



**Post-Conference Submission of
New Zealand Society of Physiotherapists
to**

**Independent Review of the Relationship Between
Physiotherapists and ACC**

September 2007

Introduction

1. The purpose of this submission is to address the questions outstanding at the end of the second conference. The relevant questions for NZSP were:
 - 1.1. Consider appropriate costing of fixed assets, including specific question of whether gym facilities required as part of best practice treatment;
 - 1.2. Provide any further available information about robust benchmarking of the private sector against the public physiotherapy sector;
 - 1.3. Provide a written summary of NZSP's reasons for supporting the joint expert estimate of \$103.24 as current effective hourly rate under EPN contracts;
 - 1.4. Provide any further submissions on use of a percentile point in the economic price range to ensure sustainability; and
 - 1.5. Provide any further thoughts on the governance process for any future information gathering exercises.
2. The Society has provided an oral response to the position of College membership being a prerequisite for holding an EPN contract (refer closing comments of Friday 31 August 2007) and does not wish to expand these any further in writing.

Fixed Assets

3. The joint further submission of John Warren and Kirsten Davie, which accompanies this submission, provides NZSP's view on fixed assets. It is supported by letters or submissions from Duncan Reid (Head of School, Rehabilitation and Occupation Studies, Auckland University of Technology), Dr Margot Skinner (Associate Dean, School of Physiotherapy, University of Otago), and Barry Donaldson (doctoral candidate).

Benchmarking to Public Sector

4. NZSP has received and attaches a letter from Janice Mueller and Vivienne Rawlings of Auckland DHB. This provides relevant information which is specific to ADHB. However, the Society considers that this is a good match for the high volume high cost metropolitan practice which the reviewer has indicated in his draft report is an appropriate pricing point for sustainable physiotherapy pricing in New Zealand.
5. NZSP can provide information about the distribution of public sector physiotherapists across the existing pay scale in relation to ADHB team leaders

and professional leaders. This is on a points and role equivalence basis, rather than by number of physiotherapists at points on the pay scale.

6. However, NZSP considers that distribution per se is less important than role equivalence. This is the best practice test in remuneration analysis, and is the basis used by ADHB for individual contracts. More importantly, the Society considers that the nature of many private physiotherapy businesses means there are likely to be more people at the higher positions in the private sector, where there are a multitude of stand alone businesses. This is particularly so at business owner level.

Notional Salary - Business Owner Positions

7. Importantly, ADHB indicates that they use Strategic Pay to benchmark against the general health sector. This in fact provides strong support for use of Mr Summers' benchmarking per se as provided in his initial report.
8. The Auckland DHB letter provides details of the remuneration for team leaders within the Auckland DHB. We note that team leaders are rated under SP10 at 538 – 645 points. Mr Summers rates the business owner at 855 points. This again supports the suggestion that business owners should be paid more, and not benchmarked against team leaders, as the business owner position is at a higher points level.
9. At a very minimum, NZSP considers that this supports inclusion of physiotherapy business owners in the Deloitte model at the 100% team leader level used within Auckland DHBs, of \$87,215 per annum. This benchmark, as a lower points level, sets a minimum base against which business owners should be assessed.

Notional Salary - Employed Clinical Staff – Career Progression

10. NZSP continues to support use of Strategic Pay's weighted approach to the DHB / PSA salary scale as a minimum position.
11. We confirm that currently progression beyond step 6 in the DHB / PSA scale provided operates on a DHB by DHB basis. This is intended to be rationalised on a national basis by the career and salary progression scheme.
12. The Society advised orally, second conference day 3, of its understanding that a joint DHB/PSA working party document has been agreed, as the basis for negotiating career and salary progression within the public sector. However, as this is subject to negotiation, the parties are not willing to release the working party document. We confirm our understanding that the document does in fact describe a process which allows the opportunity of annual progression provided that agreed objectives, aimed at extending the skill or contributions of individual practitioners, are met. These goals are set on a "stretch" basis.
13. The Society believes that this indicates the drawbacks of relying on public sector benchmarking, which is effectively leaving the private sector at the mercy of negotiations in which they play no part, and which they can only follow.

14. The Society considers that the annual progression on a stretch basis, is an appropriate, logical and fair employee expectation between private sector employers and employees, and should be the basis of pricing for employed physiotherapists within the Deloitte model.
15. Further, the Society notes the ADHB process outlined in attachments to the Mueller / Rawlings letter. That process provides a competence based career progression already. This appears to require some "stretch", just as the prospective national process does.
16. In terms of implementing any stretch, the opportunity for individual achievement must be available. Private practice owners will be unable to provide this opportunity if they are not funded adequately. This will mean that progression should be assumed, reinforcing the Strategic Pay weighted approach.
17. The Society considers that this is a better alternative to the use of the Deloitte proposed employee salary, which is unjustified and has no proven basis. The Society therefore stands by the weighted approach to the DHB salary scale for employed physiotherapists, as expounded in the latest brief of Geoff Summers.

