

Northern Cochlear Implant Trust and Pindrop Foundation Structure and Roles

The Northern Cochlear Implant Trust (NCIT) and the Pindrop Foundation share the same board members and CEO and work closely together. One of the reasons for running two trusts is to keep charitable funding separate from government funding. Also the NCIT contract with the Ministry of Health (MoH) does not allow NCIT to engage in advocacy or fundraising.

The Pindrop Foundation was established with the purposes of increasing awareness about cochlear implants and fundraising. The aim being, to build up a capital base that could support sustainable spending to fund cochlear implant services for adults additional to those funded through the government contract.

(Charitable funding for children's cochlear implant (CI) services is channelled to The Hearing House (THH). Pindrop refrains from competing with Hearing House for funds in this sector).

A long-term strategic goal of the Pindrop Foundation is to develop a centre of excellence for cochlear implant services. The Foundation is adapting that goal to work in with the Hearing House plans to build a facility which could house both paediatric and adult CI services.

NCIT has brought the University of Auckland into the **NCIP** programme as a first step towards building research and audiology student training capability into CI services. **NCIT** believes that the involvement of a university will further enhance the quality of services. Discussions to involve the University in the new facility are proceeding.

Building a capital base to support sustainable funding is also good practice for a charitable organisation, though the Pindrop Foundation has a long way to go to match the investments of many other deafness organisations. The Board actively discusses the target level for the capital fund and the proportion which can or should be spent in the short-term. This is in order to achieve an optimal balance between using up funds for a small number of recipients in the short-term versus building up a larger growth fund which will benefit many more recipients over the long-term.

Rather than use up the limited funds directly on new cochlear implants, expenditure has been mostly on "smart investments" aimed at leveraging or increasing public funding. For example, this is done through publicity, advocacy, support of consumer advocacy, quality improvements through staff training and conference attendance

overseas, efficiency improvements, lobbying health insurers and economic forecasting to underpin advocacy for sustainable funding.

The composition of the NCIT/Pindrop boards (recently increased to 10 members) covers multiple areas of expertise as follows:

- Three members have run large businesses within multi-national corporations,
- Two are in the medical or hearing health sector.
- Two have accounting backgrounds.
- Three have clinical experience (ENT, audiology).
- One has a banking/marketing/sponsorship background.
- Five have been involved at senior level in major charities over many years.
- One has high level experience in the university and science sector (past CEO of Royal Society and current Council member, University of Auckland).
- Two are adult consumers. (There have also been two parent consumers but both withdrew).

NCIT is a governance body and does not make clinical decisions.

NCIP is the Northern Cochlear Implant Programme for children and adults funded by the Ministries of Health and Education through **NCIT**. MoH funding to **NCIT** incorporates a contribution to paediatric habilitation costs from Ministry of Education (MoE). The contracts from **MoH to NCIT**, and **NCIT to providers**, impose stringent service specifications.

NCIT contracts the University of Auckland, THH, Kelston Deaf Education Centre (KDEC) and Gillies Hospital to provide the programme's services.

Other CI trusts

The Cochlear Implant Foundation NZ and The Hearing House are separate organisations from NCIT and Pindrop with different boards. They existed before NCIT was established by the Ministry of Health to manage the northern CI programme under contract from the Ministry. **NCIT** contracts Hearing House to provide cochlear implant and associated audiology and habilitation services for children.

The Southern Programme had an existing charitable trust prior to becoming a recipient of Ministry funding and hence has a different structure from NCIT and Pindrop.

Auditing

NCIT and the Pindrop Foundation annual audits are currently undertaken by KPMG (and previously by PWC). The Ministry of Health additionally carries out financial and quality audits of NCIT.

NCIT activities

From its inception in 2006, NCIT has been dedicated in its' pursuit for increased funding for cochlear implant services and for policy changes. These include such things as:

- Ring-fencing of cochlear implant funding for children.
- Funding for a second electrode and later a second processor for children with meningitis (including children from overseas in the public CI program).
- Pursuing binaural implants for children.
- Promoting and implementing a subsidy scheme to increase numbers of adults subsidised.
- Pursuing additional funds for lifetime support of CI recipients once implanted.
- Pursuing increased funding for adults.

The trust is in frequent contact with Ministry of Health officials. Over the years since NCIT and the Pindrop Foundation were formed, many others have added their voice to this growing issue. This collaborative advocacy has resulted in an increase in public spending for the Northern CI program from ~\$1.45m in 2006 to ~\$5.29m in 2015.

In addition to provision of new implants, surgery, audiology, habilitation and rehabilitation NCIT also provides processor upgrades on a regular schedule to children and adults on the public programme. The upgrades are funded from the Ministry of Health contract funds. Upgrades are up to date and funds are in hand for further upgrades which will become due within the contracting period.

Pindrop Foundation activities

Rather than use its limited funds directly on new cochlear implants, Pindrop's expenditure (around \$200K -250K per annum) has been mostly on "smart investments" aimed at leveraging or increasing public funding, for example through the mediums of:

- fund raising
- publicity to increase awareness of cochlear implant services
- advocacy to politicians, government departments, health insurers
- support of consumer advocacy through the medium of consumer groups
- quality improvements through clinician staff training and conference attendance overseas
- implementation of world class efficiency improvement programs to reduce costs and thus fund more cochlear implants
- economic forecasting to underpin advocacy for sustainable funding
- school student education programs targeted to increase awareness of noise induced hearing loss amongst the younger generation

Notes to understanding the annual accounts

Annual accounts for both trusts (NCIT/Pindrop) are combined as required by the auditors. Operating costs shown are thus for both NCIT and Pindrop combined.

Operating costs between the Northern and Southern programmes cannot be directly compared because for historical reasons SHCT runs its services through its own provider whereas NCIT contracts services out to a number of independent providers. The bulk of operating costs are incorporated in payments to providers but NCIT includes some management costs in the Trust accounts. Despite different structures the northern and southern programmes achieve similar implant numbers from similar funding.

Interest transfers from NCIT to Pindrop are donations to set aside for capital growth for the future (from interest earned on NCIT funds awaiting disbursement).

Product sales from Pindrop are from donated products negotiated as donations to fund projects to benefit consumers such as the consumer conference, clinical efficiency projects, lobbying of health insurers, publicity campaigns etc. The sale proceeds represent donations to Pindrop.

One area of donations does not show in accounts. The NCIT and Pindrop Trusts negotiate charitable rates for services. For example, the accounting and auditor services are at charitable rates and legal services required by the Trusts are provided free as a donation to cochlear implant services.

The proportion of funds set aside by NCIT and Pindrop for future projects is modest. NCIT must spend all contract payments (from MoH), (apart from allowance for transition between contracts) within each contract period. Pindrop currently spends most of its income on projects to benefit consumers and only a small proportion on reinvestment to grow the capital fund. Below are the remaining surpluses set aside for the future in the past three years. In percentage terms capital investment ranges from 1.2% to 1.5% per annum of income.

Combined income of the two Trusts (approx)

2013 \$4.5m

2014 \$4.8m

2015 \$5.5m

Surplus set aside in Pindrop for capital growth for future

2013 \$66K; 1.5% of combined total income

2014 \$64K; 1.3% of combined total income

2015 \$64K; 1.2% of combined total income

Peter Aitken

Chair

Pindrop Foundation

Bill Keith

Chair

NCIT