2011 financial overview

November 2011

Prudent budgeting: A planned approach

Summary

The Medical Board of Australia publishes this financial overview in the interests of transparency and accountability to the public and the medical profession. It complements the information published in the 2010-11 Annual Report of the Australian Health Practitioner Regulation Agency and the National Boards.

Background

When the Board was preparing its first budget in the early months of 2010, there were significant uncertainties involved in the implementation of the National Registration and Accreditation Scheme:

- there was no prior history to draw on, as 2010-11 was to be the first year of national registration for medical practitioners in Australia (as it was for the nine other health professional groups covered by the Scheme)
- it was not clear when and if all states and territories would join the scheme, nor was it possible to assess the implications of any changes made to the model legislation by each state and territory parliament. In the event, NSW opted out of Part 8 (the notification section of the law), ACT amended Part 8 to change its operation in the Territory and WA passed the legislation after 1 July 2010 and entered the Scheme on 18 October 2010
- no-one was sure how many doctors would be registered, as the number of doctors registered in two or more states/territories was unknown, thus inflating the number of doctors on all state/territory registers.

However some things were clear. Fee levels could not remain the same as they had been different states/territories before the National Scheme because:

- there was a significant inequity in the fee structure between the states and territories
- the total revenue to the National Board would have been less than that available to the former state/territory Boards (as a result of savings to doctors who had previously paid multiple registration fees)

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- the costs of medical regulation would be greater for doctors than under the state/territory arrangements because:
    - some governments had subsidised (either formally or informally) the costs of state/territory Boards (e.g. by direct funding or providing legal services, accommodation, etc.)
    - the National Scheme has important elements which were not present in any or all of the previous schemes – for example a Specialists Register, the requirement for criminal record screening and requirements for continuing professional development which require monitoring/ audit.

The National Scheme provides opportunities to achieve nationally consistent approaches to both registration and notification processes and outcomes. However, at least initially, this comes at a cost – in examining processes, discussing and understanding the reasons for the differences, agreeing best practice then re-engineering both the IT and people based processes to reflect the agreed practice.

There were some one-off adjustments to income and expenditure in the first year of the new scheme, including some transition costs including data cleansing and transfer to the new national IT system, training of staff to work with the new IT system etc.

There were also decommissioning costs, such as the sale of buildings, surrender of leases, furniture and other assets not required in the new scheme. In some cases the sale price realised by AHPRA was less than the value shown in the accounts of the relevant state/territory Boards. This was in part due to general financial downturn.

Setting fees

The full year effect of any new fee structure would not be available until every doctor across the country had renewed under the National Scheme. Queensland doctors who registered with the Queensland Medical Board on 30 June 2010, did not register under the National Scheme and pay the national fee until 30 June 2011. Similarly doctors in Western Australia registered with the former Western Australian Medical Board on 30 September 2010 and were not due to renew their registration with the Medical Board of Australia until 30 September 2011. Doctors in NSW who have traditionally renewed their registration on their birth dates were progressively transferred to the 30 September registration renewal date throughout the 2010-11 financial year. As a result, the Board knew that it would be 2011-12 before it received the full benefit of any fee increase for all doctors except those in Western Australia (when the full year effect will not be available until 2011-12).

In this context and after much debate, the Board set a fee for 2010-11 which, with indexation, it believed would be sustainable in the medium term. It decided to use its reserves[1] to cover the one-off transition and decommissioning costs, the revenue shortfall caused by staggered renewal dates in various states and territories and any abnormal costs in the first year of operation. Although the amount of money expected to be transferred to the National Board from state/territory Boards was not settled, the National Board was satisfied that there would be sufficient reserves to cover the projected deficit in 2010-11.

[1] For 2010-11 budget the Board estimated its reserves by calculating the amount likely to be transferred to the MBA from state/territory Boards, less the amount which represented the registration fees paid by doctors in that state/territory for the remainder of their registration year. Some states/territories transferred no reserves to the MBA while others transferred amounts that they had set aside over several years to cover abnormal legal or other costs.

Financial status

During 2010-11, the Board was active in developing standards and guidelines, monitoring the implementation of the Scheme, advising and supporting the staff within AHPRA who were dealing with the range of issues that arose in the early months and liaising and consulting with the medical profession across the country. Throughout, it monitored its financial position closely and in spite of some increased costs associated with responding to doctors who experienced problems with registering under the new system, the Board finished the financial year with a slightly smaller deficit than it had budgeted for. The MBA deficit for 2010-11 was $5.3 million, which was covered by its reserves. Reserves for the MBA transferred from state and territory boards totalled $12.3 million, of which $1.8m was spent in 2009-10. At the end of the 2010-11 financial year, the Board had reserves of close to $5.2 million which will be adequate to cover any abnormally high legal costs and the accrued cost of finalising all notifications/complaints which were still open on 30 June 2011.

The Board believes that its prudent and balanced approach to setting fees and managing its budget, in part by drawing on its healthy reserves in 2010-11, has placed medical regulation under the National Registration and Accreditation Scheme on a sound footing for the future.

For 2011-12 the Board determined to maintain registration fees at 2010-11 levels, indexed by the CPI and has developed a budget which is expected to deliver a small surplus. Any surplus will of course be transferred to the Board's reserves. The total level of reserves needed will be reassessed each year, in the context of immediate past experience and the number and complexity of notification investigations outstanding at the close of the previous financial year.

As the Scheme settles into a 'steady state' operation over this second year, the National Board and AHPRA will be able to better understand the full cost of registration, accreditation and notification handling in the National Scheme. One issue that will continue to be closely examined is the proportion of AHPRA resources required by each part of the regulatory process (e.g. registration, accreditation and notification management and monitoring) and how the spread of these required resources is spread between the 10 Boards. This will be a key area of focus by the Medical Board of Australia in 2011-12.