College of Medical Laboratory Technologists of Ontario

Agenda Item: 4.2

Report to Board of Directors

Date	:	August 29, 2026
From	:	John Tzountzouris, Registrar & CEO
Subject	:	Modelling of CMLTO Financial Health

Report Purpose:

- ☒ **Board Policy Development/Enhancement**
- ☐ Regular Policy Review
- ☐ Policy Approval
  - ☐ Ends Policy
  - ☐ Executive Limitations Policy
  - ☐ Board-CEO Relationship Policy
  - ☐ Governance Process
- ☐ Board Implementation of Policy
  - ☐ Board-CEO Relationship Policy
  - ☐ Governance Process
- ☐ Monitoring Report
  - ☐ Ends
  - ☐ Executive Limitations
  - ☐ Board Committee
- ☐ Ownership Linkage Report
- ☐ Incidental Report
  - ☐ Registrar & CEO
  - ☐ Board Chair
  - ☐ Other:

PUBLIC INTEREST RATIONALE:

CMLTO requires adequate financial resources to fulfill its statutory mandate and protect the public interest. Allowing revenues to remain structurally below the cost of regulation could reduce CMLTO's financial capacity and its ability to respond to regulatory, operational and strategic needs.

Given that registration is mandatory to practise as an MLT in Ontario, the Board has a responsibility to ensure that fees are reasonable and supported by a clear financial rationale. Addressing the fee issue therefore requires responsible management of Registrant funds with ensuring that CMLTO has the financial capacity necessary to carry out its regulatory responsibilities.

PURPOSE

This briefing note provides the Board with an overview of the financial and environmental considerations associated with CMLTO registration fees to guide its discussion of registration fee adjustments.

The Board has expressed an interest in investigating a fee increase. External consultants have undertaken financial modelling to examine the relationship between Registrant numbers, projected costs, financial reserves and different fee scenarios. The modelling provides a basis for considering options but does not dictate the final fee level. The fee determination is based on the consultant's analysis and considers scenarios of supply and demand, as well as real expense considerations.

BACKGROUND

CMLTO's registration fees have remained unchanged for approximately 15 years. The current annual fee is $340 for the Practising Class and $170 for the Non-Practising Class.

During much of this period, CMLTO has successfully met its regulatory obligations and established protected reserves following the Board's guidelines and recommendations from external auditors, resulting in reserves intended to cover potential costs related to strategy implementation, daily operations, and compliance with regulations. More recently, however, CMLTO has experienced operating deficits, and deficits are anticipated to continue if current revenue and expenditure patterns remain unchanged. The 2026 financial year is an exception, largely because of temporary reductions in rent and human resource costs.

The key financial concern is the erosion of CMLTO's unallocated operating funds (the "Operating Fund"). Although the Board has not established a specific Executive Limitation governing the target level of the Operating Fund, between 30% and 50% of annual operating expenditure has been identified as a reference point. Continued operating deficits would progressively reduce this fund and could eventually require CMLTO to draw on protected reserves.

This raises a question for the Board regarding the balance between registration fees, operating costs, financial reserves, and the organization's ability to maintain financial stability necessary to fulfilling its legal obligations

ANNUAL REVIEW OF FEES

Although CMLTO's registration fees have remained unchanged for approximately 15 years, the adequacy of fees has not been overlooked or left unexamined during this period.

Registration fees and other related financial assumptions have been reviewed annually as part of CMLTO's budget development and approval process. Each year, the Board has considered the overall financial position of the organization, projected revenues and expenditures, and the resulting implications for the budget. Through this process, the Board has continued to determine that maintaining the existing fee level was appropriate.

This review takes a broader approach. Instead of focusing solely on annual budget cycles, the College has conducted a forward-looking assessment of factors affecting fee requirements over several years. This includes consideration of projected Registrant numbers, cost pressures, operating fund sustainability, reserve protection and alternative fee trajectories.

This long-term perspective allows the Board to consider whether fees are adequate for the upcoming year and if the fee-setting approach is sustainable and responsive to financial risks.