Notional Salary - Employed Clinical Staff – Other ADHB Relevance

18. The ADHB letter indicates that there are indeed employed clinical physiotherapists on points 10 and 11 of this scale, at least within Auckland DHB. It is difficult to draw firm conclusions from this however, due to the uncertainty as to whether those clinicians have the same role responsibilities as undertaken by senior physiotherapists in the private sector. Further, ADHB does not use individual employment agreements for this area, since they are on the DHB / PSA scale.
19. However, we consider in any case that the different mix of private sector responsibilities indicates that senior private sector clinicians are likely to have a higher role evaluation under an SP10 assessment than public sector counterparts. The private sector role is second in command on all areas of responsibility.
20. In addition, the ADHB material indicates that the professional leaders start on a minimum of step 8. This is a non-clinical role, which assists team leaders by providing discipline-specific liaison and assistance, so is not comparable to any of the positions in the Strategic Pay private sector analysis.
21. Whilst NZSP continues to support Strategic Pay's weighted assessment as a minimum, if the Reviewer feels that this ADHB evidence indicates that even that level is too high, NZSP says that as a very minimum conservative position:
 - 21.1. the current annual progression for steps 1 – 5 indicates that the weighting for that level of the Strategic Pay analysis is safe;
 - 21.2. Senior positions in the private sector should be assessed at a minimum of at least level 11 as per paragraph 18; and

- 21.3. NZSP considers that assessment of the mid-level private sector practitioners at step 8 is safe in light of the level involved, and the merit progression available under the ADHB existing scale.
22. The Society does not believe that the private sector practitioner demographic survey information relied on by Strategic Pay has been questioned. Their weighting should therefore be applied using at least the levels above.

Current Affective Hourly Rate

23. NZSP supports the joint experts' current estimated effective hourly rate (using agreed consult times) of \$103.24.
24. A simple check can be undertaken using the table that was provided by the joint experts, and handed up by NZSP at the second conference. The effective hourly rates per consult type are based on actual current per consult payments, simply divided by the agreed consult lengths. The implied hourly rates per consult type are therefore irrefutable.
25. It is clear from these that simple injuries provide the lowest effective rate for both initial and follow up. Therefore, taking simple consults only and applying the average visits per injury used by ACC provides a minimum effective hourly rate.
26. At appendix 4 of their written submission, ACC use a 6.21 average visit per injury basis. Since there can only be one initial visit (16.1% of 6.21) and 5.21 follow ups (83.9%), these percentages can be applied to the implied hourly rates per consult type to give a minimum effective hourly rate.
27. This is \$102.20 as follows:
- | | | |
|--------------|--------------------------|---------------------------------|
| PT01 | $\$87.13 \times .161 =$ | $\$14.03$ |
| PT02 | $\$105.09 \times .839 =$ | $\$88.14$ |
| TOTAL | | $= \\$102.20$ |
28. On this basis the figure claimed by ACC in Appendix 4 cannot be correct. Their analysis relies on total cost and total visits in a manner which is much less direct than the above analysis. It appears that there is some confounding factor, which makes the ACC analysis unreliable.

Appropriate Percentile Point For Pricing

29. NZSP has been unable to find any directly comparable processes which assist in identifying the appropriate percentile point at which to price in order to ensure sustainability.

30. The definition of sustainability used in this review would imply setting the percentile at 100th percentile. Even adjusting this for efficiency gains, only a small reduction below the 100th percentile would be appropriate.
31. However, in the absence of any precedents, NZSP considers that:
 - 31.1. the 87th percentile used by ACC previously is a useful benchmark;
 - 31.2. the range is reduced by use of only 33% of historical costs (others are evenly substituted for sustainability), so taking a reasonably high percentile point presents less risk;
 - 31.3. where the Crown wishes to regulate the market by capping price, then it is appropriate that they should err strongly on the side of caution and inclusion of the very vast majority of providers within a sustainable price; and
 - 31.4. it is appropriate for the large majority of the profession to have its sustainable price covered by ACC payments.
32. NZSP ultimately believes that at least an 80th percentile approach is appropriate in light of all of these figures. NZSP would be grateful to see a sensitivity analysis run on this using any final inputs proposed by the reviewer, and have a chance to make brief comment on this point at next week's meeting.

Governance Process for Future Information Gathering

33. NZSP commented orally on this matter. Please refer to those extensive oral submissions, including those made in closing, second hearing, day three.
34. NZSP wishes to reiterate that it considers this review to have been the only motivating factor for ACC and Deloitte moving from their erroneous and unilateral March 2007 position. In this respect, a future model with at least the investigative and persuasive powers of this Review is sought.
35. NZSP considers that, whilst not binding, this Review is effectively investigative, and will result in an objective decision based on the cases of all relevant parties, presented in detail, cooperatively, and in accordance with natural justice. Again, the Society sees this function as effectively arbitral, though the findings do not bind any party. The findings will go to the Minister as an independent strand of advice quite distinct from that of ACC and Department of Labour.
36. These are the features which should be incorporated in future governance arrangements. At a minimum this would be:
 - 36.1. an independently facilitated multilateral process;
 - 36.2. cooperative in information sharing, and according with the principles of natural justice;

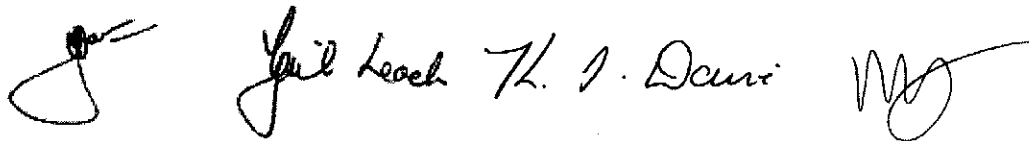
36.3. facilitator to be a skilled legal or economic expert who is required to independently assess the cases presented by the parties and report to the Minister on their view; and

36.4. the facilitator's report to be available publicly.

Conclusion

37. NZSP hopes that these comments provide further assistance to the Reviewer.

Dated at Wellington this 5th day of September 2007

The image shows four handwritten signatures in black ink. From left to right: a stylized signature for Jon Warren, a signature for Gail Leach, a signature for Kirsten Davie, and a signature for Martin Taylor.

Jon Warren / Gail Leach / Kirsten Davie / Martin Taylor
NZSP President / Executive Director / Immediate Past President / Barrister

For New Zealand Society of Physiotherapists