



BRIEFING NOTE TO COUNCIL

Date: May 2, 2022
From: M. Boon, Registrar | CEO
Re: Annual Fee Review

Issue: Council is asked to consider the following proposed 2023 Fee increases:

1. Increase to application fee from \$100 to \$225
2. Increase to Inactive fee from \$200 to 50% of the General Certificate (GC) fee
3. Increase to GC fee by \$100 in 2023, \$75 in 2024 and \$75 in 2025.

Background:

Financial oversight is a key fiduciary duty¹ of Council. This duty is set out in CMTO's by-law, governance manual, and finance policies and reinforced by reporting obligations in the College Performance Measurement Framework (CPMF).

[By-law No. 7](#) sets fees for registration, examination and other activities of the College and requires Council to annually review the fees.

As part of its Financial Reporting and Compliance responsibilities set out in the Governance Handbook, the Executive Committee provides advice to Council with respect to the annual fee. Council reviews and sets the next year's fee at its meeting in May.

The annual financial planning process is aligned with two College Finance Policies.

- Policy F14: Financial Planning - ensures that a Multi-Year Plan (MYP) is completed each year. The MYP provides the Executive Committee and Council with a strategic view of the College's finances. The MYP is based on assumptions which can change and is not a budget or a guarantee of actual results.

¹ Undivided loyalty to and diligence re CMTO's public protection mandate.

- Policy F18: Surplus Retention – sets out the recommended unrestricted net assets between 3 to 6 months of operational expenditures².

The CPMF requires each College to report performance against the standards on an annual basis. The CPMF Standard 2, Resources, states:

b. The College:

- i. has a “financial reserve policy” that sets out the level of reserves the College needs to build and maintain in order to meet its legislative requirements in case there are unexpected expenses and/or a reduction in revenue and furthermore, sets out the criteria for using the reserves.*
- ii. possesses the level of reserve set out in its “financial reserve policy” (surplus retention policy).*

For the 2022 registration year, the annual fees for registration were:

- General Certificate: \$797
- Inactive Certificate: \$200

As of December 31, 2021, there were 13,255 registrants with a General Certificate and 1,378 with an Inactive Certificate for a total of 14,633 registrants.

Current Situation:

There are 3 significant pressures on CMTO finances.

1. **Deficit:** Projected at \$730,000 for 2022.
2. **Inflation:** The current inflation rate of 5.7% is significantly higher than the 2% predicted for the 2022 fee set in May of 2021.³ It is anticipated that inflation will continue to be high, impacting salaries, consulting/legal fees and equipment.
3. **Growth:** Staff increases will be required in order to meet regulatory requirements. For planning purposes, we have assumed 3 positions per year at \$100,000 each (including benefits) for each of 2023, 2024, 2025.

² Based on current Canada Revenue Agency (CRA) standards and guidance for not-for-profit organizations.

³ Canada’s inflation rate now at 30-year high of 5.7% (CBC News, March 16, 2022)

Potential Impact

Pressure	Impact	Fee Increase Offset
Deficit	\$730,000	\$54
Inflation	5% on total projected expenses for 2022 of \$12,848,487	\$48
Staff Growth	\$300,000 per year	\$22
TOTAL		\$124

That's a *potential* total increase of **\$124** for 2023, assuming no other significant projects. More detailed modelling, including revenue and cost reduction proposals, is included below.

Context:

The major drivers of CMTO's budget are staffing, investigations/hearings and IT projects.

Staffing: Staffing is anticipated to increase. Staffing plans have not yet been developed, but anticipated needs include:

- Investigative Specialists (to reduce external investigations costs)
- Governance Specialist (to manage anticipated governance changes)
- Prosecutor (to reduce external legal prosecution costs)

Complaints and Discipline: Formal investigations are anticipated to increase by ~8% each year. Hearing volumes are expected to remain relatively steady. However, in addition to bringing investigations in-house, work will be done to explore the potential to reduce hearing volumes.