WHY THE FEE QUESTION IS DIFFERENT FOR CMLTO

CMLTO operates in an unusual environment when compared with many organizations that set prices for goods or services.
Registration is mandatory to practice as a Medical Laboratory Technologist in Ontario. There are therefore no conventional competitive pressures that would constrain the registration fee. At the same time, CMLTO has very limited ability to influence the number of Registrants.

The number of MLTs requiring registration is principally driven by factors outside CMLTO's control, including:

- public health-care policy;
- demand for laboratory testing;
- the number of physicians and patients requiring tests;
- laboratory productivity and technology;
- labour substitution and changes in the way laboratory services are delivered; and
- the supply of individuals eligible to enter the profession.

Consequently, the number of Registrants is expected to be driven primarily by the employment market rather than by the registration fee itself. Within a reasonable range, a change in the fee is unlikely to materially change the number of people seeking to practice as MLTs.

This means that the principal financial question is not how to increase demand for registration, but how to establish a fee structure that provides adequate revenue to support the College's statutory responsibilities.

The relationship between employment and registration should not be assumed to be fixed. The number of individuals employed as MLTs may not always correspond directly to the number and composition of CMLTO Registrants. Changes in labour-force participation, retirement, migration, international applicants, non-practising registration, mobility between jurisdictions and other factors could alter this relationship.

Employment projections provide an important foundation for revenue forecasting, but they remain an indirect measure of the actual Registrant base on which CMLTO's revenue depends.

THE FINANCIAL CASE FOR EXAMINING FEES

CMLTO's registration fees have remained unchanged for approximately 15 years, while the costs of operating the College have increased. As a result, the purchasing power of the fees has declined and the gap between fee revenue and operating costs has grown.

This contributes to the erosion of the Operating Fund and, if the gap between fee revenue and operating costs continues, it will eventually place greater pressure on CMLTO's reserves.

REVENUE OUTLOOK

More than 95% of CMLTO's revenue is derived from Registrant fees. The principal source is annual renewal revenue, supplemented by prorated registration and application assessment fees.

The most important variable in projecting future revenue is the number of Registrants.

The external modelling considered historical MLT employment information from Statistics Canada, CMLTO data, and other sources, and used this information to develop three employment scenarios for 2027–2031:

1. Medium scenario – the statistical "best fit" based on historical trends;
2. Pessimistic scenario – lower future employment/Registrant levels; and
3. Optimistic scenario – higher future employment/Registrant levels.

There are also factors on the supply side that may affect the future Registrant base. New educational programs are opening, established programs are increasing their seats, and initiatives such as CAMLPR's fields-of-practice processes may increase the supply of individuals entering the profession.

From 2011 to 2023, the number of CMLTO Registrants slowly declined. However, in the last three years, this number has started to increase each year. Based on the increase of programs and seats in MLS educational programs across Ontario, coupled with flexible pathways to registration, it is conservative to assume a steady and stable number of CMLTO Registrants in the coming years. There also continues to be evidence of strong demand for MLTs and difficulties hiring qualified personnel.

Taken together, the current conservative assessment is that the Registrant base is likely to remain relatively stable for the foreseeable future. The modelling appropriately recognizes that employment projections are uncertain and that actual Registrant numbers may be higher or lower than projected.

CONSIDERATIONS AND RISKS ASSOCIATED WITH REVENUE ASSUMPTIONS

The revenue projections are based upon several important assumptions.

The relationship between employment and registration may change. The model uses employment as the fundamental basis for forecasting Registrant numbers. While this is a reasonable approach, it assumes that the historical relationship between employment and registration will continue. Changes in the composition of the Registrant population or in patterns of employment could cause actual registration numbers to differ from the employment projections.

The MLT employment environment may undergo structural change. Historical employment trends provide useful information, but the future laboratory environment may not resemble the past. Changes in technology, testing volumes, laboratory productivity and labour substitution could alter the relationship between health-care activity and MLT employment. A sound projection based on historical trends can still be inaccurate if the underlying structural relationships change.

Supply and demand may interact differently than anticipated. The expansion of educational programs and other initiatives may increase the supply of MLTs. The current assessment is that the Registrant base will remain relatively stable, but the balance between the supply of MLTs and demand for their services could change over time.

