

6 December 2024

Pharmacy Council of New Zealand
Level 7
22 The Terrace
Wellington 6143

Sent via email to: consultations@pharmacycouncil.org.nz

Dear Sir/Madam,

Re: Feedback on proposed Disciplinary Levy and APC Fee increases for 2025/26

Thank you for the opportunity to provide feedback on the Pharmacy Council's proposed increases to the Annual Practising Certificate (APC) fee and disciplinary levy for the 2025/26 practising year. The Pharmacy Guild of New Zealand (the Guild) represents the interests of community pharmacy owners and advocates for a sustainable and equitable professional environment for pharmacists.

We wish to express our significant concerns regarding the proposed increases in the APC fee and disciplinary levy (which would represent a 20% total fee increase over the past two years), as they impose a considerable financial burden on pharmacists, especially in an already challenging economic climate.

Our concerns are focused on key areas where the proposed increases require reconsideration to ensure fairness, transparency, and alignment with the realities of community pharmacy practice in New Zealand, and following our assessment indicating materially unfavourable comparisons to comparable benchmarks across a range of other settings.

- **Financial burden on a strained workforce**

The proposed increase of the APC fee to \$1,020, which is already double the equivalent fee in Australia, is disproportionate and will further exacerbate existing workforce challenges. The latest Pharmacy Workforce Demographic Report (2024) highlights that New Zealand has 7.95 practising pharmacists per 10,000 people – a rate significantly lower than other comparable countries, where the average is between 9 and 11 pharmacists per 10,000 people. This low workforce density, coupled with expanding healthcare responsibilities and rising cost-of-living pressures, means that New Zealand pharmacists are already operating under significant strain.

The demographics of the pharmacist workforce further underscore the importance of affordable, equitable APC fees. A significant portion of practising pharmacists are young (67% are under 40) and female, a demographic segment that may face additional barriers to remaining in or entering the profession if financial pressures continue to rise. Given these challenges, we urge the Council to limit fee increases to adjustments that align with recent ICPSA funding increases (2.51%), this will help to support pharmacist retention and the ongoing delivery of essential pharmacy services for New Zealanders.

- **Reserve replenishment strategy and financial prudence**

The Council has identified reserve replenishment as a critical driver for the proposed fee increases. While we recognise the importance of maintaining sufficient reserves, we believe a phased reserve-building approach over a longer period (7-10 years) would be more sustainable

and equitable. According to the Council's 2023 Annual Report, financial performance exceeded expectations, resulting in a deficit of \$200,000 instead of the projected \$420,000. The success of these financial management measures supports a less aggressive approach to replenishing reserves, mitigating the immediate impact on pharmacists.

Additionally, the Council's decision to maintain a lean reserve for several years in response to sector feedback demonstrates that a careful, phased reserve strategy is both feasible and aligned with sound financial management practices. This gradual approach would enable the Council to meet its reserve targets without imposing undue financial strain on the profession.

- **Lack of transparency and justification for disciplinary levy increase**

We have significant concerns regarding the rationale behind the proposed increase in the disciplinary levy. While the Council cites rising compliance costs, the proposed increase lacks sufficient transparency and clear breakdown of how the funds will be allocated. The Council's reported reduction in disciplinary activity and overhead costs due to efficient management, such as savings from early office lease terminations, suggests that a large fee increase may not be warranted or needed. Pharmacists would benefit from greater clarity on the specific expenses driving this increase, especially considering the proposed 50% increase in disciplinary fees for 2024/25, and then subsequent 55% increase for 2025/26.

We request greater clarity on the specific costs driving the proposed increase in the disciplinary levy, including the categorisation of simple versus complex cases and how these impact the overall financials. A detailed breakdown would enable the profession to better understand the rationale behind the proposed fee structure and its proportionality. Additionally, we would appreciate knowing whether the pharmacists involved in these cases were members of a professional organisation.