IT: IT has 2 components, development and maintenance. CMTO has seen significant IT development costs over the past few years relating to the implementation of STRiVE and the Thentia database. IT development is anticipated to decrease over the next few years; however, maintenance and enhancements will continue to be required.

There has not been a significant fee increase since 2019, for a variety of reasons, including COVID.

Year	Fee Increase	% Change	General Fee
2016	\$1.00	0.2%	\$579.00
2017	10.00	1.7%	589.00
2018	9.00	1.5%	598.00
2019	187.00	31.0%	785.00
2020	0.00	0.0%	785.00
2021	0.00	0.0%	785.00
2022	12.00	1.5%	797.00

Approach:

The goals of the proposed approach are to reduce the deficit, account for inflation and enable modest staff growth over 3 years.

After analyzing the current situation, the proposed fee increases are based on the following:

- The MYP (see below) is a high level revenue/cost forecast over 3 years.
- The focus has been to identify the key cost drivers over a 3 year period, without attempting to identify every project, in order to provide a general direction, not a detailed forecast.
- Project plans for key IT projects (Jurisprudence and Risk-Based Assessment) have been developed and will inform financial planning for 2022, and the 2023 budgeting process.
- Fee increases will be required to meet regulatory objectives, as projected in previous years. However, fee increases have been proposed over multiple registrant categories, in order to limit the impact on GC registrants.
- Regular fee increases over time are preferable to swings between large increases and zero increases for financial, planning and transparency reasons.
- Council is provided with a recommended approach, not multiple detailed scenarios.
- CMTO's Surplus Retention policy recommends unrestricted net assets of 3 to 6 months of operational expenditures. The MYP achieves the objective of 3 months by 2024.

The MYP does not include costs relating to the following:

- Consulting work or IT development that might result from strategic initiatives identified in the new strategic plan, which will not be developed until the end of 2022. If significant new initiatives are identified, fees will need to be re-evaluated.
- Possible government changes re governance/oversight:
 - Compliance with the *French Language Services Act*
 - Additional reporting to new oversight structures
 - Responsibility for recruitment and payment of all public members.

In order to accomplish the goals of deficit reduction, inflation planning and modest staff growth, the following have been built into the 3 year plan:

Revenue Generation:

1. Increase to Application Fee
2. Increase to Inactive Certificate Fee
3. Increase to General Certificate Fee

Cost Reductions:

1. Reduction of current external investigation expenses
2. Reduction in IT development costs
3. Reduction in space costs

REVENUE GENERATION PROPOSAL #1: INCREASED APPLICATION FEE

Details: Increase of application fee from **\$100 to \$225**
Impact: Based on an average of 831 new applicants per year, increase to revenue of **\$103,875**

Rationale:

- The application fee hasn't been increased for 14 years.
- CMTO has invested in IT upgrades that benefit applicants (most recently with the implementation of a fully online application process with tracking capabilities) and these costs, and ongoing maintenance costs, are not covered by the current application fee.
- Volumes have increased; a full FTE is required to manage applications for registration matters.
- The Jurisprudence Program currently in development will be a requirement for registration. Rolling the cost of maintaining this program into the application fee rather than charging a separate fee simplifies the administration of a program that will be used for more than one purpose: at registration, as part of the Refresher Course, and on a voluntary basis by registrants.

Benchmarking:

Of 16 other health regulators with mandatory jurisprudence at registration:

- Three do not charge a separate fee for their jurisprudence exam/program.
- Of those who do charge a fee, the average fee is \$137 for the jurisprudence exam/program alone.
- The average *application fee* for the 16 regulators that require jurisprudence is \$213.
- The average combined fee (jurisprudence plus application fee, including those regulators who don't charge a separate fee for jurisprudence) is \$324.

Current CMTO fees:

- Application fee: \$100 for all applicants
- Jurisprudence/Standards and Regulations e-Workshop fee: Those who are required to complete a jurisprudence component prior to registration (applicants educated outside Ontario; applicants whose education is more than three years old and who take the Standards and Regs program as part of the Refresher Course) pay \$225 for the Jurisprudence Exam or for the Standards and Regulations e-Workshop
- Together, the application fee and jurisprudence fee are \$325.

