

18 October 2022

The Manager
Accident Compensation Policy
Ministry of Business, Innovation, and Employment
PO Box 1473
Wellington 6140
By email: ACregs@mbie.govt.nz

Consultation on ACC regulated payments for treatment

Dear Sir/Madam

Physiotherapy New Zealand (PNZ) is providing feedback on the current consultation on changes to regulated payments for ACC treatment to apply from 01 December 2022.

We are concerned that the consultation document has conflicting statements regarding the implementation dates¹. We also note that the timeframes for the review were obviously delayed by one month, judging by the date of the document and timing of the consultation process outlined in it, and urgently request that MBIE provide clarity on the dates these rates would become operational.

Summary

A large number of ACC clients have their physiotherapy delivered by physiotherapists working under the Cost of Treatment Regulations, making this a significant point of access for New Zealanders who have been injured, to treatment and rehabilitation.

This submission responds to questions one and two of the questions posed in the consultation.

PNZ members support the proposed 9.36% uplift in regulation fees for physiotherapists but believe this does not fully compensate the cost pressures experienced by providers over the past two years, nor does it recognise the likely cost pressures that are predicted before the next review.

PNZ believes there are some immediate changes that would benefit injured New Zealanders and should be implemented as part of this review.

1. A differential rate for Community Service Card holders for all providers to provide an immediate step towards addressing ongoing health inequities, particularly for Māori, Pacific and low income people who have injuries. Cost has been identified as a barrier to treatment for Māori, Pacific and low-income people with injuries for several years.
2. Include interdisciplinary liaison within the definition of “direct treatment” and add a code that allows for providers to share information and to work collaboratively towards shared injury rehabilitation goal setting and management to achieve improved patient outcomes. This is consistent with the definition of direct treatment in the legislation being “the time during which a treatment provider is directly applying his or her expertise to a claimant’s treatment”².

We also call for a review of the Regulations payment scheme that engages the professions prior to the next review. PNZ believes that the proportion of the cost of physiotherapy treatment borne by

¹ P 18 states that “The proposed increases are expected to apply from 01 December 2022 ...” but the Process and Timeline diagram on the same page states “01 April 2023 new rates in force”.

² Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003 4 (3)

ACC has reduced over the time since Cost of Treatment Regulations was introduced, with the current fees covering 40% of the cost to the client. ACC pays a greater proportion of the cost to clients for GPs under this scheme. The cost of treatment provision, the definition of “direct treatment” and the proportion of the cost that is the ACC contribution should all be included in this review.

About Physiotherapy New Zealand

PNZ is the professional membership organisation for registered physiotherapists in New Zealand with over 4,700 members. Of our members working in private practice a significant group provide services for clients with an injury covered by ACC under Cost of Treatment Regulations. Other providers are working under the Allied Health contract, or various secondary care contracts. Around 25% of people claiming ACC payments in primary care make their claim through a physiotherapist, with a significant proportion of those claims lodged under the Cost of Treatment Regulations.

PNZ has responded to the following consultation questions:

1. the proposed increases in payments;
2. access to treatment for specific population groups

We have no submissions on either the nil change for audiology services, nor the combined rate for nurses and nurse practitioners.

Whilst we support the proposed price uplift, we have a strong view that the proposed rate increase for physiotherapy services at 9.36% does not meet the current and future costs of physiotherapy practices and maintains, if not increases, the gap between the actual cost of treatment and the ACC contribution. PNZ is calling for a full review of the Cost of Treatment Regulation Model, including the proportion of the actual cost that is covered by ACC.

Consultation question responses

1. Do you agree that adopting Option D, with tailored payment increases reflecting wage increases in the main occupational groups best meets the objectives set?

Agree in part. While wages for practitioners are the greatest single contributor to the cost of treatment, they are not the only costs. The increases are retrospective but the time frames for review cover upcoming years – therefore an allowance for anticipated increases in upcoming years needs to be factored into the process.

Our view is that the ACC payments under Cost of Treatment Regulations over the past decade have not kept pace with the changes in cost of delivering services. Based on the mean rates provided to ACC³ the proportion of payment being made by ACC to a physiotherapy treatment for an adult is 40%. In comparison the proportion for a medical practitioner is 50%.

PNZ notes the 9.3% proposed increase does recognise the inflation rates, and the impact of the MECA increases in allied health from the past 12 months. We do not think it sufficiently addresses the anticipated inflation for the term of this review period “likely to be between one year and 18 months later”⁴. Treasury is forecasting Consumer Price Index increases of 6.7% for 2022 and 5.2% for 2023. While we acknowledge that CPI focuses on household spending, this is an accepted measure of the impact of general inflation on service industries, and therefore could be used a forecast price indicator.

