



Regulatory Guidance

Regulatory compliance in fees and billing:

Distinguishing between cost recovery and markup

Introduction

In Ontario, naturopaths owe a fiduciary duty to their patients under the *Regulated Health Professions Act, 1991 (RHPA)*. This means every diagnostic test and treatment recommendation, prescription, or clinical intervention must be motivated exclusively by the patient's best interests. To support professional integrity and practice management, the College of Naturopaths of Ontario (CoNO) establishes standards to ensure financial structures separate fees charged for your professional time from transactional costs for things like labs, drugs, supplements and devices.

Financial systems must be structured transparently to prevent commercial interests from compromising, or appearing to compromise, professional judgment. A conflict of interest arises when a registrant stands to gain financially from the specific product or test they recommend. This guide outlines how to structure billing systems appropriately, delineating the boundaries between permissible cost recovery and prohibited markups on dispensary items and external laboratory services.

Core definitions: Clarifying the terms

Actual price: The baseline financial cost incurred by the registrant or clinic to obtain a specific drug, product, device, or laboratory test. This represents the raw invoice amount charged directly by the manufacturer, distributor, or licensed medical laboratory, exclusive of any clinical overhead.

Cost recovery (permissible): The billing practice of reclaiming the exact baseline cost of a commercial item plus a fair, justifiable, and proportionate amount to offset the direct overhead expenses immediately incurred in acquiring, handling, storing, or securing that item. Cost recovery must be strictly neutral and must not yield a net financial gain or profit.

Markup (prohibited): Any amount added to the actual cost price of a good or service designed to generate a profit margin, exceed true administrative expenses, or incentivize the selection of one treatment over another. Incorporating a commercial markup transforms

a clinical recommendation into a retail transaction, creating an unmanageable conflict of interest.

The value of professional time and revenue generation

The primary method for generating revenue within a professional naturopathic practice is the billing of professional time (e.g. your consultation or appointment fee). By centering income generation on direct professional services rather than product transactions, registrants protect the patient-practitioner relationship and demonstrate compliance with the College's standards.

- **Consultation fees:** It is entirely appropriate and reasonable for naturopaths to review and increase professional consultation fees as needed. These fees should reflect clinical knowledge and experience, market conditions, and the actual duration of care provided.
- **Dispensary role:** While retail operations within an in-office or online dispensary offer immediate access to therapeutic products, they should never be treated as a profit driver.

Statutory framework and conflict of interest

Under the College's Standard of Practice for Conflict of Interest, an unmanaged conflict exists when a reasonable person could conclude that the naturopath's duty to act in the patient's best interests is influenced by competing financial or commercial relationships. The standard states that it is an absolute conflict of interest to sell and dispense a drug or product or to charge fees for laboratory testing at a price greater than the actual price paid plus reasonable, justifiable costs related to immediate administration and direct overhead.

What this means for NDs: Interpreting the Standards

The Standard of Practice for Fees and Billing establishes distinct rules based on categories of clinical billing. Registrants are held fully accountable for every invoice, receipt, or account statement generated under their name and registration number.

Commercial products (supplements, drugs, and devices)

When dispensing or selling commercial products directly from an in-office or online dispensary, registrants are permitted to implement a cost-recovery mechanism. This mechanism may only cover direct overhead expenses incurred in obtaining, storing, handling, and selling these specific items (e.g. shipping costs).

Keep in mind:

- The total retail price billed to the patient must be reasonable and strictly proportional to these verifiable expenses
- Registrants cannot apply an arbitrary retail markup or profit margin over and above these operational costs



- In the case of an online dispensary like Fullscript, associated overhead costs are likely to be zero
- Registrants are explicitly prohibited from charging a standalone "dispensing fee" or offering financial reductions or discounts for prompt payment

Third-party laboratory testing

When arranging external medical testing through providers such as LifeLabs or Dynacare, or through specialized labs, registrants must ensure that the financial transaction satisfies the following criteria:

- **Zero markup on the test cost:** The patient must be billed the exact actual cost charged by the medical laboratory. Registrants must not place any markup or surcharge on the cost of the test itself.
- **Itemized specimen collection fee:** If the registrant or clinic staff is actively involved in sample collection or immediate handling on site, a reasonable, flat collection fee may be charged. This fee must represent cost recovery for the clinical supplies and time spent, and it must be itemized separately on the invoice.
- **Itemized analysis and review fee:** Registrants may charge a reasonable fee for the clinical analysis and interpretation of laboratory test results, if this is conducted outside of a standard patient visit or consultation. The fee must be fair, justifiable, and itemized separately on the final invoice.
- **Credit card fees charged per transaction:** These fees are challenging to recover via an itemized invoice to the patient because they are typically a percentage of the transaction and not a predetermined, set amount. If registrants prefer to invoice patients for these fees, they must ensure the amount charged to the patient is correct. Alternatively, it may be simpler to take these (and other smaller fees) into consideration when setting your professional fee schedule.

Cost recovery vs. markup: A Comparative Table

Clinical category	Permissible cost recovery practices	Prohibited markup practices
Professional consultations	Professional time is billed via established, pre-posted hourly or visit-based fee schedules.	Charging "block fees" (flat fees for a predetermined or unlimited set of services); bundling professional time with retail product sales.



Clinical category	Permissible cost recovery practices	Prohibited markup practices
In-office or online dispensary (supplements, drugs, and substances; devices)	Billing the actual wholesale price plus an immediate cost-recovery amount restricted to direct handling, shipping, and storage-related overhead costs.	Applying standard commercial retail markups to generate a profit margin; charging a standalone "dispensing fee"; offering prompt payment discounts.
External laboratory testing (diagnostic testing)	Billing the exact invoice cost charged by the laboratory; charging flat, reasonable, separate fees for specimen collection and out-of-visit analysis.	Increasing the cost of the laboratory test; adding administrative percentages to the laboratory's fee; masking clinic profit within a single bundled test price.

