

PHO Service Agreement

Fees Review Process Referenced Document

June 2006

Version 1.0

About This Document

Introductory note

This is the Referenced Document referred to in Part A of Schedule F4 of the PHO Agreement. Note that it includes some provisions also included in Part A of Schedule F4.

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1. Location and role of Committees

- 1.1. The DHBs and PHOs in each of the following four regions will establish a Fee Review Committee in their region:
 - (a) Northern (comprising Northland, Waitemata, Auckland and Counties Manukau District Health Board areas);
 - (b) Midland (comprising Waikato, Bay of Plenty, Tairāwhiti, Lakes and Taranaki District Health Board areas);
 - (c) Central (comprising Whanganui, Mid-central, Hawkes Bay, Wairarapa, Hutt and Capital and Coast District Health Board areas);
 - (d) Southern (comprising Nelson/Marlborough, Canterbury, South Canterbury, West Coast, Otago and Southland District Health Board areas).
- 1.2. The role of each Fees Review Committee shall be to make a recommendation as to whether increases to standard General Practitioner consultation fees that are formally referred to it under the PHO Agreement are fair and reasonable to patients and providers. In formulating its recommendation, the Fees Review Committee shall take into account the fees charged by Contracted Providers and other PHOs, the need to ensure the viability and sustainability of the health provider that is the subject of the fee review, and any other evidence provided by either of us to support the fee levels.
- 1.3. Each Fees Review Committee will:
 - (a) review any notified fee increases in the region that are referred to it;
 - (b) make recommendations to the DHB and PHO concerned in each case; and
 - (c) report the outcome of all reviews to the other three regional Fees Review Committees.

2. Objective and Principles

- 2.1. The objectives of the fees review process are to:
 - (a) ensure the sustainability and viability of first level General Practice and other primary health care services with providers retaining the right to set their own fees; and
 - (b) allow DHBs certainty that the increased funding continues to be reflected in low or reduced costs that are fair and reasonable to patients and providers.
- 2.2. The fees review process will operate in accordance with the following principles so that it is, and is seen to be:
 - (a) Objective, so that all parties can see that recommendations are based on clear, explicit and straightforward procedural rules and terms of reference;
 - (b) Consistent, with the procedural rules and terms of reference applied in the same way in all parts of the country and over time; and
 - (c) Timely, so that PHOs and their Contracted Providers are able to manage changing costs to ensure sustainability of services.

3. Membership and operational matters

- 3.1. A pool of at least six persons nominated for their expertise in the business of general practice and accounting/business management, will be appointed for three years (with the possibility of

reappointment for a second three-year term) by the president for the time of a suitable professional association independent of DHBs and PHOs.

- 3.2. Each Fees Review Committee will have a chairperson who:
 - (a) is appointed by the president of the current independent professional association responsible for making appointments under clause 3.1;
 - (b) could consider a fee notification from any provider in any PHO in the region without being in the position of a conflict of interest; and
 - (c) is appointed for a period of at least 12 months at a time.
- 3.3. A Fees Review Committee will be formed each time a fees increase is referred to the chairperson of the Fees Review Committee, and will comprise the chairperson plus two further members who:
 - (a) are selected at random by the chairperson from the pool of potential members appointed pursuant to clause 3.1;
 - (b) do not have any conflict of interest with respect to the review in question; and
 - (c) are available to form a Fees Review Committee.
- 3.4. The chair of a Fees Review Committee will:
 - (a) co-ordinate teleconferences;
 - (b) manage the continuity of meetings by ensuring that sufficient time is allocated for each agenda item to be adequately addressed;
 - (c) ensure fairness in discussion between Fees Review Committee members;
 - (d) ensure the agenda is prepared in time with the input of all affected parties;
 - (e) ensure key discussions are summed up and all recommendations are clearly stated;
 - (f) cause minutes to be kept of each meeting of the Fees Review Committee; and
 - (g) in the event that the chair is unable to attend some or all of the meeting, an alternate chair will be required. The alternate chair will be a member of Fees Review Committee.
- 3.5. A quorum of a Fees Review Committee is all of its members.
- 3.6. Except as provided in clause 3 of Schedule F4 of the Agreement and this Referenced Document, a Fees Review Committee may regulate its own procedure.
- 3.7. The recommendation of the Fees Review Committee will be made by consensus wherever possible and shall include the Committee's comments on the information taken into account and its reasons for the recommendation. If such consensus is unable to be reached, both the majority's recommendation and the minority's view will be notified to us both.
- 3.8. All reviews are to be completed by the issue of a recommendation within one month of the PHO having produced its evidence to the Fees Review Committee. If a review is not completed by the issue of a recommendation within a month of the PHO providing evidence to the committee, the fees increase is deemed to be reasonable.

