

Summary of Background and Reasons for 2024/25 APC Fee Increase

Council understands that no fee increases are welcomed. In part because of the cost-of-living increases everyone is experiencing, and in part because of a sense of unfairness relative to what other professions pay. As stated in the consultation document, Council is not immune to business pressures and although the cumulative increase of inflation over the last five years is 21 percent, Council has only increased fees by a cumulative 7 percent over the same period. In terms of APC fees paid by other health professions, the Pharmacy Council is most comparable with those Responsible Authorities (RAs) who are regulating professions that practise in areas of high potential risk of harm to patients (e.g., Medical Council and Dental Council). The cost of regulation is then often no less than those Councils given its complexity, but the pharmacy profession may not have as many registrants and so, does not benefit from economies of scale.

Council (whose members are 75% pharmacists) has extensively considered: the extent and cost of its growing workload, and its core mandate; ensuring it works as efficiently as possible; whilst trying to balance, the cost / fee increase borne by pharmacists.

Background

It is not well understood that Council effectively operates two separate divisions within the one organisation – one division manages disciplinary activities in relation to a practitioner's fitness to practise, while the second division manages all other activities such as registration, recertification, qualifications and assessments, standard setting, and accreditation. Below is a brief explanation about each division, including how they are funded:

1. **Disciplinary management:** The disciplinary aspects of the Health Practitioners Competence Assurance Act 2003 (HPCAA) are independent of Council and are imposed by the legislation, but the costs of it must be met by Council from the reserves held in the Disciplinary Fund. The Fund is maintained through the Disciplinary Levy borne by pharmacists. The Council must undertake enquiry into matters that may be of a disciplinary nature and triages the cases for the independent parties that have investigative powers, i.e., Professional Conduct Committees (PCCs) and the Health Practitioners Disciplinary Tribunal (HPDT). The APC fee includes an estimate to cover disciplinary issues (the Disciplinary Levy) which is required to meet the costs of Council's disciplinary-related enquiries and the costs of the PCC and HPDT.
2. **General management:** Most of the total APC fee goes towards general management activities. The costs of running the rest of the organisation (all the required functions under section 118 of the HPCAA) are met by the APC fee revenue and/or the General Fund reserve (which is replenished only if a surplus is achieved).

In the five annual reporting periods from 2019 to 2023, (and taking into account Council's transition from 30 June to a 31 March balance date in 2022) the combined annual financial results have been a reduction in the total of both the General and the Disciplinary reserve balances by \$2.4m to what is now an unacceptable level of risk for Council in the event of an unplanned event.

Reasons for Increase

- a) **Disciplinary Levy:** The most significant component of the total APC fee increase is for disciplinary activity (i.e., \$50 of the \$75 total increase). The reasons for the increase are:
- Growing case numbers and complexity: The number of cases has grown, as well as the complexity of issues (competence, conduct and health) that are being considered. Additionally, Council must ensure all legal obligations are properly met.
 - Costs of resources involved: The cost of the various parties has increased, most particularly lawyers' fees, and the facilities and technology to support the HPDT. In addition, any costs awarded to Council by the HPDT are always less than 50% of total costs and Council must bear the collection (and bad debts) of awarded costs.
 - Reserve (Disciplinary Fund) fully applied: In recent times, cost increases have been absorbed by the reserve, to smooth out expenses year on year rather than contribute to the increase in the total APC fee. However, the Fund has now been fully depleted and needs to be replenished.
- b) **APC:** The APC also covers the costs associated with the general activities of Council such as registration, qualifications and competence assurance, policy and practice advice, office capacity and capability, and a component of compliance and notification management (i.e., \$25 of the \$75 total increase). The key reasons for the increase are:
- Employee costs and resource requirement: The cost of maintaining the skills and competencies of the Wellington based regulatory team has increased. We have also had to increase the team to meet the costs of new initiatives, including:
 - embedding new competency standards;
 - accreditation service in-house;
 - new education programmes requiring accreditation; and
 - assessment centre review and alignment with accreditation standards.
 - Technology: Technology costs are now Council's third largest cost. Although some of the increase is due to reclassifying expenditure, there has also been an element of unavoidable cost increases (e.g., Microsoft licences will rise by 20 percent this year, increased need for review systems for possible cyber attacks and initiatives to minimise and hopefully mitigate such attacks).
 - Reserve (General Fund) fully applied: Some previous cost increases (cost-of-living changes i.e., only 7 percent of the 21 percent cumulative increase over the last 5 years were passed on to pharmacists) have been met from the General Fund Reserve. This, like the Disciplinary Fund, has been depleted and is well below Council policy guidelines. Therefore, we can no longer rely on it to meet the current cost increases and it will need to be replenished to meet the risk of any unplanned expenditure required in future.

Budget and Pressure to Further Cut Costs

Council and management challenge ourselves to be as effective and efficient as possible. The proposed budget for 2024/25 did include efficiencies but Council indicated in December 2023 that management is expected to stay within the same expenditure budget as 2023/24. Management is reporting back to the Council on how the organisation can live within the decreased budget and it is expected Council will approve that expenditure level at its March 2024 meeting. This does mean we are working harder to be efficient and still deliver the same level and quality of regulatory service, plus meet the growing requirements.

We believe we hold ourselves to account. We benchmark ourselves with other regulators and we anticipate reporting Key Performance Indicators to further enhance transparency. The next Ministry of Health performance review is also expected within the next few years and our annual report for the year ended 31 March 2023 commenting on our performance is soon to be made available and tabled in the House of Parliament for its scrutiny.

Consultation Feedback

We received four submissions from professional associations and 18 individual submissions. We have provided specific feedback on all these submissions, which you can read on our consultation page [here](#). Our responses provide greater detail than the summary above and address the common themes in the feedback on the fee increase.

Closing Comments

Our sincere thanks for all who took the time to make submissions on the fee increase and all those that did engage on the material provided. We know the increase is not welcome, but we believe we have struck the right balance in a difficult environment, whilst also meeting continued pressure to deliver high quality regulation to help achieve better patient outcomes and ensure public safety.