These types of changes to the underlying structural/institutional environment are not anticipated, and when they occur would necessitate revisiting the model. This reinforces the importance of treating the projections as estimates that should be monitored against actual results.

COST OUTLOOK

Compared with revenue, CMLTO's costs are relatively straightforward to project.

The modelling assumes that CMLTO is already operating at an appropriate level of activity to fulfill the Objects of the College and that the costs from previous year and the 2026 projected costs provide a reasonable base from which to project future costs.

Three cost scenarios were developed based on low, medium and high inflation assumptions.

CMLTO's largest cost areas include human resources and rent. Human resource costs have increased in recent years, including as a result of the Board-approved alignment of salaries with industry levels and the introduction of a defined pension plan, which was incorporated into the 2024 budget.

The modelling therefore treats the fee question as a cost-recovery and financial sustainability exercise, distinguishing it from a budgeting exercise. The fundamental question is: What level and structure of registration fees are required to sustain the College's existing mandate and financial capacity under reasonable assumptions about future Registrant numbers and costs?

CONSIDERATIONS AND RISKS ASSOCIATED WITH COST ASSUMPTIONS

There are several assumptions underlying the projected cost base. The model assumes that the current level of activity and expenditure is appropriate. “The model uses actual costs from the previous year and the 2026 projected cost as a base, assuming CMLTO operates at an appropriate level of activity to fulfill its mandate. The model determines the fees required to fund CMLTO at its current level of activity.

This is different from asking what the appropriate future level and cost of regulatory activity should be.

The Board may reasonably accept the assumption for purposes of this exercise, but it remains an assumption. Changes in CMLTO's regulatory responsibilities, strategic priorities, service delivery model or organizational requirements could cause the appropriate cost base to be higher or lower than currently projected.

The model does not assume significant productivity or efficiency gains. The projections are primarily based on current costs, anticipated inflation and known future costs. Future improvements in technology, automation, AI, process redesign, regulatory modernization or other efficiencies could reduce the rate at which costs increase.

Conversely, new requirements or investments could increase costs beyond inflation.

Some costs may not track general inflation. For example, human resource costs, professional services, technology, and other expenditures often fluctuate differently. Some costs may also experience step changes rather than gradual increases.

Unexpected or non-recurring costs may not be captured. Major legislative changes, technology replacements, cybersecurity requirements, significant regulatory initiatives, or other unforeseen events can generate costs difficult to predict using an inflation-based model.

These considerations suggest that the cost projections should be viewed as a reasonable planning base rather than a prediction of CMLTO's actual future expenditure requirements.

MODELLING APPROACH

The consultants considered three employment scenarios and three cost/inflation scenarios, producing nine combinations of projected Registrant levels and costs.

Modelling prioritizes financial viability, protects the Operating Fund, and maintains the real value of the Protected Reserve Funds throughout the modeling period.

The modelling also seeks to protect the purchasing power of College resources and thereby support the maintenance of College services.

These principles are important because a fee decision cannot appropriately be considered solely in terms of the additional revenue generated in the first year. The Board must also consider the longer-term consequences of different fee trajectories for operating funds and reserves.

OPERATING FUND AND RESERVE CONSIDERATIONS

The erosion of the Operating Fund is identified is a central financial concern.

However, an important governance consideration is that CMLTO does not currently have an Executive Limitation establishing a specific target or minimum level for the operating fund. Between 30% and 50% of operating expenditure has been identified as a reasonable reference point, but this is not currently an explicit Board-established financial boundary.

This raises an important distinction for the Board.

Before determining how much revenue CMLTO requires, the Board should establish what level of financial capacity it expects CMLTO to maintain and what role the different funds and reserves are intended to play.

For example, the Board may wish to distinguish between:

- operating funds required to manage normal fluctuations in revenues and expenditures;
- contingency funds required to manage reasonably foreseeable risks; and
- protected reserves intended to address more significant strategic, operational or regulatory risks.

Without explicit Board parameters, there is a risk that the fee model is optimizing against financial criteria that have not yet been formally established as Board policy.

The modelling results should inform the Board's consideration of its desired financial condition and risk boundaries.

FEE SCENARIOS IDENTIFIED

The analysis identified numerous registration fee scenarios, which were tested against real Registrant volume scenarios. These scenarios will be presented to the Board at the September Board meeting.

