(c) take such other steps as may be necessary to determine the reference price list.

Commissioning of costing surveys

6. In an instance where a consultant is commissioned by a stakeholder contemplated in regulation 2(1) to undertake a costing survey for the purpose of submitting information, such consultant must be independent of the person commissioning the work. The consultant must be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the consultant's ability to objectively evaluate the costs.

Determination of the Reference Price Lists

7. (1) The Director-General shall, after verification of information as contemplated in regulation 3, prepare a draft reference price list.

(2) In determining an reference price list, the Director-General shall take the following into account:

(a) the advice of a committee contemplated in regulation 5(2)(b);

(b) the need for private health establishments and health agencies to have a return on investment;

(c) the need for health care providers to earn an income;

(d) the need for certainty, sustainability, affordability and stability within the medical schemes environment and among private sector consumers;

(e) the need to improve and maintain efficiency and quality in the delivery of health care services as well as to increase

THE FOLLOWING DOCUMENTS ARE PUBLISHED WITH THE REGULATIONS FOR GENERAL INFORMATION

1. NATIONAL HEALTH REFERENCE PRICE LIST GUIDELINES

2. COSTING SPREADSHEET NOTES

Department of Health: National Health Reference Price List (NHRPL)

health

Department:
Health
REPUBLIC OF SOUTH AFRICA

National Health Reference Price Guidelines

Enquiries: Mr S. Jikwana

Health Financial Planning & Economics Directorate

Tel: (012) 312 0669

Fax: (012) 312 3382

Email: jikwas@health.gov.za

Department of Health: National Health Reference Price List (NHRPL)

Introduction

The underlying principle to the Department of Health approach to reference pricing is that the cost of providing the particular service must be made explicit, and it is this cost that forms the basis of the reference price.

In order to apply this principle certain preconditions must be met:

a. A standard nomenclature to identify the service being priced; and

b. An agreed upon methodology to determine the reference price associated with a particular service.

The pricing methodology depends on the following assumptions:

a. A particular reference fee schedule is determined for a well-defined and relatively homogeneous provider group. Cost parameters will be different for different provider groups – this may be the case even if the level of remuneration for professional time is the same between groups.

b. Reference price components will be based on country wide averages, with the result that actual price components:

   i. Will differ geographically; and

   ii. Will depend on individual practice efficiencies and practice specific factors.

Standard Nomenclature

The reference price list consist of a list of items (fees, tariffs), where each item represents a particular service provided by the provider group to which the reference price list apply. This list of items must comply with the following general requirements:

a. *Comprehensive*. The list should provide for all the recognised services (accepted practice) rendered by the provider group it applies to.

b. *Consistent*. There should be no duplication or overlap between items in the list.

c. *Systematic*. The list should reflect the basic organising concepts used by the provider group, such as anatomical regions and/or treatment modality. As far as possible each item should be a complete unit of service, with minimal use of modifiers or add-on items.

A reference price list item consists of the following components:

a. *Schedule:* A schedule contains the price list items applicable to one or more provider groups.

b. *Provider Group:* A professional group or sub-group (discipline, sub-discipline) or health service provider category to which a particular schedule applies.

c. *Item Code:* A six digit numeric code that is unique to a particular schedule. The actual code length may vary by schedule, up to a maximum of six digits.

-
-
-
  -
  -
  -
-
-
-
-
-

Department of Health: National Health Reference Price List (NHRPL)

health

Department:
Health
REPUBLIC OF SOUTH AFRICA

Costing Spreadsheet Notes

Enquiries: Mr S. Jikwana

Health Financial Planning & Economics Directorate

Tel: (012) 312 0669

Fax: (012) 3123382

Email: jikwas@health.gov.za

Department of Health: National Health Reference Price List (NHRPL)

Note that the scales are reversed to minimise the well known 'halo effect'. One might score each of the items from 0 to 8. Based on the scores of these four items, each service or group of services will be scored from 0 to **32.** Exhibit 2 illustrates how this is accomplished.

Exhibit 2: Allocation of scores to a service or group of services (See services rated in Figure 6.1.):

Knowledge	0	1	2	3	4	5	6	7	8
Judgement	8	7	6	5	4	3	2	1	0
Skill	0	1	2	3	4	5	6	7	8
Risk	8	7	6	5	4	3	2	1	0
Total Score = 20				5	4	5	6		

The total raw scores of the decision makers are now calculated and a mean or median for the service (or group of services) determined. Exhibit 3 is used to transform the mean score of services to responsibility values. It should be noted that extreme scores in a distribution might skew the mean, and median values should then be considered.