4. Evidence and matters for consideration

- 4.1. Where a fees increase is referred to a Fees Review Committee, the relevant PHO must prepare and present written evidence, including relevant financial material, within two weeks of the fee increase being notified to a Fees Review Committee for its consideration.
- 4.2. The Fees Review Committee may ask for specific evidence and hear submissions in person. The Fees Review Committee may also choose to seek other advice. Either party may make a submission to the Fees Review Committee.
- 4.3. Fees Review Committees will consider any of the following matters (as relevant) when considering whether a proposed fees increase is reasonable:
 - (a) evidence that the sustainability or viability of the practice is at risk;
 - (b) evidence of unusual cost increases;
 - (c) evidence of changes in utilisation rates;
 - (d) evidence of change in mix of services and fees;
 - (e) evidence of plans to invest in the business in a way that will advance the ends of the Primary Health Care Strategy;
 - (f) evidence about how the provider's health workers' income relates to income of other health workers in the region;
 - (g) practice fees in a range of comparable practices in the locality;
 - (h) measures of general inflation;
 - (i) measures of the cost of health-related labour as identified in the labour cost index;
 - (j) the level of the adjustment of Government funding to maintain its value;
 - (k) any other national factors that, given efficient practice behaviour, could lead to increases or reductions in costs over the next year (including for example legislative or tax changes, increased or reduced compliance costs etc);
 - (l) the expected impact of these factors on the level of standard General practitioner consultation fees;
 - (m) the statements of levels of reasonable standard General Practitioner consultation fees increases determined by the independent body under clause 3.9 of Part A of Schedule F4 and notified under clause 3.8 of Part A of Schedule F4 (which will have taken into account the matters specified in paragraphs (h) to (l) above); and
 - (n) other relevant matters.
- 4.4. The Fees Review Committee shall consider whether the evidence supports the level of fee increase.

5. Form of recommendations

- 5.1. A Fees Review Committee recommendation must:
 - (a) include an explanation for the recommendation and any other actions the Committee considers appropriate; and
 - (b) be sent to the relevant DHB, PHO and the other regional Fees Review Committees.

6. Confidentiality

- 6.1. Any information provided to the Committee by the DHB, a PHO or its Contracted Provider will be treated as Confidential Information. Such information will not be disclosed to any person

other than members of the Fees Review Committee without the prior written consent of the PHO and their Contracted Provider to which the information relates.

7. Independent advisors

- 7.1. In exceptional circumstances, a Fees Review Committee may appoint an Independent Advisor to provide expert advice on specific matters as agreed by the parties to the review.
- 7.2. The Independent Advisor's role is to provide impartial and independent advice to the Fees Review Committee.

8. Administration and support

- 8.1. We agree, together with the other DHBs in our Fees Review Committee region, to:
 - (a) provide secretariat support to the relevant regional Fees Review Committee on an annual rotation basis. The secretary will circulate the committee's recommendations to the relevant DHB and PHO, and to the other three Regional Review Committees within five working days of its release.
 - (b) fund the Fees Review Committee's costs (by way of equitable contribution between the DHBs).