Education Report: Next steps on increasing clinical psychology provision

To: Hon Chris Hipkins, Minister of Education

Date: 24/07/2019
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Round Robin: No

Purpose of Report

1. This paper provides you with further advice on growing the training pipeline of clinical psychologists and seeks your agreement to fund clinical psychology courses at a higher funding rate.

Summary

2. You met with the Minister of Health in late May 2019 to discuss the clinical psychologist workforce and possible supply-side responses to strengthen it. You discussed the clinical psychology post-graduate programmes which produce around 70 graduates per year across six providers. You both agreed that the goal was to double the workforce size in the long term.

3. You and Minister Clark agreed that increasing funding was a priority to support an increase in clinical psychology provision in 2020. Providers have indicated they could increase their provision by 20-30% in 2020 if there was a funding increase, resulting in 14 to 21 additional students. High-level analysis of provider costs for clinical psychology suggest that the provision operates at a loss and there are medium to high levels of cross subsidisation of these programmes. Clinical psychology provision is also funded at a lower rate than other post-graduate psychology provision.

4. We recommend moving clinical psychology courses to a different funding category which has a higher funding rate. This will result in a 42% increase in per-equivalent full-time student (EFTS) funding, from $12,243 to $17,657. When combined with a modest increase in EFTS, we estimate this will increase (student achievement component) SAC investment in clinical psychology provision by around $1 million per annum in 2020, increasing to $1.2 million in 2023.

5. Due to the relatively small number of places, and the likelihood that many of the students would otherwise be studying another post-graduate qualification, we consider that the cost can be managed within baseline funding, meaning no additional funding
or a Cabinet decision is required (although we recommend you forward this briefing to the Minister of Finance for his information).

6. To increase qualified clinical psychologists, an increase in internship placements is also needed. The Ministry of Health (MoH) has increased Health Workforce New Zealand (HWNZ) funded internship placements from 12 to 20 for 2020 and is making health workforce needs a priority for District Health Boards (DHBs), which will lead to a further increase in internship placements.

7. HWNZ intends to complete workforce planning by April 2020 that will be able to inform future decisions about the necessary size of clinical psychology workforce and the number of placements needed to support its growth. Provided the two systems are operating together, there should be no barrier to internship placements being available for the growth path of students intended.

8. Alongside an increase in post-graduate clinical psychology provision, HWNZ and the Tertiary Education Commission will work with providers, peak bodies for the psychology profession, and large public-sector employers of clinical psychologists to establish a clear pathway to increase the clinical psychology workforce.

Recommended Actions

The Ministry of Education recommends you:

a. agree to increase funding for post-graduate clinical psychology courses by shifting its Student Achievement Component (SAC) funding classification to the science funding category (category V3), increasing the tuition subsidy rate to $17,657 per equivalent full-time student from 1 January 2020

  Agree

b. note that shifting clinical psychology to a different category does not require Cabinet agreement and that the cost is small and can be met within baseline SAC funding

  Noted

c. note that we will consider the implications of these changes for all professional psychology provision and will report to you by the end of 2019 if necessary

  Noted

d. forward this Education Report to the Minister of Finance

  Agree

e. forward this Education Report to the Minister of Health

  Agree
f. **note** that this Education Report will be proactively released subject to provisions of the Official Information Act 1982.

Noted

Andy Jackson  
**Group Manager**  
Tertiary Education

24/07/2019

Hon Chris Hipkins  
**Minister of Education**

24/07/19
Increasing clinical psychology provision in 2020

1. We provided you with advice in May that there is high demand from students for clinical psychology places, however providers indicated that the availability of internships and the funding rate were barriers to growth. We also identified an anomaly in the funding of clinical psychology [Metis 1175212]. You agreed that officials would work with providers to better understand the cost of delivering clinical psychology programmes and report back to you on a possible funding increase.

2. We have since undertaken more detailed analysis. Providers report that clinical psychology programmes with between 7-15 EFTS operate at a loss of anywhere between $15,000 and $600,000 per year.\(^1\) Despite similarities between the programmes, clinical psychology has not received the historical funding increases that other professional psychology programmes have, because they are in different funding categories. This suggests that a funding increase for clinical psychology courses is justified, and would drive a better match of supply and demand in this area.

Proposal to shift clinical psychology into the science category (recommended)

3. We recommend you apply the same tuition subsidy rates to clinical psychology as are applied to other professional psychology specialisations.\(^2\) Currently clinical psychology is funded at $12,243 per EFTS. If you agree to this proposal, the clinical psychology classification would be shifted to the science funding category which is funded at $17,345 per EFTS. This should fund clinical psychology sufficiently to make it viable for providers to expand this provision.

