Council is required to participate and lead more significant projects across the sector – we have just under 15 projects of varying significance underway, as depicted below:



- Discipline - This increased expenditure is partly explained by the timing of a significant disciplinary case not occurring in 2016/17 but now expected to happen in 2017/18. In addition, an increased level of expenditure on lawyers is required to meet the increased complexity and more litigious nature of the disciplinary cases;
- Personnel – It has been necessary to take on more personnel (from a team of 12 full time equivalents to 14) to meet the workload around projects and additional disciplinary support. Some adjustments are also required to maintain remuneration levels competitive with the market.

Greater detail that expands and further supports the rationale for the fee increase is discussed in the appendix. It includes:

- What was spent and what did we achieve in 2016/17

- Detail on the proposed operating and capital expenditure in 2017/18 and 2018/19
- Pharmacy Council history of APC fee
- Comparison of proposed APC Fee with other Regulatory Authorities (locally and internationally)
- Reserve policy changes and demonstrated cashflow requirements

7. The Annual Practising Certificate Fee and Written Examination Fee

Council is concurrently consulting on this proposed annual practising fee, as well as a proposed fee for Written Exams. The responses to the two consultations will be considered together.

8. How to submit a response

Responses can be sent:

by email

Please click [here](#) to download the submission form and email it to:

consultations@pharmacycouncil.org.nz

Please make your subject line: 'Consultation, Annual Practising Certificate Fee', or if you would like to make a joint submission for both fees, please make your subject line: 'Consultation, Annual Practising Certificate Fee and Written Examination Fee'.

Please include details in your response including your name, your role and which organisation or health sector you represent.

through our online survey which can be accessed [here](#)

by mail

Please click [here](#) to download the submission form and post it to:

Consultation, Annual Practising Certificate Fee or Consultation, Annual Practising Certificate Fee and Written Examination Fee

Pharmacy Council of New Zealand

PO Box 25137

Wellington 6146

Please include details in your response including your name, your role and which organisation or health sector you represent.

Council invites feedback on the proposal by 5pm Friday 1 December 2017

Kind regards

Michael A Pead
Chief Executive

WORKLOAD AND DELIVERABLE REQUIREMENTS

What did Council achieve in 2016/17

The demands on Council continue to grow. Over the years, we are receiving more complaints and addressing more disciplinary requirements. The complaints and disciplinary requirements are also getting more complex and tend to have a more legalistic or litigious nature to them. More specifically, over the last year across the 3,718 practising pharmacists, we have seen the following increases:

- Health and Disability Commissioner referrals (31);
- Initial concerns or queries (102);
- Referrals for formal investigation has remained at a high level each year since 2015.

It is also important for Council to continually ensure its processes are enhanced to maintain efficiency and effectiveness. Greater intelligence from our data is necessitating and helping the Council team to better define requirements for public safety and put standards in place that focus a response that is much more targeted (often referred to as “right touch” regulation).

Our annual report for the year ending 30 June 2017 provides an overview of our work and activity. A copy of the annual report can be found on our website [here](#). In summary throughout the 2016/17 financial year we continued to ensure public safety by delivering the following:

Assurance of qualifications and competence	Registration	Ongoing Competence and Compliance	Operational
<p>During 2016 Council introduced a new recertification continuing professional development requirement which mandates undertaking professional learning relating to cultural competence.</p> <p>Council re-accredited:</p> <ul style="list-style-type: none"> • Auckland University Bachelor of Pharmacy • Auckland and Otago Universities' Joint Prescriber Programme. <p>The following programmes were monitored as part of their accreditation cycles.</p> <ul style="list-style-type: none"> • Otago University Bachelor of Pharmacy • The Pharmaceutical Society EVOLVE Intern Programme. 	<p>234 graduates were registered in the intern scope.</p> <p>229 new pharmacists were registered.</p> <p>Two pharmacists were registered in the pharmacist prescriber scope.</p>	<p>3,718 pharmacists received APCs.</p> <p>52 pharmacists had conditions on their scope of practice.</p> <p>102 informal queries or concerns regarding pharmacists practice or conduct were received and responded to.</p> <p>31 formal complaints were received from the Health Disciplinary Commissioner (HDC) for assessment and action.</p> <p>The Complaints Screening Committee (CSC) triaged 21 formal complaints, while eight complaints were investigated by the Professional Conduct Committee (PCC) (in addition to eight ongoing investigations).</p> <p>18 pharmacists with health concerns were monitored.</p>	<p>Online Registration was successfully used for APC registration. Further phases of business capability improvements are being undertaken, including online registration of intern pharmacists and new pharmacists.</p> <p>234 suppliers managed.</p> <p>91 contractors engaged for various Council activities.</p>