If the mean (or median) for the group of services in the example is also 20, the responsibility value for the group of services would be 1.6.

Exhibit 3: Transformation of mean scores to responsibility values:

Mean Totals (0-10):	0-2	3-5	6-8	9-11	12-14	15-17	18-20	21-23	24-26	27-29	30-32
Responsibility Factors:	1.0	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.0
RV for procedure:							X				

Individual services within a group, may now be adjusted if a variation in responsibility within the group itself is indicated. However, groupings enhance the maintenance of the system, and adjustments of this kind should not be considered lightly. It should also be remembered that the RVU is a function of time and responsibility, and although services within a group may have the same responsibility, the difference in time required to provide these services, will result in different RVU's for services within that group.

New procedures/services that may be listed next edition of the NHRPLs, may **be** assigned the RV of related groups of services. Only new groups of services or individual services that cannot be related to established groups will have to go through the entire rating process.

It is of interest that workers on the Resources Based Relative Values Scale (RBRVS) for medical services, observed that service providers with almost no experience of particular services tend to assign high relative values to those services whereas providers with great experience assign comparatively low relative values. Their explanation for the observation was that providers who render a service infrequently are less familiar and find the service more difficult to provide, whereas those who provide the service routinely

consider it easier and assign a lower value (Cowper, 1996, p.298.). An indication of the decision makers' familiarity with a particular service (or group of services) is therefore inferred.

Application of Direct Labour

The RVU of a service is determined by multiplying the Unit Value (UV) with the Responsibility Value of that service (RVU = UV x RV). This RVU value in turn, is multiplied with the predetermined direct labour rate (conversion factor) to determine the cost of direct labour for the particular procedure. This calculation is illustrated in the following example:

If a procedure/service has a hypothetical UV of 10, and an RV of 1.2, and if the predetermined direct labour rate for that category of practitioners is R2.12, the direct labour is calculated as:

Direct Labour = RVU x Cf

= (UVxRV) x Cf

= (10x1.2) x R2.12

= 12 x R 2,12

= R25.44

Department of Health: National Health Reference Price List (NHWL)

References

Armstrong, M. 1990. *A handbook of Management Techniques.* London: Kogan Page Limited.

Cowper, T.R. 1996. The relative value of provider work for maxillofacial prosthetic services. *The Journal of Prosthetic Dentistry*, vol 75, p.294-301.

Emory, C.W. and Cooper, D.R. 1991. *Business Research* Methods - *Fourth Edition.* Homewood: Irwin

Garrison, R.H. 1991. *Managerial Accounting, Concept for Planning, Control, Decision Making.* Homestead: Irwin.

Appendix C
Workload Recording Method (Unit Values)

Introduction

The objectives of work measurement is twofold, namely, to determine how much work can be done in a specified period of time in terms of volume and quality, and to determine how long it will take to do a given amount of work.

The Workload Recording Method is used to determine the time required by an average Health Care Provider (HCP) to provide services. The mean time required to provide that service is termed the Unit Value (UV) of that service and is expressed in minutes of Workload Units (WU). The unit value of a service is used to allocate overhead costs to that particular service, and is also of cardinal importance in the determination of relative value units for services.

Depending on the HCP type, workload units can be expressed in minutes of Radiology Workload Units (RWU), Dental Workload Units (DWU), Psychology Workload Units (PWU), etc. The Workload Recording Method provides a common comparable measuring approach among HCP types and adaptation(s), where necessary, should be clearly identified.

Unit Values per Service and Standard Volume Adjustment

Most clinical services can be expressed in terms of minutes, rather than hours required completing. Workload units are thus the minutes of direct labour and the measure of activity for HCP's in their practices and one WU is equal to one minute of clinical, clerical and assistant time.

Time studies should be conducted in order to generate the necessary statistics to assign permanent or temporary unit values to services. The time studies should be conducted in various places of services (sites) in the RSA and should measure the time required to perform several activities, of which the following six categories are specified:

1. Treatment: Treatment includes the steps required to perform the procedure up to and including the recording thereof on the patient's record. Treatment includes clinical time, assistant time and clerical time:

   Clinical time. Clinical time refers to the time required to complete the actual procedure, as well as pre-, inter- and post- procedural activities, In a dental practice for example, the placement and removal of cotton rolls, the application of a rubber dam, the changing of instruments needed to do the procedure (e.g. burs, scaler points, hand pieces, etc.) and chair side 'laboratory activities' (e.g. temporary crowns, fitting a prosthesis, etc.) are all included as part of clinical time

   Assistant fime. Assistant time also known as aide time. Examples of assistant time include developing of radiographs, the mixing of materials, and evacuation of the patient's mouth during the procedure, etc.

