Independent Healthcare Regulation - Fees Consultation 2020–2021

Consultation Feedback Report

February 2020
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### Executive summary

On 29 July 2019, Healthcare Improvement Scotland issued a public consultation paper:

- detailing changes we planned to make to the existing fees for the regulation of independent healthcare services, and
- seeking the views of the public and stakeholders on fee payments and how fees are paid. This included:
  - introducing online payment facilities
  - removing the use of standing orders to pay annual continuation fees, and
  - reducing the number of instalments to pay annual continuation fees.

The consultation process took place between 29 July 2019 and 6 September 2019. We sought survey responses from the public and stakeholders. In total, we received 56 responses.

The main conclusions from the consultation are listed below.

- Respondents were overwhelmingly in favour of introducing an online payment facility.
- Respondents were not in favour of our proposal to remove the option for paying continuation fees by standing order.
- Respondents were not in favour of our proposal to reduce the continuation fee payment schedule from 10 to four consecutive instalments.

The findings from the consultation will be used by Healthcare Improvement Scotland to inform us as we set the fees for the regulation of independent healthcare services in the financial year 2020–2021 and when we make future decisions on how fees are paid.
Background

Healthcare Improvement Scotland began regulating independent healthcare services in April 2011, taking over this work from the Care Commission. On 1 April 2016, we began regulating independent clinics. From 1 April 2016, the Scottish Government required that we must recover all independent healthcare regulation costs from the fees charged to the providers of services.

On 29 July 2019, Healthcare Improvement Scotland issued a public consultation paper detailing changes we planned to make to the existing fees for the regulation of independent healthcare services in the financial year 2020–2021, and seeking the views of the public and stakeholders on fee payments options.

The proposed fees reflect the amount of time and resource we anticipate we will spend regulating each service, as well as the risk associated with different types of services.

We do not underestimate the impact on service providers of paying regulation fees and we will continue to consider carefully our regulation costs. We are also accountable for demonstrating that we provide good value for money and that the regulatory burden does not stifle economic growth.

We anticipate that it will cost in the region of £1,030,000 to regulate the sector from 1 April 2020 to 31 March 2021.

This is based on us carrying out the following level of regulated work:

- 100 registrations
- 18 independent hospital inspections
- 140 independent clinic inspections
- 50 complaints enquiries and 20 complaints investigations
- 40 enforcements investigations
- 1,000 notifications, of which 40 will be serious enough to be escalated to a senior inspector, and
- 10 statutory activities (such as responding to Freedom of Information requests).

1 Healthcare Improvement Scotland published its revised IHC complaints procedure for providers and complainants on 3 June 2019. Any new upheld complaint investigation outcomes about registered independent healthcare services will now be published on our website.

2 Healthcare Improvement Scotland will always take action when relevant information is reported to us. This would include initiating our enforcement procedure, where required. From an information privacy and legal stance, Healthcare Improvement Scotland cannot be seen to jeopardise any legal proceedings by the Procurator Fiscal by disclosing information as it may prejudice a case. On that basis, we are required to protect both ourselves and those disclosing information to us.

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We will review the applications to register and visit new independent healthcare services registering with us and inspect independent healthcare services in line with our inspection methodology.

We will continue to exercise our option to remit the fees in respect of a variation or removal of a condition, cancellation of a registration and the issuing of a registration certificate during 2020–2021. This is to encourage providers to share information about changes to their service as early as possible.

It is important to recognise that the Scottish Government does not fund regulation of independent healthcare in any way. Healthcare Improvement Scotland’s independent healthcare work programme is funded entirely from regulation fees (full cost recovery). This covers staff salary costs, infrastructure, support and regulatory activities such as inspection and complaints investigations.

Within the consultation paper we advised stakeholders that we plan to implement the following two changes to the existing fees for the regulation of independent healthcare services in the financial year 2020–2021.

1. **Increase regulation fees**
   We will introduce a flat 3% increase across all regulation fees and categories, which reflects the increase in operational costs. The revised registration and annual continuation fees are listed in Appendix 1.

   **Rationale**
   An increase in fees of 3% represents our increased running costs for 2020–2021. This includes increases to salaries in line with the Scottish Government’s reform of Agenda for Change in NHS Scotland.³

2. **Payment of annual continuations fees**
   We will standardise the date of payment for annual continuation fees for all services. All continuation fees will be issued at the beginning of the financial year, rather than several times throughout the year.

   **Rationale**
   Services currently pay a continuation fee based on the date of their registration. A single continuation fee date for services will be easier for Healthcare Improvement Scotland to administer and make us more efficient. Annual continuation fees will be adjusted to bring all services in line with a 1 April date. This proposal will not change the fee amount, only the annual due date. No services will be financially disadvantaged by this change.