4. Our estimates of the cost of the recommended tuition subsidy increase and a modest increase in post-graduate clinical psychology provision are outlined in the table below.

5. The estimates are based on an increase of 15 places in 2020, building to an increase of 25 places by 2022. This reflects the 14-21 EFTS range indicated by providers and that there may be a small amount on additional growth. The multi-year nature of the qualifications makes it difficult to estimate how many EFTS may be enrolled at any given time. Actual enrolments will be determined by providers’ and students’ decisions.

<table>
<thead>
<tr>
<th>Year</th>
<th>SAC Tuition Subsidy Rate per EFTS</th>
<th>EFTS</th>
<th>Total Cost</th>
<th>Additional Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019*</td>
<td>$12,243 (B3)</td>
<td>140</td>
<td>$1,714,020</td>
<td>-</td>
</tr>
<tr>
<td>2020</td>
<td>$17,657 (V3)</td>
<td>155</td>
<td>$2,736,835</td>
<td>$1,022,815</td>
</tr>
<tr>
<td>2021</td>
<td>$17,657 (V3)</td>
<td>160</td>
<td>$2,825,120</td>
<td>$1,111,100</td>
</tr>
<tr>
<td>2022</td>
<td>$17,657 (V3)</td>
<td>165</td>
<td>$2,913,405</td>
<td>$1,199,385</td>
</tr>
</tbody>
</table>

\(^1\) It is difficult to assess the relative level of underfunding from this data as we expect providers to cross subsidise low volume/high cost programmes with high volume low cost programmes. We also cannot accurately verify financial information.

\(^2\) More specifically, post-graduate clinical psychology (SAC classification code #34) is currently funded through SAC funding category B3 ($12,243 per EFTS). Other post-graduate psychology specialisations are funded through SAC funding category V3 ($17,345). These are the 2019 tuition subsidy rates. The 1.8% tuition subsidy increase included in Budget 2019; these rates will be $12,243 and $17,657 per EFTS (respectively) from 1 January 2020.
6. We consider that the cost of funding the current volume of clinical psychology EFTS at the higher tuition subsidy rate (around $758,000 per annum) and a modest increase in the volume of clinical psychology provision can be managed within baseline SAC funding. It is likely that many or all of the additional clinical psychology students would have undertaken other post-graduate study (likely funded at a similar rate), meaning the actual additional cost would be significantly lower than if each additional clinical psychology enrolment was new to the tertiary system.

7. For these reasons we do not consider it necessary to seek Cabinet approval and Treasury has confirmed this. However we do recommend forwarding this paper to the Minister of Finance for his information. You will receive further advice on this through the development a more detailed strategy for managing the fiscal implications of your Reform of Vocational Education (culminating in reporting back to Cabinet on this in December 2019).

8. You could consider a more modest increase to clinical psychology provision, such as shifting clinical psychology to the same funding category as for post-graduate speech language therapy provision, which is funded through SAC funding category C3 with a tuition subsidy rate of $14,714 per EFTS (in 2019). However, given the small amount of EFTS per year in clinical psychology, and the deficits that providers are reporting for this provision, a small increase will provide limited benefit to providers who have small class sizes. It would also not align funding for clinical psychology with that for other post-graduate psychology specialisations.

Risks

9. There is a risk that by increasing the funding rate for clinical psychology provision, it will encourage further requests for other areas for shifts to higher funded categories, or movements within the funding classification system without Cabinet oversight. We will manage this through our communications with the sector. In particular, the rationale is to fix a funding anomaly, coupled with evidence that the funding rate is too low and that there is excess student demand for clinical psychology places.

Internship placements

10. Increasing the funding rate alone is not sufficient for universities to increase their clinical psychology provision. Providers will need certainty this year that additional internships will be available in 2022 to support the increase in the pipeline of new students, so that the whole pathway is accounted for.

11. At the moment there are two issues with internship placements:

a. Any increase in students will require an increase in internships. Presently there is some risk involved in achieving that.

b. There is a lack of coordination of internship placements, as each provider negotiates placements with employers.
12. The number of internships available have increased by a small amount in recent years, driven off increased demand for interns at the Department of Corrections and DHBs. This has led to more internship placements available in 2019 than interns.

13. Minister Clark indicated that if there was a funding increase to clinical psychology, he would have DHBs increase the number of internships available. The Ministry of Health (MoH) has increased the number of funded internships from 12 to 20 per year to broaden the base from which internships can be sourced to include non-government organisations and private health organisations. These will be available from 2020. The Department of Corrections has indicated that it is also investigating an increase in the number of internships it funds.