The preferred fee trajectory presented below is based on the modelling and the analysis of the various models against real and projected expenses that should be presented to the Board:

A Registrant who holds a certificate of registration shall pay the following non-refundable annual fee:

For 2027:

- For a Practising certificate of registration: $400.
- For a Non-Practising certificate of registration: $200.
- For an Emergency certificate of registration: $ 200.

For 2028:

- For a Practising certificate of registration: $425.
- For a Non-Practising certificate of registration: $212.50.
- For an Emergency certificate of registration: $ 212.50.

For 2029 and onward:

- For a Practising certificate of registration: $450.
- For a Non-Practising certificate of registration: $225.
- For an Emergency certificate of registration: $ 225.

This staged increase would provide a stronger basis for stabilizing the Operating Fund than maintaining the current fee or relying on a single flat registration fee.

It is important to note that the first year of a fee increase does not produce the full anticipated revenue effect because annual renewal revenue is accrued in the following year. The immediate financial effect is therefore primarily reflected through prorated registration fees.

Modelling should consequently be viewed as a tool for understanding the financial consequences of different fee trajectories, rather than as a precise prediction of future financial results.

The Application Assessment Fee has also been stable at $150 for many years. While not a significant source of revenue, the fee was reassessed during this period. It is suggested that this fee be increased to $200.

The proposed increase in the initial registration Application Assessment Fee reflects the increasing complexity and cost of reviewing and assessing applications for registration.

The proposed fee of $200 aligns with practices among comparable regulators. Benchmarking against eight similarly sized regulators identified an average application fee of approximately $190, with fees ranging from $75 to $350.

The proposed change is intended to ensure that the fee reasonably reflects the resources required to complete the registration assessment process.

RISK MANAGEMENT CONSIDERATIONS

An important feature of the consultant's and internal analysis is its focus on what happens when projections are wrong.

Future Registrant numbers and inflation rates cannot be known with certainty. The risk associated with being wrong is not symmetrical.

If Registrant numbers are higher than projected, CMLTO would receive more revenue than anticipated. If they are lower than projected, however, CMLTO could experience a revenue shortfall.

Underestimating future inflation could result in fees insufficient to cover actual costs, while overestimating inflation would increase financial capacity beyond what is required.

Modelling indicates avoiding assumptions that overstate future revenue.

The analysis supports a non-flat fee trajectory over maintaining a single fee level. A staged increase provides an opportunity to build financial capacity over time and may reduce the likelihood that CMLTO would need to make a larger, unexpected fee adjustment later.

If results differ materially from projections, the potential responses could include drawing temporarily on the Contingency Fund, accepting a period of lower financial capacity, revisiting the fee schedule, or making an adjustment during the three-year period.

PUBLIC INTEREST CONSIDERATIONS

CMLTO's public interest mandate requires careful consideration of registration fees.

A financially sustainable regulator requires sufficient resources to carry out its statutory responsibilities effectively. The Board also has a responsibility to ensure that fees charged to Registrants are reasonable. These fees should be proportionate to the regulatory services and responsibilities they support.

The mandatory nature of registration means that CMLTO should not approach fee-setting as though Registrants have the same ability to choose among competing service providers. This places additional importance on transparency, stewardship and a clear rationale for the level of fees established.

Conversely, maintaining fees below the level required to sustainably operate the College also creates public-interest risks if doing so results in progressive erosion of financial capacity and reserves.

Therefore, the Board's challenge lies in balancing fee reasonableness with the need for sustainable regulatory capacity.

A fee increase could also have consequences not fully reflected in the financial model. These include impacts on Registrant perceptions, stakeholder expectations, government scrutiny, and views about the value and scope of CMLTO's services. Although these considerations don't preclude an increase, they are important factors for the Board to consider.

A THREE-YEAR REASSESSMENT

Given the inherent uncertainty in forecasting Registrant numbers, employment levels, inflation and future costs, it would not be prudent to assume that the results of the current modelling will remain equally accurate over the entire projection period.

If the Board establishes a new fee trajectory, it is proposed that the fee structure and its underlying assumptions be formally reassessed after three years.