Cost recovery:

- In order to recover the full administrative costs associated with processing applications, the application fee would need to be \$283⁴.
- The recommendation is to increase the application fee to \$225 in 2023 and increase by the rate of inflation annually thereafter to prevent continuing to fall behind in future.
- An application/jurisprudence fee of \$225 would mean CMTO joins four of 16 other regulators with a combined jurisprudence/application fee of \$225 or less.

REVENUE GENERATION PROPOSAL #2: INCREASED INACTIVE FEE

Details: Increase the Inactive Certificate fee to 50% of the General Certificate fee
Impact: 50% of the proposed fee of \$897 would raise the current fee from \$200 to \$449
Based on an average of 1,400 inactive registrants, the net increase to revenue would be **\$348,600** (Dependent on the decision re General Certificate fee)

Rationale:

- Until 2018, the Inactive fee was just over 30% of the General fee. With the fee increase for 2022, the Inactive fee now stands at 25% of the General fee.
- The original purpose of the Inactive Certificate class was to provide a reduced fee for registrants who needed/wanted to take a leave, such as for family or medical reasons, and enable them to maintain their registration and return to practise without having to resign and reapply. Historically, Council has been concerned about the financial burden on RMTs who aren't practising.
- Our data shows that registrants use the Inactive class for the following reasons:

⁴ Costs associated with staffing, IT development and Jurisprudence Program maintenance are estimated at more than \$230,000. This amount divided by 850 applicants per year (the average number of applicants over the previous five years is 831) is \$270. If there is a 5% inflation impact for 2023, that number increases to \$283.

General to Inactive – Change Reasons 2018-2021

Reason Given	Total	Percentage
On Leave	901	51
Due to COVID 19	243	14
Changed Profession	251	34
Moved to another Province	175	
Moved to another country	92	
<500 direct client care hours over previous 3 years	76	
While under investigation	3	
Retired	11 ⁵	1

- Of the reasons provided, only those who indicate they are on leave appear to be using the Inactive class for the purpose for which it was intended.
- The disparity between the General and Inactive fees is unintentionally incentivizing behaviour that is inconsistent with the original purpose of the Inactive fee. In particular:
 - Some registrants renew as Inactive in November and then change status to General Certificate in the new year. This delays payment of the full fee in November, essentially creating an individual payment plan. Of the 297 registrants who moved from Inactive to General since last July, 81 (27%) did it in the first week of January. This process is administratively time-consuming.
 - Under the current QA regulation, Inactive registrants are not required to complete their STRiVE requirements. In 2021, only 84 out of 1,400 Inactive registrants completed STRiVE, meaning 1,316 did not. It is possible that some registrants go Inactive in order to avoid STRiVE. While this loophole will be closed in the proposed revised QA regulation, the timeline for revisions is currently unclear.

Benchmarking:

- 15 of 26 health regulatory colleges have an inactive/non-practising class of registration. The remaining 11 do not, meaning they charge all registrants the same fee.
- Of those who do have an inactive/non-practising class, fees charged range from 13-85% of the practising fee.
- Charging 50% of the practising fee would be in line with the majority of regulators who do have an inactive/non-practising class.

Considerations:

- This approach does not eliminate the Inactive class, which remains discounted.
- CMTO's responsibility is to regulate the *practise* of massage therapy.
- The costs relating to regulation remain the same, regardless of the RMT's registration class.
- The Inactive class provides a fee discount to multiple types of registrants, not just those on parental leave.

⁵ This is likely an underestimation, as 'retired' was not an option until 2021.