Furthermore, we believe the disciplinary costs should be more fairly distributed among those directly involved in disciplinary processes rather than the wider profession. There could be a number of approaches, including tiered fee structure for simple cases and higher fees for complex cases and greater fees for repeat offenders. This would help alleviate the financial burden on the wider profession, ensuring all pharmacists are not unfairly shouldering the costs caused by the actions of a few.

- **Clarity and rigidity in regulation to mitigate disciplinary costs**

In our opinion, one of the key factors contributing to rising disciplinary costs is the Pharmacy Council's reliance on the sector to 'self-regulate'. We acknowledge that the Pharmacy Council plays a pivotal role as a regulatory authority tasked at providing broad parameters within which pharmacists are expected to operate and overseeing and enforcing rules, standards, and laws for pharmacists, ensuring they operate in a legal, ethical, and safe manner. While professional self-regulation has its merits, the absence of clear, direct, and enforceable rules creates ambiguity and confusion and increases the risk of misinterpreting competence standards, ethics, and legislative requirements. This lack of clarity places unnecessary pressure on pharmacists, results in inconsistent practices and may lead to avoidable compliance failures.

We strongly encourage the Council to adopt a more proactive approach by implementing clear, detailed, and standardised guidance that provides pharmacists the certainty they need to practice safely and effectively. By clearly defining expectations for key practices and processes and ensuring alignment with regulatory updates, the Council would empower pharmacists to operate with greater confidence and consistency. These measures would reduce confusion,

lower the risk of non-compliance, and significantly reduce the costs associated with disciplinary actions and audit compliance, ultimately benefiting both the profession and public safety.

- **Exploration of alternative funding sources and cost reduction where appropriate**

We acknowledge the importance of investing in IT infrastructure and compliance capabilities; however, we recommend that the Council explore additional funding avenues to support these needs. Given the significant public value of regulatory and compliance functions, we consider the Council should seek government funding to support its statutory responsibilities, particularly when these align with broader public health objectives. Accessing public funds for compliance-related functions would mitigate the need for substantial increases in pharmacist APC fees and allow the Council to uphold its commitment to affordable self-regulation.

Similarly, we note with concern that there is an unquantified portion of the Council's 2025/26 expenditure budget relating to the government's legislative review programme (e.g., the Medical Products Bill) that is not part of the Council's role responsibility to progress. As raised in the past, we do not believe the sector should be funding such policy related development costs, rather these costs should be fully met by the Ministry of Health.

New Zealand pharmacists are already facing considerable financial and operational challenges and introducing a substantial increase in the APC fee and disciplinary levy would only compound these pressures. We recommend that the Council explore efficiencies and cost-saving measures before implementing a fee increase of this magnitude, and clearly demonstrate that this has occurred, particularly as the overall economic climate remains challenging.

- **Cost-saving collaboration between Medsafe, Health New Zealand and the Pharmacy Guild to enhance quality and compliance across regulatory, commissioning and provider role responsibilities**

In response to the Council's justification for APC increases due to rising disciplinary and compliance costs, we suggest exploring a collaborative approach with Medsafe, HNZ and ourselves to introduce a Quality Care Pharmacy Program (QCPP) or a similar accreditation framework for New Zealand community pharmacies. By implementing a structured quality improvement system, similar to that implemented in Australia, the Council could proactively address compliance issues at their source, thereby reducing the frequency of disciplinary actions and lowering the associated administrative costs. We would welcome the opportunity to lead the introduction of such an initiative to improve quality and compliance across all community pharmacy providers, for the benefit of regulatory and commissioning quality and compliance interests.

A QCPP-like system offers benefits such as standardised operational guidelines, enhanced training, and structured quality assurance protocols, which could help mitigate incidents that lead to costly disciplinary measures. We recommend that the Council and other key stakeholders evaluate, with us, the long-term cost savings such a system could offer, particularly if subsidised through Medsafe, Health New Zealand or government partnerships. This approach aligns with the Council's commitment to public safety while promoting sustainable self-regulation by investing in preventive measures.

Comparative APC fees for pharmacists

We have compared the APC fees New Zealand pharmacists pay to other healthcare professionals in New Zealand and to pharmacists in other countries (as a percentage of the average annual income). This demonstrates that New Zealand pharmacists face a much higher APC fee as a

percentage of their average income compared to pharmacists in other countries and to other healthcare professionals in New Zealand. See Appendix A for details.

Recommendations

We request that the Pharmacy Council provide a detailed explanation of the methodology used to compare APC fees with those of other Regulatory Authorities. Greater transparency in the benchmarking data would enable pharmacists to evaluate the fairness of the proposed increases within the broader context of healthcare regulation.

Furthermore, we recommend that the Pharmacy Council take the following actions to ensure a fair, transparent, and sustainable approach to fee increases:

1. Limit the APC fee increase to 2.51% in line with the recent ICPSA Variation 6 increase to ensure affordability for pharmacists.
2. Implement a phased reserve replenishment strategy over a longer period (7-10 years) to minimise significant financial impacts.
3. Reassess the increase in the disciplinary levy to ensure costs are fairly distributed and that specific expenses are clearly communicated.
4. Enhance transparency in budget allocations, particularly for disciplinary funding, to improve accountability and better support pharmacists.
5. Pursue government support for compliance-related costs to help reduce the need for APC fee increases, and transparently remove policy related input costs from the APC fee increases.
6. Explore collaborative approaches with other Responsible Authorities, such as the Dental and Medical Councils, to minimise operational redundancies and associated costs. Joint initiatives in areas such as IT, compliance, or quality frameworks, could lead to efficiencies that benefit the profession as a whole.

New Zealand's pharmacy profession is at a critical juncture, where workforce shortages and rising service demands require strong and fair regulatory support. We urge the Council to reconsider its fee proposals to ensure they align with sustainable funding practices and offer transparent, equitable solutions that do not impose an excessive financial burden on the profession.

Thank you for your consideration of our response. If you have any questions about our feedback, please contact our Senior Advisory Pharmacists, Martin Lewis (martin@pgnz.org.nz, 04 802 8218) or Cathy Martin (cathy@pgnz.org.nz, 04 802 8214).

Yours sincerely,



Andrew Gaudin
Chief Executive

Appendix A: APC fees comparison

Comparison to other healthcare professionals

To assess the impact of the proposed increases in the Annual Practising Certificate (APC) fee on pharmacists compared to other healthcare professions in New Zealand, we have calculated the APC fee as a percentage of the average annual income for each profession:

Profession	Average annual income (NZD)	APC fee (NZD)	APC fee as % of income
Pharmacist	\$90,081	\$1,020	1.13%
Registered Nurse	\$72,000	\$110	0.15%
Medical Practitioner	\$150,000	\$1,000	0.67%
Physiotherapist	\$65,000	\$500	0.77%
Dentist	\$120,000	\$1,200	1.00%

Comparison to other pharmacists in other countries

To assess the impact of the proposed increase in the Annual Practising Certificate (APC) fee on New Zealand pharmacists compared to their international counterparts, we have calculated these fees as a percentage of average annual pharmacist salaries in various countries. Below is a summary:

Country	Average Annual Salary (USD)	APC fee (USD)	APC fee as % of salary
New Zealand	\$53,000	\$600	1.13%
Australia	\$88,843	\$300	0.34%
United Kingdom	\$57,000	\$200	0.35%
United States	\$133,014	\$300	0.23%
Canada	\$80,700	\$200	0.25%

Notes:

- The salary figures provided above are approximate and may vary depending on factors such as experience, location, and specific roles within each profession.
- APC fees are subject to change and can differ based on the regulatory body and region within each country.
- APC fees may vary depending on factors such as professional experience.
- Where the salary figures for a role/country vary, we have used the median.
- Where the APC figures for a country vary, e.g. different states have different fees, we have used the median.
- We have not included the source of each figure but are happy to provide this if required.