The proposed increase does not address the significant cost pressures that have occurred over the last two years that were not factored into the last change. These include costs related to Covid-19 and overhead cost increases. We note that for many physiotherapy businesses ACC represents the only government related funding. While the Ministry of Health did compensate some primary care providers for one off costs related to Covid, non-health funded providers were excluded from this payment. While wages and salaries are the single largest cost in delivering a service they are not the only costs. PNZ members are reporting that businesses are becoming increasingly unsustainable

³ Ibid – Copayment rates Physiotherapists

⁴ P18 Consultation document

which is likely to result in a delays or loss of access to treatment and rehabilitation for clients, with the unintended consequence of clients being unnecessarily work disabled which impacts on client outcomes and Scheme costs.

2. Do you have any concerns about the impact the regulated payment regime has on particular population groups who have difficulty accessing treatment?

Yes.

The ACC surveys including the co-payment survey⁵ note that cost is a significant barrier to treatment access. The ability to cover the required co-payment particularly affects low-income earners and disproportionately impacts Māori (53%) and Pacific peoples (52%). PNZ has repeatedly called for ACC to implement a Community Services Card rate as it does for GPs and Nurses. This would immediately improve access to treatment for a significant group of the population.

We know our members have been reluctant to increase co-payment rates when their experience is that many clients have been struggling with the cost of treatment. The impact of the decreasing contribution from ACC has been carried by business owners. With the increasing pressures on business owners' margins and the current workforce pressures, many are reporting they are finding it increasingly difficult to be able to attract and retain staff particularly in rural and areas with high deprivation indices. The impacts of workforce shortages are those mentioned in question 1 above.

A full pricing review is required to address the policy issues identified.

Cost of Treatment Regulations remains an important access point for treatment for New Zealanders who are injured. The payments made under the Cost of Treatment Regulations is a subsidy towards the cost of treatment. We believe there is a need to be transparent about the proportion of the cost borne by ACC, and the proportion that the government expects claimants to contribute. ACC is now funding less than half of the actual cost of physiotherapy treatment, but a higher proportion of other provider fees.

From the ACC research report and our member feedback we confirm levels of co-payment vary greatly, although Research New Zealand reports "mean charges are relatively consistent across the board". PNZ submits there is an urgent need for a full review of pricing assumptions made to determine the actual costs of treatment provision. At the point at which the cost of treatment is determined the ACC co-payment proportion needs to be set and should be the same regardless of the type of provider. We would note that our member feedback is the business is carrying the gap between ACC funding, the amount of co-payment a client can afford and the cost of running a business.

The ACC hourly rate would bring the contribution to \$65.77 per hour (GST exclusive), or \$26.14 per session (GST exclusive). We note that there is only a small differentiation in the rates between medical practitioners, and allied health professionals despite there being a significant difference in the length of treatment sessions provided⁶. The reported average session length for a physiotherapist is 46 minutes for initial consultation and 35 minutes for follow up compared to a GP at 17 minutes for initial consultation and 15 minutes for follow-up. We believe that the costs of treatment provision including overheads for a service are not significantly different depending on the type of primary health service provided.

PNZ also notes that the Cost of Treatment Regulation Framework, which is entirely transactional in nature, is no longer meeting the expectations of interdisciplinary health service provision. We believe that the definition of treatment under regulations "**direct treatment** means the time during which a treatment provider is directly applying his or her expertise to a claimant's treatment".⁷ PNZ calls for MBIE and ACC to recognise that interdisciplinary liaison is directly applying a clinician's expertise to a

⁵ Ibid – Barriers to Treatment and Comments from Physiotherapists

⁶ Research New Zealand Copayments survey 2021 accessed from acc.co.nz/assets/provider/co-payments-survey-report.pdf Standard consultation times

⁷ Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003 4 (3)

claimant's treatment and add a code that allows for providers to share information and to work collaboratively towards shared injury rehabilitation goal setting and management to achieve improved patient outcomes.

This is unsustainable.

We see an independent review would:

- Validate the cost assumptions in the Cost of Treatment Regulation model and determine the ACC proportion of costs paid
- Review the definition of "direct treatment"
- Collect data to assess equity issues
- Improve the way ACC payments are adjusted over time

In summary PNZ believes the current system, which has been in place since the inception of ACC lacks the flexibility, quality measures and processes to reduce inequitable access to quality evidence informed services that are inherent in the ACC policy drivers.

Thank you for the opportunity to submit on this matter.

The primary contact for matters relating to this submission is:

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Yours sincerely,

A handwritten signature in blue ink that reads "Sandra Kirby". The signature is written in a cursive, flowing style.

Sandra Kirby
CEO