³ Agenda for Change is the National NHS employment terms and conditions, which include the pay system. Scottish Government reform included a 3-year pay deal between 2018/19–2020/21, with the aim to retain suitably qualified staff and help to attract the skills and experience needed to NHS Scotland.
The consultation paper then asked the following three questions seeking views on proposals to introduce changes to the way services can pay their annual continuation fees.

<table>
<thead>
<tr>
<th>QUESTION 1</th>
<th>Would services support the introduction of an online payment facility?</th>
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<tbody>
<tr>
<td>QUESTION 2</td>
<td>Would services support the removal of the option for paying continuation fees by standing order?</td>
</tr>
<tr>
<td>QUESTION 3</td>
<td>Would services support reducing the continuation fee payment schedule from 10 to four instalments?</td>
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</table>
Responses from the consultation

A summary of the main themes arising from the consultation responses is provided below.

What we proposed - introducing an online payment facility

Many registered independent healthcare services have previously requested to pay their annual continuation fees by debit or credit card over the telephone. Therefore, we sought views on introducing changes to the way services can pay their annual continuation fees. For example, having the option to use debit or credit cards to access an online payment facility through our e-portal. This would allow services to pay their annual continuation fees at their convenience and receive an automated receipt of payment.

What you said:

• Respondents were overwhelmingly in favour of introducing an online payment facility.

8 respondents also provided responses which we have summarised below.

Although respondents were overwhelmingly in favour of using an online payment facility, some respondents requested that options remain to process payments by receiving invoices and continuing to pay by other means, such as bank transfer. One respondent commented about receiving invoices: ‘For a large organisation it’s the most robust method of control of authorisation, retention of documents and cash flow management.’ They also stated that: ‘Online payments bring various challenges including limits on individual transactions and total balances that often delay and disrupt payment.’
One respondent noted that using an online payment facility would: *‘certainly make paying easier as at present there appears to be little internal communication with payments and numerous mistakes.’* Another respondent commented on the *‘disorganised departments’* within our organisation and the time taken for Healthcare Improvement Scotland to process their payment (5 months).

**What we proposed - removing the option to pay continuation fees by standing order**

The continuation fee covers a variety of areas of activity such as inspection, risk assessment, information gathering, complaints investigation and enforcement.

Registered IHC services can currently pay their annual continuation fees either as a one-off payment or by 10 instalments. Annual continuation fees are billed on a quarterly basis based on the date of initial registration. We require payment within 30 days of the date of the invoice unless the standing order option is chosen.

We currently have a number of services that have defaulted on their annual continuation fee payments. As a result, Healthcare Improvement Scotland has had to instigate debt recovery mechanisms. Recovering non-payment of continuation fees has resulted in a substantial amount of work and associated cost to Healthcare Improvement Scotland. These additional costs have the potential to result in continuous fee increases for independent healthcare services each year. This had been one of the main factors behind us consulting on removing the option to pay in instalments by standing order. Although we understand the financial pressure this may place on services, this would help us ensure continuation fees would be received in a timely manner and any payment default kept to a minimum and not fed through to further fee increases.

**What you said:**

- Respondents were not in favour of our proposal to remove the option for paying continuation fees by standing order.
• **9 respondents** also provided responses which we have summarised below.

Comments from respondents were divided about removing the option to pay continuation fees by standing order. One respondent commented: ‘Standing orders should be left as an option as this helps many services as part of their accounting strategy.’ Some commented that standing orders were invaluable for small businesses as they were less likely to ‘have large amounts of cash sitting there’ or they helped to better ‘accommodate our cash flow.’

One respondent commented that they were happy not to use standing orders as there was ‘often more admin and risk than an invoice.’

**What we proposed - reducing the continuation fee payment schedule from 10 to four instalments**

Registered IHC services can currently pay their annual continuation fees either as a one-off payment or by 10 instalments. Annual continuation fees are billed on a quarterly basis based on the date of initial registration. We require payment within 30 days of the date of the invoice unless the standing order option is chosen.

We currently have a number of services that have defaulted on their annual continuation fee payments. As a result, Healthcare Improvement Scotland has had to instigate debt recovery mechanisms. Recovering non-payment of continuation fees has resulted in a substantial amount of work and associated cost to Healthcare Improvement Scotland. These additional costs have the potential to result in continuous fee increases for independent healthcare services each year. This had been one of the main factors behind us consulting on whether services should spread the cost over four consecutive instalments rather than ten. Although we understand the financial pressure this may place on services, this would help us ensure continuation fees would be received in a timely manner and any payment default kept to a minimum and not fed through to further fee increases.