We did achieve an operating surplus of \$167,666 when we had budgeted for a deficit. This is a good result but it is principally due to the fact some disciplinary activity did not happen in the financial year. It is still expected to happen but now in 2017/18 (i.e. delayed expenditure). The total revenue achieved in the year was \$2.7 million and total expenditure was close to \$2.5 million. Further breakdown on the sources of revenue and the expenditure categories are shown in the table below (with the proposed fee included):

	30-Jun-17	30-Jun-18	30-Jun-19	Increase/ Decrease
	Actual	Budget	Forecast	
	\$	\$	\$	
REVENUE				
REGISTRATION FEES	48,260	45,396	45,483	
APC FEES	1,970,324	2,341,113	2,470,931	
NON-PRACTISING FEE	74,953	71,487	71,884	
OTHER FEES	58,647	61,808	58,126	
OTHER INCOME	78,813	72,000	70,000	
DISCIPLINE LEVY	373,866	374,100	470,243	
DISCIPLINARY RECOVERIES/FINES	56,139	30,000	30,000	
TOTAL REVENUE	2,661,001	2,995,904	3,216,667	555,665
EXPENDITURE				
PERSONNEL COSTS	1,147,325	1,277,212	1,302,756	155,431
REGISTRATION	76,605	75,740	77,255	650
DISCIPLINE	273,065	465,650	484,963	211,898
COMPETENCE & HEALTH	39,407	43,280	44,146	4,739
PROJECTS	225,516	575,085	691,987	466,471
GOVERNANCE	201,409	222,765	227,220	25,811
COMMUNICATIONS & PROFILE	2,869	6,575	6,707	3,837
ORGANISATIONAL SUPPORT	92,112	53,778	54,853	-37,259
ORGANISATIONAL OVERHEADS	435,027	538,173	412,176	-22,851
TOTAL EXPENDITURE	2,493,335	3,258,258	3,302,063	808,727
NET SURPLUS/(DEFICIT)	167,666	(262,354)	(85,396)	

What is Council expecting to achieve in 2017/18

Council has a 2017/18 business plan and work programme. It plans its work in relation to four broad areas of function as per sections 130 and 131 HPCAA. The four broad areas are explained in the following diagram:



Under the four broad functional areas the intended 2017-18 work programme and deliverables are expected to involve:

Assurance of qualifications and competence

- Review and development of the intern training policy
- Renewal of accreditation services with the Australian Pharmacy Council and/or consideration of an alternative accreditation service provider
- Consider and plan possible changes to the recertification framework
- Assessments of intern pharmacists and their progress to pharmacist scope (through Objective Structured Clinical Examinations and Written Examinations)
- CPD Audit and mid-year quality review

Registration, Complaints and Discipline

- Annual Practising Certificate recertification and registration
- Disciplinary and complaints case management streamlining

Scope and Standards

- Revised Code of Ethics implemented
- Role framework for pharmacist defined
- “Open” culture created of information sharing, in terms of: near misses and errors; feedback loops offered; significant risks identified

- Standards and guidelines for pharmacists in general practice developed and released
- Understanding and development of likely changes to competence standards resulting from Therapeutics Products regulation
- Monitoring of competence standards to detect likely changes or requirements for new scopes of pharmacist practice

Organisational Support

- Effective Stakeholder management
- Financial and management reporting
- Cashflow management
- Business Capability Improvement Programme (BCIP) – implementation of phases 2 to 5 (discussed further in a separate section below)
- Review and possible implementation of a new Financial Management Information System

Pharmacy Council Fee History and How it Compares

Other than a 2.5 percent increase in 2010 when the GST rate changed (from 12.5 to 15 percent), Council kept the APC fee at the same level from 2006 to 2014. In more recent times, increases have been necessary to meet the required systems improvement costs and additional work load. The history of the APC fee changes over the last prior four years is outlined in the table below:

Effective from	April 2014	April 2015	April 2016	April 2017	April 2018
					<i>Proposed</i>
APC Fee	377.50	434.03	471.76	486.76	596.76
Disciplinary Levy	62.50	62.50	92.50	92.50	92.50
GST	66.00	74.48	84.64	86.89	103.39
Total Fee	506.00	571.01	648.90	666.15	792.65

A comparison of the proposed APC fee for pharmacists relative to the same fees for doctors and dentists and dental specialists is shown in the table below. It suggests that the Pharmacy Council proposed fee is in keeping when compared to practitioners' scopes with similar complexity and requirements. However, it is extremely important to recognise that the comparison may have significant limitations for several reasons; for example, the complexity of regulation in the pharmacy sector (in terms of pharmacy licence, controlled drugs and pharmacists' practice), the number of practitioners within each responsible authority varies greatly, as does the complexity and schedule of work programmes and so, a differing expenditure profile, etc.

	Dentist & Dental Specialists	Doctors	Pharmacists
	Proposed 2018/19	At September 2017	Proposed 2018/19
APC Fee	884.58	673.22	596.76
Disciplinary Levy	86.69	123.62	92.50
GST	143.75	119.53	103.39
Total Fee	1,115.02	916.37	792.65

COUNCIL'S BUSINESS CAPABILITY IMPROVEMENT

The Business Capability Improvement Programme (BCIP) is a series of initiatives that use technology to improve various aspects of our business.

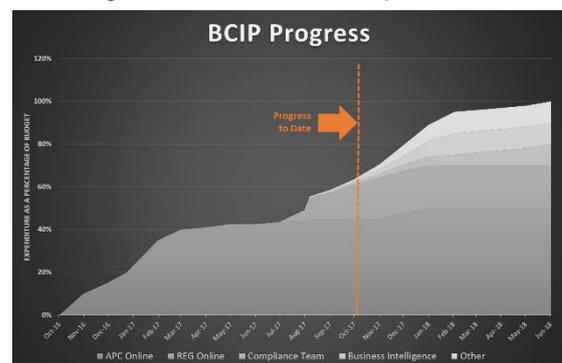
In the 2016/17 financial year, we implemented a new registry management system, based on a product developed for and still in use by several other regulatory authorities. The first deliverable visible to pharmacists was the online recertification process (APC Online). This online recertification is providing efficiencies for both the Council and the pharmacists who have used it, and we are pleased to have received a lot of positive feedback about the experience.

In this financial year, the investment in BCIP continues. Amongst the range of products being developed to improve our internal capabilities, are online services being developed specifically for registrants:

- **Registration online.** This initiative allows graduates and interns to apply online for registration in their respective scopes of practice. It will also provide for:
 - online return to practice and reinstatement
 - overseas applications
 - online forms for disclosures of health or conduct matters
 - uploading of documents to the Council
- **Pharmacist Portal.** The website will include a login area for pharmacists and interns to engage with the Council on a regular basis. Initial functionality will include:
 - Change of details
 - Various online forms (APC, applications, notifications etc)
 - Information and updates
 - Other services progressively added over time
- **Improved reporting.** An investment is being made to improve our reporting and 'business intelligence' capability. This will include improvements to the regular reports (e.g. annual reports, demographics) and over time provide valuable insights back into standard setting and other key functions of the Council.

The total budget for BCIP is a little over \$500,000, including a combination of capital and operating expenditure. The programme is over half way through, and is set to deliver more products on top of the foundation system implemented last year.

The graph on the right illustrates the progress, where each layer represents an area of focus and investment. APC Online required the most substantial investment, because it included the purchase of the core system, database and processes that will enable the other areas to be built on.