- Enabling registrants to avoid their STRiVE requirements is not consistent with our QA mandate.
- If the fee is increased, it is likely that some registrants will resign, some will pay the higher fee to remain Inactive, and some will renew as General. Lost revenue from registrants who choose to resign will be offset by the increase in total fees.
- We do not provide refunds or pro-rate fees for registrants who hold a General Certificate for only part of the year.
- A low Inactive fee was helpful to some registrants during COVID. However, now that COVID has stabilized, it should be less necessary to offer this option.
- Some registrants, those on parental leave, for example, may be unhappy about this increase. However, the Inactive Certificate class fee is still significantly discounted.

REVENUE GENERATION PROPOSAL #3: INCREASED GENERAL CERTIFICATE (GC) FEE IN 2023, 2024 AND 2025

Details: Increase to GC fee by \$100 in 2023, \$75 in 2024 and \$75 in 2025.

Impact: Based on an estimate of 13,500 GC registrants:
\$1,350,000 in 2023
\$1,012,500 in 2024
\$1,012,500 in 2025

Rationale:

- CMTO's only source of revenue is registrant fees.
- Revenue generation proposals #1 and #2 are intended to distribute revenue increases across applicants and all registrants, whether or not they are practising.
- Since 2018, it has been clear that fee increases would be required to support CMTO initiatives and ongoing costs.
- Considerable effort has been made over the past several years to limit costs, limit staff growth and improve efficiency. This approach re: staff (limiting growth, hiring on contract and delaying filling budgeted positions) resulted in difficulty completing initiatives.
- While it may have been appropriate to limit fee increases during COVID, this is no longer an effective strategy, given the CMTO's current financial position.
- Council has an obligation to be fair and reasonable with registrants. However, its fiduciary duty is to the CMTO and its public protection mandate.
- Cost reduction strategies relating to Complaints and Discipline (reducing external investigation and prosecution costs and re-engineering processes to prioritize high risk matters and de-prioritize low risk matters) will take time to implement and realize results.

Benchmarking:

CMTO has a higher rate of sexual abuse matters than any other health regulatory body. As a result, it has a high rate of both discipline hearings and contested hearings, which drive costs.

College	Fee	Membership	Total Budget	DC	Contested	Sexual Abuse
CPSO	1,725	43K	75M	46	15 (32%)	7%
OCP	750	22K	23M	38	7 (18%)	0%
CMTO	785	15K	13M	23	16 (69%)	74%

How CMTO compares to Colleges with similar DC volumes (2020)

CONSIDERATIONS

Council has been concerned about the impact of fee increases on both registrants and the public.

Registrants

- Concerns have been expressed about registrants’ ability to pay increased fees for a variety of reasons: income, impact on part-time RMTs and practise interruptions due to COVID.
- There have also been concerns about higher fees driving RMTs to retire or otherwise leave the profession, resulting in lower total registrant numbers.
- While limited or zero fee increases may have been a reasonable approach during the practice disruptions of COVID, it is difficult to justify in a post-COVID environment.
- The 2019 fee increase of \$187 (30%) did not result in a decrease in total registrant numbers.
- Even if registrant numbers decrease as a result of fee increases, this would be offset by the increased fees. In addition, those who might choose to leave the profession over fees may not be in a position to fully commit to being an RMT.

Public

- It has been argued that fee increases have a potential impact on public access to Massage Therapy.
- In particular, there is concern that fee increases to RMTs could be passed on to the public and make it harder for the public to afford Massage Therapy.

- This issue is related to both the value that the public places on Massage Therapy for their health and wellbeing, and insurance company benefits. Massage Therapy fees have been relatively stable for some time. We do not have sufficient data to predict how fees might impact the public's willingness to pay for or ability to access massage therapy.

There is no doubt that fee increases have an impact on registrants. Fee increases also may have an impact on the public. However, the CMTO's job is to regulate the profession of Massage Therapy and fulfil its legislative requirements.

COST REDUCTION PROPOSAL #1: REDUCTION IN EXTERNAL INVESTIGATION COSTS

Details: Reduction in the cost of external investigations costs by 40% by 2025 by increasing the number of investigations conducted in-house.

Impact: Reduction from \$1.2 million in 2022 to \$718,000 in 2025.