**What you said:**

• Respondents were not in favour of our proposal to reduce the continuation fee payment schedule from 10 to four instalments.
Some respondents expressed concern at the large and potentially significant sums of money reducing the instalment payment schedule would invoke. One respondent commented: ‘This would involve huge sums of money going out in bulk. Many services would find these larger amounts negatively affecting their cash flow and may, in some cases, cause unnecessary harm to the business which might result in closure of some smaller facilities.’ Another commented that ‘10 monthly payments is not unreasonable to help with cash flow and budgeting… quarterly payments might be easier for HIS to administer but it doesn’t help small businesses.’

This was particularly the case for single-handed practitioners or smaller services who could find it difficult to budget for this as they felt they were already operating under tight financial margins. Some commented that it would be punitive to reduce the instalment payment schedule and this was discriminatory against them and larger organisations. They felt that introducing this option would also make it even more difficult to grow their businesses and continue to operate in a competitive arena. Some comments suggested that a degree of flexibility was needed in adapting payment schedules to suit the size or turnover of businesses. However, one respondent commented that, for them, it ‘reduces the admin effort.’

**Conclusions**

- Respondents were overwhelmingly in favour of introducing an online payment facility.
- Respondents were not in favour of our proposal to remove the option for paying continuation fees by standing order.
- Respondents were not in favour of our proposal to reduce the continuation fee payment schedule from 10 to four consecutive installments.
What happens next

Working with our finance colleagues, Healthcare Improvement Scotland will now consider the consultation responses and consider how best to implement changes to fee payments and how fees are paid. Our proposals will then go through our internal approval process including our Audit and Risk Committee, executive team and the Healthcare Improvement Scotland Board. The revised fees information booklet for independent healthcare services will be published in early 2020.

The following table details our approach following the consultation exercise.

<table>
<thead>
<tr>
<th>We asked:</th>
<th>What we plan to do next:</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>We will increase registration fees and annual continuation fees for independent hospitals and independent clinics as detailed in Appendix 1. We will adjust payment of annual continuation fees for all services in line with a 1 April fee date.</td>
</tr>
<tr>
<td>Would services support the introduction of an online payment facility?</td>
<td>We will investigate the most efficient and practical approach to introducing the ability for registered independent healthcare services to have the option to pay their annual continuation fees using an online system.</td>
</tr>
<tr>
<td>Would services support the removal of the option for paying continuation fees by standing orders?</td>
<td>Respondents were not in favour of this option. As such, we will retain the option to pay continuation fees by standing order. However, as noted below, in order to ensure that the risk of services defaulting on payments does not increase the cost to the organisation, and ultimately feed through to increased fees, we will review the number of instalments for this option.</td>
</tr>
<tr>
<td>Would services support reducing the continuation fee payment schedule from 10 to four instalments?</td>
<td>Writing off debt incurred from services defaulting on payments is a significant cost to us and diverts resources away from activity which improves outcomes for people using services. Although respondents were not in favour of this option, we believe reducing the number of instalments to four consecutive payments is the best way for Healthcare Improvement Scotland to mitigate the risk of services defaulting on payments, improve efficiency and reduce the risk of payment default feeding through to further fee increases.</td>
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Appendix 1: Proposed fees (1 April 2020–31 March 2021)

Registration fees

<table>
<thead>
<tr>
<th>Sector</th>
<th>Fee</th>
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<tbody>
<tr>
<td>Independent hospital</td>
<td>£4,326</td>
</tr>
<tr>
<td>Independent clinic</td>
<td>£2,627</td>
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</tbody>
</table>

Annual continuation fee

<table>
<thead>
<tr>
<th>Sector</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent hospital</td>
<td>£196 per surgical or inpatient place</td>
</tr>
<tr>
<td>Independent clinic (carrying out weight loss using controlled drugs and online primary care services)</td>
<td>£2,653</td>
</tr>
<tr>
<td>Independent clinic (carrying out surgical procedures)</td>
<td>£2,653</td>
</tr>
<tr>
<td>Independent clinic (providing dental services)</td>
<td>£2,653</td>
</tr>
<tr>
<td>Independent clinic (carrying out nonsurgical procedures – with staff, including practicing privileges)</td>
<td>£1,288</td>
</tr>
<tr>
<td>Independent clinic (carrying out nonsurgical procedures – single handed practitioners)</td>
<td>£927</td>
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</tbody>
</table>
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