   Clerical time. Clerical time includes recording the procedure on the patient's record and if applicable, converting the clinical findings to a meaningful report (when it is required as part of the procedure).

Department of Health: National Health Reference Price List (NHRPL)

2. Handling of specimen/laboratory work: The handling of specimen/laboratory work includes the time for completion of a laboratory requisition (lab-slip), delivering the laboratory work to the reception / despatch area, labelling thereof and entering information on a laboratory control sheet (activities required for transfer from the HCPs office to a laboratory). Handling of laboratory work excludes the handling of incoming (completed) laboratory jobs. Handling of laboratory work excludes laboratory services.

3. Pre-treatment patient care activities: Pre-treatment activities include the steps from guiding the patient from the reception area to completion of all preliminary preparation normally required in the presence of the patient before treatment can proceed. Examples of pre-treatment activities in a dental practice include regaining the patient's record, guiding the patient from the reception area to the surgery, seating the patient, preparation of the patient (i.e. placing of a bib and removal of prosthesis (removable), spectacles, lipstick, etc.), repositioning of the equipment, preparation of the HCP (i.e. washing of hands, gloving, etc.), checking the patient's record and counselling in relation to the visit.

4. Post-treatrnent patient care activities: Post-treatment activities include the steps normally required in the presence of the patient after treatment has been completed, up to guiding the patient back to the reception area. Examples of post-treatment activities in a dental practice include re-dressing the patient (e.g. removing the bib, replacing removable prosthesis, spectacles, etc.), repositioning of dental equipment, removing the patient from the chair, counselling regarding the next dental visit, and re-dressing of the HCP (e.g. removing gloves, washing hands, etc.), guiding the patient to the reception area and filing the patient's record.

5. Routine surgery preparation: Routine surgery preparation includes all support activities (in relation to the preparation of the surgery and reusable supplies for performing procedures) performed by HCP's and/or staff in the surgery after treatment of the patient. These include between patient disinfecting of surfaces and surgery preparation of instruments for sterilising, etc., but exclude the actual sterilising time of an autoclave or other type of steriliser.

6. Maintenance and repair: Maintenance and repair include all standard surgery maintenance procedures performed by HCP's and/or staff at set intervals (e.g. daily, weekly, monthly). It encompasses only those activities which are done occasionally and which need not be repeated for each patient treated, e.g. daily disinfecting and cleaning of the surgery prior to shut down. Maintenance and repair include emergency repairs, part of which is defined as time spent identifying the defect. It does not include repair of major breakdowns.

Unit Values per Service

Only the "treatment time" (clinical, assistant and clerical) is used to determine the unit value of a procedure.

The time spent on "handling of specimen/laboratory work" for transfer from the HCPs office to a laboratory is added to the treatment time to determine the unit value of those procedures that requires such handling. Take note that this does not apply when a HCPs Schedule has a listed code for the handling of specimen/laboratory work (See CPT code 99000 as an example).

The time spent on the handling of laboratory work should not be determined for each service involving laboratory work, but the mean time thereof should be allocated to these services. The reasons for this approach are fourfold:

- Part of the action of handling laboratory work is often done by the HCP after patients have left. In order to enhance the timing of this 'break in continuity', it should be timed separately.
- The time spent on this activity may vary from practice to practice. There is however, no significant difference in the time spent on handling the iaboratory work between different services, which makes differentiation per service type unnecessary.
- There are dental services, for example, complete dentures that require the action of handling laboratory work more that once as part of the same procedure.
- Comparisons between services on the time spend to complete, are more accurate if the handling of laboratory work can be excluded.

Standard Volume Adjustment

The Standard Volume used in the NHRPL has been standardised for all provider types. The time spent on pre- and post-treatment patient care activities, routine surgery preparation, as well as maintenance and repair can be classified as surgery downtime, and is used to determine/adjust the Standard Volume.

