Council meeting 7 February 2013

Public business

Professional Standards Authority Effectiveness and Efficiencies Review

Purpose
To note the PSA Cost-effectiveness and efficiency review of the health professional regulators

Action required

The Council is asked to note the Review of the cost effectiveness and efficiency of the health professional regulators

1.0 Introduction

1.1 During 2012 the professional standards authority (formerly CHRE) undertook a review into the comparative cost effectiveness and efficiency of the various health professionals. The final version was formally published in November 2012.

1.2 An informal update of the highlights of the report in respect of the GPhC’s relative performance was given to Council at the November workshop.

1.3 This is an opportunity for the Council to formally note the report and to comment on any observations arising there from. The executive summary can be found at appendix 1 – the full report is available on request from the Council Secretary.

2.0 Background

2.1 The report was produced by Centre for Health Service Economics & Organisation (CHSEO) on behalf of the PSA.
2.2 CHSE0 gathered financial and other statistical information from all of the health regulators and through the application of sophisticated statistical techniques produced a series of comparisons between the regulators.

2.3 Obviously with such disparity between the size and responsibilities of the differing regulators making viable and valid comparisons was not without its challenges. In particular there were particular difficulties faced by CHSE0 and the regulators to collect information that was compiled on a consistent and comparable basis. CHSO attempted to use the published annual accounts for each regulator as the main source of financial information. This was of course supported by the regulators submitting additional statistical information and responding to questions raised by CHSE0.

2.4 As an indication of the challenges faced for the period in question the only available published information available for the GPHC was for the period of September 27th 2010 to March 31st 2011. Additional management information for the following 6 months was provided but of course comparability and consistency was obviously a problem.

2.5 In attempting to resolve the challenges of making comparisons between the different regulators CHSE0 relied heavily on looking at the scale adjusted unit costs of each regulator i.e. adjusted by number of registrants, to produce a standard against which each regulator was compared.

3.0 Outcomes from the report

3.1 Overall the outcomes from the review, in respect of the GPhC, did not indicate that in comparison with the other regulators, there was anything alarming or out line with what could be expected or explained. In fact in most areas we were very close to or below the expected norm for our size.

3.2 Where we did stand out slightly was in the following areas.

   Education and training where we were above the norm expected as was the GMC but significantly more so. We believe that this may be explained by the pre registration training year and the assessment exam training year.

   - Fitness to Practice figure were at a much lower level than to be expected. It may well be that this arose because in the period on which the numbers were based we concentrated on the just disposal of legacy cases.

   - Compliance costs, by which is meant the cost to others of complying with our requirements was divided into two areas, that applying to institutions which we accredit and those who we register i.e. the cost to a registrant in time of either registering, renewing or complying with CPD requirements.
3.3 This final area, (compliance costs) is probably the least robust area of the report as it was reliant upon the voluntary participation in an online survey. The numbers completing the survey, certainly in regard to registrants could not in any way be considered statistically significant. The number of registrants who participated was just 16. Although our scale adjusted operating costs for these activities was in line with our size the individual time required by registrants to complete CPD was higher than the norm as was the compliance costs of the institutions we accredit. It would be wise for us to look at these areas and consider if and how we should do things differently.

4.0 Further Action

4.1 Despite the challenges and the questions around the comparisons between regulators this was undoubtedly a useful exercise which might be repeated again in the future.

4.2 We will continue to look closely at the results of the analysis to ensure that either there are valid reasons why our costs may be higher or lower than perhaps expected and how we might address the any issues highlighted.

4.3 Although the report was dubious about the savings to be made from the sharing of back office functions, we continue to work with our fellow regulators through the Directors of Resources group and other forums to find ways in which we can share best practice and cooperate to our mutual advantage.

4.4 Having spent some time in detailed analysis of the costs of certain administrative functions for each regulator and which produced useful comparisons based on either numbers of registrants or numbers of employees the Directors of Resources group recently resolved to work together on compiling a benchmark of the cost of registration across the regulators. It is expected that such work will continue and over time a comprehensive set of benchmarks will be compiled.

5.0 Equality and diversity implications

5.1 There is not considered to be any equality and diversity implications arising from the Council noting this review.

6.0 Communications implications

6.1 As there were no significant observations on the GPhC’s costs or efficiencies there would appear to be no significant communication implications. However we will continue to monitor our costs and strive to achieve efficiency savings wherever possible and communicate the outcomes regularly.

7.0 Resource implications
7.1 There are no resource implications directly arising from Councils noting this review.

8.0 Risk Implications

8.1 There are no risk implications directly arising from Councils noting this review.

Action required

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24 January 2013
Appendix 1

Executive Summary of the Review of the cost effectiveness and efficiency of the health professional regulators

Published November 2012 by the Professional Standards Authority

http://www.professionalstandards.org.uk/library/document-detail?id=5c7ffe06-95cf-4284-8a56-f3c6a4d300e6

1. Executive summary

1.1 This advice reports on analysis of the costs associated with UK health professional regulation, and the effectiveness and efficiency of the regulators involved. It is provided in response to a request from the Secretary of State in 2011, and builds on discussion of the cost effectiveness of the regulators’ operations in the Command Paper, Enabling Excellence.