The reassessment could use a methodology similar to the current exercise, including:

- revised historical and projected MLT employment and Registrant data;
- actual versus projected Registrant numbers;
- actual versus projected revenues and expenditures;

- changes in the broader healthcare and MLT employment environment;
- updated inflation and cost assumptions;
- the status of the Operating Fund and reserves; and
- consideration of alternative fee trajectories for the subsequent planning period.

This would provide a deliberate opportunity to test whether the assumptions underlying the fee structure remain valid and whether adjustments are required.

Annual review of fees through the budget process would continue in the intervening years.

The three-year review would serve a different purpose from the annual budget review. The annual process would assess current-year fee adequacy and budget requirements. The three-year reassessment would revisit the underlying assumptions, financial trajectory and longer-term fee approach.

POLICY GOVERNANCE CONSIDERATIONS

Consistent with Policy Governance principles, the Board's role is not to determine the detailed financial modelling methodology or management's operational approach to implementing a fee structure. The Board's role is to establish the financial outcomes, risk boundaries and principles within which management operates.

The fee question therefore provides an opportunity for the Board to consider whether its existing policies provide sufficient guidance regarding:

- the level of financial capacity CMLTO should maintain;
- the circumstances under which fees should be adjusted;
- the appropriate protection of operating funds and reserves;
- the degree of financial risk the Board is prepared to accept; and
- the extent to which management should maintain financial sustainability and purchasing power through planned fee adjustments.

The Board must not prescribe the precise methodology management uses to forecast Registrants, project costs or calculate fees. Rather, it can determine the results and risk parameters it expects management to achieve.

QUESTIONS FOR THE BOARD

In considering the information presented in this briefing report, the Board is encouraged to focus on the governance-level implications of the analysis rather than the detailed mechanics of the financial model. The following questions are intended to support that discussion:

1. What financial condition does the Board require CMLTO to maintain in order to ensure that it can sustainably fulfill its statutory mandate and protect the public interest?

2. What level of financial risk is the Board prepared to accept in setting fees, particularly given the uncertainty in projecting Registrant numbers and future costs?

3. Does the Board consider the assumptions underlying the modelling—particularly the relationship between MLT employment and Registrant numbers, and the appropriateness of the current cost base—to be sufficiently reliable for establishing a fee trajectory?

4. What financial capacity should CMLTO maintain in its Operating Fund, Contingency Fund and protected reserves, and what should be the respective purposes of those funds?

5. Is a planned multi-year fee trajectory, combined with annual budget review and a more comprehensive reassessment after three years, an appropriate approach to balancing financial sustainability, predictability and responsiveness?

CONCLUSION

CMLTO has maintained the same registration fees for approximately 15 years while the cost of fulfilling its regulatory mandate has increased. Fee adequacy has been considered annually through the budget process throughout this period. The current exercise is different in that it provides an assessment that considers future trends in the relationship between Registrant numbers, costs, financial capacity and alternative fee trajectories.

The external modelling and internal analysis indicate that a staged increase in the Practising Class fee from $340 to $400 in 2027, $425 in 2028 and $450 in 2029, in the Non-Practising and Emergency Classes fee from $170 to $200 in 2027, $212.50

in 2028 and $225 in 2029, as well as an increase to the Application Assessment Fee from $150 to $200 beginning in 2027, would provide a stronger basis for stabilizing the Operating Fund while maintaining financial resilience.

At the same time, the Board should recognize that this conclusion depends on assumptions about future Registrant numbers, employment patterns, costs, inflation and the appropriateness of the current level of regulatory activity.

Modelling therefore provides a useful evidence base, but it does not remove the need for Board judgment. The Board should consider its financial goals, acceptable risk levels, and desired reserve amounts before committing to a long-term fee plan.
A potential approach would be to establish an appropriate multi-year fee trajectory, continue to review fees annually through the budget process, monitor the key assumptions and external factors that could affect the trajectory, and undertake a more comprehensive reassessment after three years using an approach similar to the current modelling exercise.

For the Board, the fundamental governance question is not simply "Should CMLTO increase fees?" It is:

"What financial capacity and risk parameters does the Board require, and what fee-setting approach best ensures that those expectations can be sustainably achieved?"