Rationale:

CMTO spends a significant amount of money on external investigations. While no College has been able to completely eliminate external investigations, given there are some investigations that are extremely complex (fraud, for example), our goal is to conduct less complex investigations in house.

COST REDUCTION PROPOSAL #2: REDUCTION IN IT DEVELOPMENT COSTS

Details: IT development is expected to decrease over the 2023-2025 period, depending on future Council direction re: new initiatives. Development costs have been reduced by 50% to reflect the anticipated conclusion of several major projects.

Impact: \$161,000 (reflecting 50% reduction in portal development and professional practice projects)

Rationale:

IT development costs have been high for the past few years, as we implemented STRiVE, a new database and are on track to implement Risk-Based Assessment and Jurisprudence. However, once these projects are completed, we should see some decrease in IT development costs. We will still have costs related to maintenance, but development will be limited to enhancements to current systems.

Note that if there are significant new initiatives resulting from the strategic plan, these costs will need to be revisited.

COST REDUCTION PROPOSAL #3: REDUCTION IN SPACE COSTS

Details: Sublet a portion of office space (the 9th floor) as soon as possible.

Impact: \$100,000 savings/per year starting in 2024.

Rationale:

- CMTO has moved to a remote first strategy, reducing our space needs. We are currently planning on one in person meeting per committee per year, limiting opening hours to 2 mornings per week, and limiting staff attendance at the office to core staff and periodic team meetings.
- This proposal is contingent on our ability to sublet the space.

MYP Results:

RMT GC Fee	785	797	897	972	1,047
RMT GC Fee Increase		12	100	75	75
	2021	2022	2023	2024	2025
	Actual	Plan	Plan	Plan	Plan
Revenue	11,649,947	12,114,886	14,166,900	15,486,000	16,837,500
Staffing	5,487,521	5,940,302	6,733,800	7,582,800	8,490,000
Compliance and Discipline	2,896,499	2,603,000	2,337,800	2,227,400	2,102,100
IT development and ongoing technology License	732,389	1,210,391	1,004,100	906,900	868,600
All other	2,698,503	3,094,794	3,106,900	3,089,700	3,193,100
Net Income	(164,965)	(733,601)	984,300	1,679,200	2,183,700

As a result of the proposed fee increase, the number of months unrestricted net assets will begin to return to the range required in the by-law.

	2021	2022	2023	2024	2025
Estimated CMTCA fees	(22.00)	(22.00)	(22.44)	(22.89)	(23.35)
Restricted Nat. Initiatives	(336,480)	(343,047)	(356,906)	(371,143)	(385,834)
Restricted for MTRF	250,000				
Opening Unrestricted	3,365,668	3,589,241	2,512,594	3,139,988	4,448,045
Income	(164,965)	(733,601)	984,300	1,679,200	2,183,700
Closing Unrestricted	3,589,241	2,512,594	3,139,988	4,448,045	6,245,910
Operating Expenses	11,814,912	12,848,487	13,182,596	13,806,750	14,653,781
Monthly Average Expense	984,576	1,070,707	1,098,550	1,150,563	1,221,148
Number of Months Unrestricted Reserve	3.65	2.35	2.86	3.87	5.11

Executive Committee consideration

All of the Executive Committee supported the application, inactive and 2023 fee increases. The majority of the Executive Committee also supported the 2024 and 2025 fee increases. There was discussion about the amount of the 2024 and 2025 fee increases and whether they could be lower. The majority of the Executive Committee felt that it was better to prepare the profession for a larger increase, with the potential of reducing it, than to promise a lower increase and then have to raise it.

By-law No. 7 Revisions

Should Council approve the proposed fees, By-law No. 7 will require revision. The proposed revision is as follows:

Deletions are ~~struck through~~; additions are highlighted and underlined.

Application Fee

7. The fee for an application for the issuance of a certificate of registration of any class is ~~\$100.~~ \$225 in 2023 and in subsequent years, this amount will be subject to an increase of not more than the annual inflation rate rounded to the nearest dollar.

General Certificate Fee

8. The initial fee to issue a general certificate of registration and the annual fee for a general certificate of registration shall be:

(A) ~~\$785 for 2019~~ \$897 for 2023 and in subsequent years,⁶ Council shall annually review the fees and where Council deems it appropriate, in any one or more years, this amount may be subject to an increase of not more than ~~the annual inflation rate rounded to the nearest dollar~~ \$75 each year; or

(B) For new registrants in their first year of eligibility for registration, a percentage of the fee payable for the class of certificate for which the applicant is applying that corresponds to the number of months remaining in the calendar year, calculated from the date the applicant submitted their completed application form; or

(C) When the applicant is moving from the inactive class to the general class, the fee shall be the difference between the two fees.

Inactive Fee

⁶ The proposed changes intentionally do not limit future fee increases to 2024 and 2025. Doing so would essentially make the fee by-law expire after 2025, which is a significant risk. If Council did not revise the by-law, or was unconstituted, it would not be possible to charge a fee at all. Council will still need to review and approve any fee increase every year.

9. The initial fee to issue an inactive certificate to a registrant and the annual fee for an inactive certificate of registration shall be \$200 for 2019 and in subsequent years, Council shall annually review the fees and where Council deems it appropriate, in any one or more years, this amount may be subject to an increase of not more than the annual inflation rate rounded to the nearest dollar. **50% of the fee for a general certificate of registration.**

Given that the proposed fee increases are more than inflation, circulation of the by-law will be required between May and September Council. The fee for 2023 needs to be approved at September Council, prior to the 2023 annual renewal process.

A by-law consultation will follow the May Council meeting. A communication plan will be developed to explain the fee changes and answer applicant and registrant questions. To ensure transparency for registrants, it will be important to be clear about the rationale for the fee increases and the need for fee increases over the next few years in order to stabilize CMTO finances.

By-Law No. 7, Schedule A: Miscellaneous Fee Schedule

As part of the overall review of fees, staff will reviewing the miscellaneous fee schedule. The miscellaneous fees are primarily administrative in nature and will be reviewed to determine when they were last raised and whether they sufficiently cover costs associated with the services. Staff do not anticipate significant increases to these fees but will be considering which fees should be non-refundable to improve process efficiency.

Under section 18 of the by-law, the Registrar sets the miscellaneous fees, maintains the schedule of fees and advises Council of both the schedule and any changes made to it.

Accordingly, any changes to the miscellaneous fee schedule will be brought to September Council for information.

Next Steps:

Circulate the proposed by-law to stakeholders. Feedback will be provided to Council prior to final consideration of the by-law.

MOTIONS:

1. THAT the following proposed amendment to Section 7 of By-Law No. 7 "Fees" be circulated to stakeholders for comment:

The fee for an application for the issuance of a certificate of registration of any class is \$100225 in 2023 and in subsequent years, this amount will be subject to an increase of not more than the annual inflation rate rounded to the nearest dollar.

2. THAT the following proposed amendment to Section 8 (A) of By-Law No. 7 “Fees” be circulated to stakeholders for comment:

The initial fee to issue a general certificate of registration shall be:

(A) ~~\$785~~\$897 for 2019~~23~~ and in subsequent years, Council shall annually review the fees and where Council deems it appropriate, in any one or more years, this amount may be subject to an increase of not more than ~~the annual inflation rate rounded to the nearest dollar~~ \$75 each year; or

3. THAT the following proposed amendment to Section 9 of By-Law No. 7 “Fees” be circulated to stakeholders for comment:

The initial fee to issue an inactive certificate to a registrant and the annual fee for an inactive certificate of registration shall be 50% of the fee for a general certificate of registration. ~~\$200 for 2019 and in subsequent years, Council shall annually review the fees and where Council deems it appropriate, in any one or more years, this amount may be subject to an increase of not more than the annual inflation rate rounded to the nearest dollar.~~

Attachments:

Attachment 1: By-Law No. 7 – Fees – Proposed Revisions

Attachment 2: By-Law No. 7 – Schedule A