1.2 Stakeholders need to feel confident that the registration fee charged by regulators is being used to support effective regulation in an efficient manner. As part of this, regulators must balance the level of the registration fee charged on registrants with the actions necessary to fulfil the statutory functions outlined in regulators’ legislation.

1.3 Regulators’ costs are influenced by a range of factors, for example, statutory duties, requirements in rules, operational processes, non-statutory work, variation in the professions regulated, number of new and renewed registrations, number of internationally qualified registration applications, size of education provider sector, and thresholds for referrals to final fitness to practise hearings. These all can have an impact on the costs of regulation discussed in this report.

1.4 There are limits in the approach we have adopted for this review which should be considered when interpreting the findings. This is the first time that a cost-effectiveness and efficiency review of the health professional regulators has been formally conducted. Therefore the data was collected and processed in a short timeframe, without the benefit of an established and consistent dataset. There are only nine organisations in the study, which limits the sophistication of analytical techniques. The efficiency analysis uses self-reported data from a single point in time, and we are aware that cost savings have been achieved by some regulators in the meantime. The data collected to derive estimates of compliance costs were limited, based on recall and from a self-selecting sample of respondents.
1.5 The effectiveness of the regulators is assessed through our annual performance review process, against 24 Standards of Good Regulation across four core regulatory functions: Standards & Guidance, Education & Training, Registration and Fitness to Practise. The most recent review, in 2011/2012, found that the regulators were generally performing well against most of the standards, but there were areas for improvement, most notably in fitness to practise.

1.6 With help from the Centre for Health Service Economics & Organisation (CHSEO) we analysed the operating costs of the nine regulatory bodies in a single financial year (2010/2011) and examined the question of efficiency in different regulatory functions. The CHSEO model identified four different influences on costs:
- Scale
- Task for each regulator – as judged through metrics assessing the complexity of the task and the extent of regulatory force required to deliver statutory duties
- Effectiveness
- Scale-adjusted efficiency.

1.7 The aim of the analysis was not to comment on absolute efficiency but to identify stand-out differences in relative cost-efficiency among the nine organisations. It confirmed the widespread expectation that scale (size of register) has an impact on efficiency. It found that a doubling the registrant base was associated with a 19 per cent reduction in unit operating costs, and that most scale economies appear to be realised around a registrant base of 100,000 to 200,000. Economies of scale appeared across the core regulatory functions, although the strength of this association varied: Standards & Guidance and Education & Training showed the greatest economies of scale, while Fitness to Practise was least influenced by scale.

1.8 Once the impact of scale on unit costs had been controlled, CHSEO examined the impact of the task facing each regulator through external factors that would have an influence on the cost of regulatory operations. These metrics – such as the length of pre-registration education and training programmes, frequency and extent of harm linked to profession, size of education provider sector and type of allegations made about fitness to practise – were judged to explain some of the variation above and below the expected scale-adjusted unit cost. However, not all variation could be explained. This indicates that there may be opportunities to share cost efficient operational practices across regulators in some functions.

1.9 There are a number of levers available to improve the effectiveness and efficiency of regulation. As part of this advice, we have assessed regulators’ proposals for changes to legislation against a set of criteria established by the Department of Health. Introducing these changes through a section 60 order would help regulators improve the effectiveness and efficiency of their
operations. However, in our view this is only one of a variety of options open to regulators and we have been encouraged by the range of non-legislative actions, individually and collectively, that the regulators have reported.

1.10 As this debate continues, we would advise that the role of third parties and the costs they incur is more actively considered. Our report includes an indicative assessment of some of the costs borne by registrants and education providers in complying with health professional regulation. We recommend that this is considered more thoroughly. First, the active participation of third parties such as professional bodies, employers, education providers and the public is essential at different points in the regulatory process, and acknowledging the extent of this input may help prioritise changes to improve the effectiveness and efficiency of delivery of regulatory outcomes. Second, findings that indicate there is no evidence of cost-shifting in the sector may help to identify good practice that may be shared between regulators.

1.11 Our recommendations focus good practice for regulators in demonstrating cost-effective and efficient working. We advise the Department of Health to proceed with a section 60 order to allow for the adoption of good practice more widely across regulatory bodies. We also recommend that this exercise is repeated in two years’ time, to maintain the focus on cost-efficient operations and to allow the impact of current improvement activities to be evaluated. Finally, we have identified some issues that may be usefully addressed by the Law Commission simplification review and draft legislation.

Full report available on request from the Council Secretary or to download from the PSA website: http://www.professionalstandards.org.uk/library/document-detail?id=5c7ffe06-95cf-4284-8a56-f3c6a4d300e6#