14. In addition to this, MoH is making health workforce needs a priority for DHBs. The Ministry of Health expects this will encourage DHBs to prioritise clinical psychology internship placements leading to a further increase in the availability of placements.

15. To support the increase in internship placements, MoH is also proposing that they take on a national coordination function for all health psychology interns. Coordination of internships nationally and across sectors will be crucial to the strategic development of the clinical psychology workforce, focusing on targeting workforce shortages (e.g. forensic mental health), and services meeting the needs of Māori and Pacific. This central co-ordination of clinical psychology Health internships will be set in place by 2021.

16. Together, we expect that increasing funding and providing some certainty that additional internships will be available in 2022 will enable providers to increase their clinical psychology provision in 2020. It is important that the two system continue to work together to deliver planned increases in the number of places.

Driving longer term growth

17. MoH have indicated that they will complete workforce modelling for the supply and demand of clinical psychologists by April 2020 for the health and disability sector by April 2020 (refer to appendix A for current projections). This will provide improved information on how many clinical psychologists we need to train from 2021 to meet the needs of the New Zealand population receiving health and disability services. However this analysis is not applicable to the Accident Compensation Corporation (ACC), Department of Corrections and private employers.

18. Following this, MoH will work with the TEC, providers, professional bodies and employers of interns to agree a growth path for the workforce. This will need to include other employers of clinical psychologists.

19. From an education perspective, providers have indicated they are open to significant growth in clinical psychology enrolments over the longer term. Providers need to achieve a higher sustainable baseline of enrolments to ensure a steady supply of more graduates. The TEC expects agreed growth paths for each provider to be reflected in investment plans or updated mix of provisions for 2021 onwards.

20. It is not likely that every provider will want to grow to the same extent, nor may it be desirable, depending on their learner demographic and the location of internship placements. The TEC will therefore need to negotiate the growth path for each provider individually, keeping in mind the proposed growth paths of other providers, the availability of internships, and the timing of these internships becoming available in greater numbers.
21. The approach that the TEC is proposing to take to growing provision is outlined in Appendix B.

Next steps

22. If you agree to shift the course classification for clinical psychology to the science category, officials will reflect this change within the SAC level 3 and above funding determination to take effect from 2020. This will be provided to you before September 2019. In parallel, the TEC will also negotiate with providers as part of allocation decisions, to increase the number of clinical psychology students for 2020.

23. Other psychology professionals, including education and health psychology, have indicated that they also have workforce shortages. Considering the similarities between education provision for clinical and other professional psychology provision we recommend you consider further advice that takes into account all professional psychology provision to ensure consistent growth across the workforce.

24. As part of this, we will also provide you with further advice on getting more Māori and Pacific students into professional psychology programmes.
Appendix A: Current workforce modelling

MoH have completed modelling of the current clinical psychology workforce which under current settings, indicates how many clinical psychologist will be working in 2028. This is set out in the table below.

Table 1: Clinical psychologists workforce projections based on current settings

The table below shows that under current settings the number of clinical psychologists per population is likely to increase from 33 to 36 per 100,000.

Table 2: Number of psychologists per 100,000 population

However what is currently missing are models for:

- Predicting the demand for clinical psychologists based on population needs, the complexity of the services required and changes in policy which affect the demand for services.

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This is based on current training rates, immigration, temporary breaks from the workforce (for example, working overseas and parental leave), attrition and retirement rates.
b. Increasing supply to match demand – which takes into account but is not limited to, population, training numbers, demographics, internships and employment rates.

MoH have a reliable methodology to do this and have completed workforce supply modelling for other regulated health practitioners, primarily for medical and nursing workforces. MoH has begun work on supply and demand modelling, and has completed modelling for midwifery and orthopaedic surgery.

MoH has indicated they can provide supply and demand side modelling for clinical psychology in 8-9 months for clinical psychologists working in health and disability services.
Appendix B: Steps to agree longer-term growth paths for each provider

By the end of 2019

- Clear signals from government on the importance of increasing graduates through a rate increase from 2020.
- Commitment from the TEC Board to fund ongoing growth in clinical psychology programmes from 2020 onwards.

By early 2020:

- Workforce modelling from MoH on the demand for clinical psychologists and the supply needed to meet the needs of the New Zealand population receiving health and disability services.
- An agreed process with MoH’s internship coordination function, providers and internship employers to grow coordinate final year internships.
- An agreed process with MoH, providers and key public employers to identify the number of new internships that can be created and over what time period.

By the end of 2020:

- A longer-term plan from each provider on their growth pattern up to a new higher baseline level of enrolments, in line with the trajectory of increased internships.
- Funding commitment from the TEC Board to the overall growth patterns proposed, funding approval for 2021 provision and indicative funding approval for outyears.