Many non-specified activities vary significantly between practices, therefore, some activities may never be time studied or assigned a unit value. Examples of non-specified activities include: Accounting/billing activities; administrative activities; breaks and personal time including formal breaks mandated by law, contract or policy, wash-up or other personal time; computer orientated activities; evaluation, development and research; formal education; procedures without unit values; supplies and equipment; training, etc. Some of these activities can be taken into account in order to calculate the Standard Volume.

Permanent, Temporary and Extrapolated Unit Values

The time studies should include all clinical, clerical and assistant time expended toward the completion of a service. It should involve more than one HCP providing the service and should be performed several times in various locations. Each unit value per service should represent an averaging of how the service is performed in dissimilar facilities by different HCP's.

Acceptable studies should then be edited and presented to the NHRPL review process. Depending on a statistically significant number of HCPs, who have each completed an acceptable number of timings, permanent or temporary unit values are assigned to values generated from the time studies:

A permanent (p) unit value per service is established only after appropriate data is obtained from a statistically significant number of HCPs who have each completed an acceptable number of timings.

An interim temporary *(t)* unit value per service is assigned to a service based on fewer time studies, which meet the requirements established by the NHRPL review process. A

temporary (t) unit value may not be assigned without a time study and may not be assigned by an individual HCP in the field.

An extrapolated (e) unit value per service may be assigned to a service before standard time studies have been performed. The extrapolated (e) unit value may be derived in part from components of previous time studies on similar services.

Determining Unit Values

A time study is a work measurement technique, used to determine the time a qualified worker takes to complete a particular element of a task under specified circumstances at a defined rate.

A qualified HCP in South Africa is a person, registered at the Health Professions Council of South Africa (or others as may be required), who has the physical, mental and intellectual characteristics to do the work with a particular level of knowledge, application and skill. These requirements imply that

- The quality of the final product meets with acceptable clinical standards;
- The 'best' method (current acceptable standard of care) is followed;
- The available equipment and technology are utilised optimally;
- Materials are not wasted, and
- The highest degree of safety standards is maintained.

The time is takes to complete a service, is measured with a stopwatch through direct observation. The time it takes to complete a service must be a 'fair time'. A fair time is the standard time an average HCP requires to complete a procedure satisfactorily.

The study process starts by analysing all services into basic steps or elements. These steps are used to clarify the scope of the service, and permit the critical appraisal and possible improvement of the method of performing the service. However, the purpose of the study is to determine the time it takes to provide the service only, and not to improve on the method(s) used. A service will thus only be timed in steps when it is usually not completed in one visit.

The next step in the process is to time the steps (or visits) of the service to build up the total basic time for that service and HCP.

The standard time for a particular service and HCP is the sum of the observed values (total basic time) divided by the number of observations. In other words, the standard time is the mean time that a particular HCP requires to provide a particular service.

The standardised unit value for a service is the mean of the standard times of that service, and can be defined as the mean number of workload units (expressed in minutes) of technical, clerical, and assistant time required by experienced HCPs of average capability to perform all necessary steps in order to complete the defined service once.

An acceptable time study should include the recording of the following data:

- The HCP type that has performed the procedure;

Department of Health: National Health Reference Price List (NHWL)

- **The location where the procedure has been performed – surgery (in office); theatre (in hospital) or other;**
- **The procedure code and description;**
- **The number and description of the steps of the procedure (if appropriate);**
- **The actual timing per step of the procedure; and**
- **The total time of the procedure.**

Department of Health: National Health Reference Price List (NHRPL)

health

Department:
Health
REPUBLIC OF SOUTH AFRICA

Costing Spreadsheet Notes

Enquiries: Mr S. Jikwana

Health Financial Planning & Economics Directorate

Tel: (012)312 0669

Fax: (012)312 3382

Email: jikwas@health.gov.za

Department of Health: National Health Reference Price List (NHRPL)

Introduction

This spreadsheet represents the typical practice of a hypothetical health care provider (HCP) group. The values used in the spreadsheet would in practice be based on a representative survey of members of the group.

The spreadsheet has the following parts:

1. Fee Items. The service items being proposed for inclusion into the NHRPL. The list represents all the services offered by the health care provider group. Two special service items (items 40010 and 40020) are included to show how services provided by only certain practitioners are dealt with.
2. Income Statement. Included for illustrative purposes to show how the estimated net income for the practice could be calculated.
3. Labour. Lists the personnel in a typical practice and allocates them to direct or indirect labour.
4. Standard Equipment. List the standard (typical) equipment (including furniture and fittings) used by a typical practice.
5. Special Equipment. List the equipment used to render certain services only (items 40010 and 40020 in this ease).
6. Overheads. Consolidates all overhead costs and calculates the correction required for variability in surveyed overhead costs.
7. Responsibility Values. Calculates the responsibility values using the methodology described in Appendix B of the Guidelines.
8. Parameters. List the values of parameters used in the costing model and summarises the overhead and direct labour costs.
9. Sample Survey Data. Surveyed overhead costs with confidence interval calculation.

Fee Items

The starting point is to list all the individual services provided by the particular HCP group and the average durations associated with each service. In this case provision is made for assistant time and special equipment time as well. Assistant time should only be included if the assistant does not bill independently of the primary HCP. The general recommendation is to allocate assistant's time to indirect labour and not to account for it separately as in this case. It is done here only to show how it could be done.

Services 40010 and 40020 are specialist services that are only provided by certain practices and these services require the use of special equipment. The services are dealt with as a separate cost centre and the cost of the special equipment is recovered only through these services.

The responsibility factor for each item is calculated on the responsibility value sheet.

The direct labour cost for each item is calculated by multiplying the duration of the procedure with the direct labour rate (calculated on the labour sheet) with the responsibility value of the item. Note that in the case of

different times for the different staff involved are multiplied with their respective direct labour rates and summed to give the direct labour cost.

The overhead cost for each item is calculated by multiplying the maximum duration of the item with the overhead rate calculated on the parameters sheet.

An arbitrary rand conversion factor (RCF) is then used to convert the sum of the individual cost components to relative value unit (RVU) for the item. The RVU is them multiplied with the RCF and the standard NHRPL rounding applied to get to the final price for the item. Note that the RCF is arbitrary and its value does not influence this calculation (it appears on both sides of the equation). The RCF will only become important in future years when it is used to inflate the price in line with CPIx without recalculating costs. The calculated price is VAT exclusive. To calculate the VAT inclusive price the RCF should be increased by the VAT rate.

The estimated time use profile (that is the percentage of the productive time of the primary HCP used to render the particular service represented by that item) is used here only to estimate realistic utilisation figures for each service. In practice the utilisation figures would be derived from the practices surveyed. The utilisation figures are only used to estimated the practice revenue and are not in any way used to calculate the item price.

Labour

This sheet list the staff used in the typical practice. The total productive time (available work minutes per annum) available to each position is calculated from the base working minutes calculated on the parameters sheet (BASEVOL). The calculation takes into account ordinary leave, sick leave and a productivity factor. In practice each productivity factor will have to be further substantiated by calculations to show how it has been derived from the practice survey.

The expected annual remuneration for each position is given. The remuneration should be the total cost of the position to the practice including benefits such as health insurance and pension contributions. The cost of personal development (continuing professional education) is listed a practice overhead and not included in the personnel costs. When the NHRPL is calculated standardised professional remuneration values will be used based on the prevailing public sector salary packages.

For each position the contribution of the staff member to direct labour is expressed as a percentage. Typically 100% of the primary **HCP's** time will be allocated to direct labour. In this example only a portion of the second HCP's time has been allocated to direct labour. The cost of support staff such as the receptionist and cleaner is allocated to indirect labour in total.

The adjusted standard volume for each position is calculated (if the person is fully allocated to indirect labour this value is not applicable). The adjusted standard volume is the total productive time (in minutes) time the weighted mean of the responsibility values for all fee items (calculated on the responsibility value sheet). The effect of this calculation in practice is that the HCP whose service mix is equivalent to the average mix will earn the indicated remuneration. Those who do more complex procedures (higher mean responsibility value) will earn more. Conversely those who do on average less complex procedures will earn less.

Department of Health: National Health Reference Price List (NHRPL)

Finally the direct labour rate per minute is calculated by dividing the portion of the remuneration allocated to direct labour by the adjusted standard volume.

Standard Equipment

All the standard equipment, furnishing and fittings are listed here. It is recommended that this be done by standard area (e.g. consulting room, reception, treatment room, etc). Only fittings whose costs are not covered in the rental cost of the premises may be included.

The current acquisition cost and expected life time of each item is listed. The annual amortised cost over the life time of the item is then calculated based on the prevailing prime overdraft rate. Provision is made for the maintenance and insurance of each item. A standard provision of 2% of the capital cost per annum for maintenance (and only for equipment that requires maintenance) is allowed. items such as furniture or fittings that do not require regular maintenance should not include this provision. An insurance provision of 1% of the capital cost per annum is allowed. The basis for maintenance and insurance rates that differ form the standard allowance must be provided.

The annual contribution to overheads by each item is calculated by summing the amortised annual cost, maintenance cost and insurance costs. The depreciation period must be consistent with the write-off periods allowed by SARS (See Practice Note No. 15).

= R25.44

Special Equipment

The annual cost of special equipment is calculated in the same way as for standard equipment. A special equipment overhead rate is then calculated by dividing the annual overhead costs of the special equipment by the standard volume for the equipment. The productivity factor (the proportion of the available time that the equipment will be in use) used for the equipment must be substantiated. The special equipment overhead rate is added to the overhead rate when overheads are allocated to the fee items in the cost centre using this equipment (see item 40010).

Overheads

The indirect labour costs and standard equipment costs calculated above are consolidated into total overheads on this sheet. All overheads that is not part of indirect labour or equipment are then quantified. ***Note that equipment financing, insurance and maintenance has already been accounted for in the equipment overhead and should not be added hem again.***

Each item included in overheads should be substantiated on the basis of findings from the practice cost surveys and the calculations to derive the annual value listed shown. All overhead costs should be exclusive of VAT (input tax).

The total overhead amount is adjusted downward to account for uncertainty in the surveyed overheads. For an example on how this is calculated see the survey sheet. The basis for this adjustment is to increase the likelihood that the real average overhead value is at least the value used.

Department of Health: National Health Reference Price List (NHRPL)

Responsibility Values

The method explained in Appendix B the Guidelines is applied here to calculate a responsibility value for each item. The adjusted utilisation is simply the base utilisation times the responsibility value of the item. The total adjusted utilisation is divided by the total unadjusted utilisation to calculated the weighted mean responsibility value. The weighted mean (based on utilisation) responsibility value is calculated for use in adjusting the direct labour standard volume. The direct labour standard volume is multiplied by the weighted mean responsibility value to obtain the adjusted direct labour standard volume. This calculation ensures that a practitionerwith a typical case mix will earn the benchmark professional remuneration, whereas those with a more complex case mix will earn more than the benchmark remuneration.

Parameters

This sheet contains named parameters, which are used in calculations throughout the costing model.

The mark-up on overhead is calculated by deriving a expected rate on return on investment after tax from the banker's acceptance rate. This rate is then adjusted using company tax rates to calculate the mark-up.

The total annual overhead is divided by the calculated standard volume for overheads to calculated the overhead rate per minute.

Return on investment is calculated by applying the calculated mark-up on overhead (see parameters sheet) and a return on investment rate per minute calculated.

Overhead values are adjusted to take the estimated inflation (CPIx) for the next year into account.

Ove[illegible]s

Total overheads	539,784	
Confidence interval as % of [illegible]an	7.1%	Must be calculated from the surveyed overhead submissions
Adjusted overheads	**501,529**	

Overheads

Description	Amount	Notes
Personnel costs		
Indirect labour costs	270,003	Calculated
Salary related levies & taxes	8,000	UIF, Skills levy, RSC levies
Professional dues & continuing education	10,000	
Protective clothing and uniforms	3,000	
Premises		
Rental of space	30,000	
Building maintenance & repairs	7,500	
Services	12,000	Water & electricity, local authority rates & taxes, cleaning services
Medical waste removal	2,800	
Security	6,000	
Practice Management & Administration		
Accounting, audit and management fees	12,000	
Advertising & marketing	6,000	
EDI and medical scheme administration fees	6,000	
Software licensing & support	7,500	
Communication costs	12,000	Telephone, internet
Legal expenses	2,000	Exclude mapriactice insurance & legal fees associated with bad debts
Postage and courier services	7,000	
Printing and stationery	6,000	
Transport costs	32,000	
Financing & Insurance costs		
Bank charges & interest	16,000	Exclude equipment financing charges
Credit card commission	1,000	
Bad debt costs	23,147	Calculated
Practice risk insurance	6,000	Exclude equipment insurance
Malpractice risk insurance	3,000	
Indirect material	18,000	
Sundry expenses	3,000	
Standard Equipment	50,834	Calculated
Overhead recovered	(21,000)	

NOTE

All overhead costs should be exclusive of VAT

R 1,244