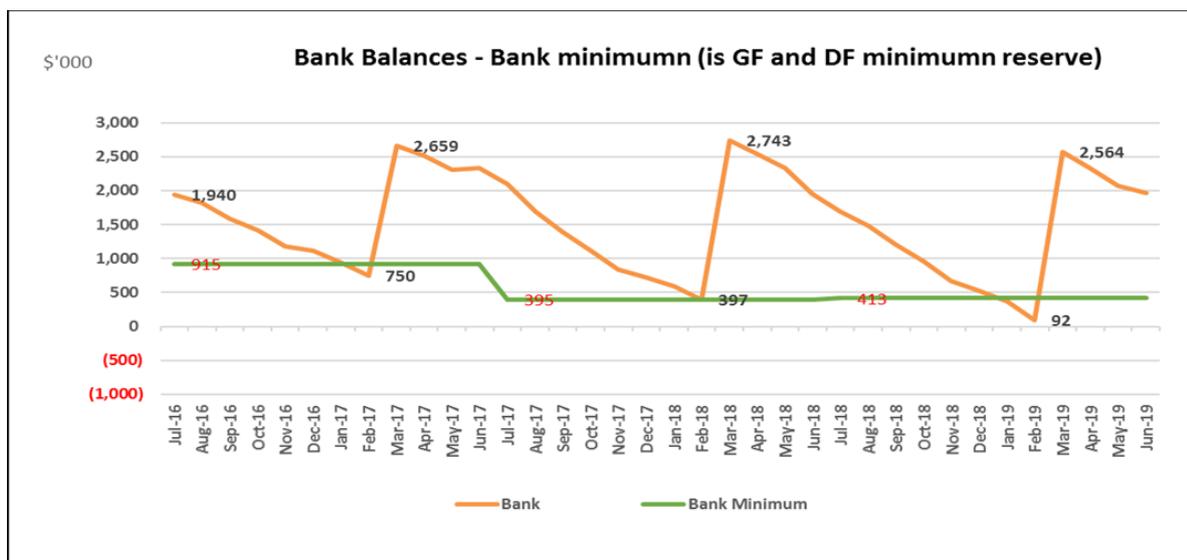
RESERVES

In determining what is an appropriate fee or levy to charge in the proposed financial year the Council not only reviews its budgeted expenditure extensively but also what reserves it is maintaining. Council has over the last five plus years in effect reduced its reserves (i.e., the years prior to 2014 there were no fee increases and Council ran deficits – which effectively reduced the reserves). However, Council is now operating at the minimum levels and hence, whenever new workload demands are placed on Council or strategic projects undertaken a fee increase is required to meet this expenditure - there are no reserves available to fund it.

Council operates two reserves – a general reserve and a disciplinary reserve.

- The General Fund is intended to maintain reserves for:
 - Business continuity enactment (i.e. expenditure required to cope with some catastrophic failure before receipt of insurance proceeds);
 - Delivering planned strategic initiatives (i.e. significant capital projects, such as the Business Capability Improvement Programme);
 - Unforeseen circumstances (e.g. a significant legislative or other governmental requirement);
- The Disciplinary Fund is intended to maintain reserves for increased volume of cases for Professional Conduct Committee and Health Practitioner Disciplinary Tribunal work.

To help in minimising the proposed fee increase Council has also revisited its reserves policies in terms of what might be the appropriate minimum levels. These levels have been reduced and for the General Reserve, for example, Council now maintains a reserve level of one month's forecast average expenditure (instead of previously 2.5 months' average monthly expenditure). Combined with Council's working capital the reserves are reflected in our bank balance (or term deposits / investments). The Council is forecasting that there will be a month, just before we receive the Annual Practising Fee revenue that we will in effect go below the reserve minimums and our bank balance is forecast to get as low as \$92,000 in February 2019. This is demonstrated in the graph below:



A low cash balance at any time in a business operation can typically be safely managed using bank borrowing facilities but Council has not taken on, and proposes to continue not to take on, any form of borrowing facilities. This is consistent with cost recovery and equity principles. It also reflects the practicalities of the fact Council does not hold significant assets that it can use for security when seeking overdraft or loan facilities.

In the case of this proposed fee increase the revenue for the new Annual Practising Certificate fee will be received in April 2018 but this must cover the expenditure right through until March 2019. As can be seen in the first graph below the general fund goes negative around February each year but the cash balance is just sufficient due to the disciplinary fund being above its minimum. Therefore, as the full revenue from the fee increase will be reflected in April 2018, our financial statements will (as per our financial year July to June) show large reserve balances as at 30 June. It is in effect showing the cash requirements to meet the next nine months' expenditure before the next annual practising fee collection point. This effect is demonstrated in the graphs below:

