

30 May 2019

Dr Curtis Walker
Chairperson
Medical Council of New Zealand
PO Box 10509
Wellington 6143

By email: feeconsultation@mcnz.org.nz

Consultation on the Practising Certificate Fee and Disciplinary Levy 2019/2020

Dear Dr Walker,

The New Zealand Medical Association (NZMA) wishes to provide feedback on the above consultation. As you know, the NZMA is New Zealand's largest medical organisation, with more than 5,000 members from all areas of medicine. The NZMA aims to provide leadership of the medical profession, and to promote professional unity and values, and the health of all New Zealanders.

We note that the Council is proposing the following increases to the Practising Certificate Fee and Disciplinary Levy from 1 September 2019:

- increase the practising certificate fee by \$15.79 to \$571.39 (excluding GST) per doctor (2.8%)
- increase the disciplinary levy by \$29.36 to \$154.36 (excluding GST) per doctor (23.5%).

We note that the proposed practising certificate fee and disciplinary levy is based on:

- Council's actual and budgeted results for the current 2018/2019 financial year
- Council's draft budget for the 2019/2020 financial year
- the actual general and disciplinary fund reserves as at 31 March 2019.

The NZMA values the work of the Council in performing its statutory functions and undertaking activities that support and enhance patient safety in New Zealand. The NZMA therefore acknowledges the need for the Council to be resourced adequately to fulfil its functions and activities. We want to ensure that it can continue to do so over time without erosion of quality, service and responsiveness.

It must however also be acknowledged that much of the proposed increases to any of Council's fees and levies will be inevitably be passed on within the health sector and these additional costs will be borne ultimately by patients and the taxpayer. As such we believe that the Council needs

to demonstrate the same high degree of fiscal responsibility and transparency as we expect of agencies who are direct recipients of taxpayer funds.

We are comfortable with the 2.8% proposed increase to the practising certificate fee and the rationale for this increase. We recognise that the rationale for the proposed 23.5% increase to the disciplinary levy is the increase in the number and complexity of disciplinary cases. We also acknowledge that disciplinary costs are difficult to budget. Nevertheless, given the considerable (23.5%) increase that is being proposed to the disciplinary levy, we sought further information on how this figure has been calculated, particularly given that Council has achieved healthy surpluses since 2012 in operational activities, and as at June 2017, had nearly \$9 million in accumulated funds and reserves. We appreciate Council coming back to us with this additional information.¹ Having reviewed this, we are of the view that the proposed increase to the disciplinary levy and the rationale for doing so seem fair. However, we consider that there may be scope for Council to amend its reserves policy.

There is a view that Council's general fund reserve of \$6.3 million is somewhat generous as it represents about 80% of annual operating costs (\$8.3 million in 2017). Given that Council does not have a significant cashflow risk (other than disciplinary costs that are accounted for separately) and has the freedom to demand cost recovery fees from all, we question whether the general reserve fund needs to be so large and whether it could be better balanced with the disciplinary reserves (which, at \$1.6 million, appear a little low). It is also our view that Council's current reserves policy — "to accumulate and maintain reserves to a level dictated by prudent financial management" — is a little weak. Annual income and expenditure on operations should be very predictable and, accordingly, it should be possible to establish a tighter reserves policy (stipulating, for example, the number of months of operational expenditure). Disciplinary costs are, of course, less predictable so this would need to be balanced in deciding an appropriate level of reserves.

We hope our feedback is helpful.

Yours sincerely

A handwritten signature in blue ink that reads "K. Baddock". The signature is fluid and cursive, with a large loop at the end.

Dr Kate Baddock
NZMA Chair

¹ Personal communication with MCNZ Chief Executive, 20 May 2019