

COUNCIL FOR MEDICAL SCHEMES

2013/14 BUDGET AND LEVY NOTICE



8 NOVEMBER 2012

Annexures

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GENERAL NOTICE

PROPOSED LEVIES ON MEDICAL SCHEMES ISSUED IN TERMS OF SECTION 3(a) OF THE COUNCIL FOR MEDICAL SCHEMES LEVIES ACT (ACT 58 OF 2000)

The Council for Medical Schemes referred to in Section 1 of the Council for Medical Schemes Levies Act, 2000 (Act No. 58 of 2000), hereby proposes the imposition of levies on medical schemes, as set out in this Notice. The proposed levies are due to be imposed for the purpose of meeting the general regulatory and administrative costs of the Council for Medical Schemes and the function performed by the Registrar of Medical Schemes. The quantum of the levy has been determined on the basis of the Council's budget, and is also based on the number of principal members of medical schemes. The full budget can be viewed on the Council website www.medicalschemes.com.

Representation on the proposed levies may be made to the Council not later than 21 December 2012. Such representation must be forwarded to the Registrar of Medical Schemes, and marked for the attention of Mr. Dan Lehutjo by post to: Private Bag X34, Hatfield, 0028, via email: w.khan@medicalschemes.com or fax (012) 431 0663.

By order of the Council for Medical Schemes



Mr. Trevor Bailey

Acting Chairperson: Council for Medical Schemes

5 November 2012

SCHEDULE

Definitions

1. In this notice, unless the context indicates otherwise –
 - i. “Council” means the Council for Medical Schemes referred to in the Act;
 - ii. “Levy year” means the period from 01 April 2013 to 31 March 2014 and, subject to the provision of this Notice and any amendments, substitution or repeal thereof, such corresponding period in succeeding year in respect of which levies are imposed;
 - iii. “Registrar” means the Registrar of Medical Schemes, appointed in terms of Section 18 of the Medical Schemes Levies Act, 1998 (Act No. 131 of 1998);
 - iv. “The Act” means the Council for Medical Schemes Levies Act, 2000 (Act No. 58 of 2000).

Proposed Imposition

2. In respect of a medical scheme registered in terms of section 20 of the Medical Schemes Act, 1998 (Act No. 131 of 1998), the proposed levy for the 2013/14 levy year shall be set at an amount of R26.79 per member per year, which shall be paid in two equal installments, the first of which shall be paid not later than 30 April of the levy year, and the second of which shall be paid not later than 30 June of the levy year.
3. In respect of the levy year, the calculation of the levy is based on the number of members referred to in item 2 shall correspond with the latest statistics furnished to the Registrar in terms of or by virtue of the Medical Schemes Act, 1998 (Act No. 131 of 1998) or with the latest certified number of members sent to the Registrar by the medical scheme. If a transfer of members is in process and not finalized on 31 December 2012, the transferor must pay the levy in respect of the members to be transferred.

Payment/Interest on overdue of Levies

4. On amounts of overdue levies, interest will be charged at a rate applicable to a debt owing to the state, as determined by the Minister of Finance in terms of section 80(1)(b) of the Public Finance Management Act.
5. The levies (once finally imposed) and interest (if any) referred to in this Notice shall be paid by a medical scheme directly in the bank account of the Council, the details of which are:

Bank	:	ABSA
Account Holder	:	Council for Medical Schemes
Branch Name	:	ABSA Corporate Branch (Cnr Pretorius and Vermeulen Streets, Pretoria)
Branch Code	:	517 245
Account Number	:	405 116 3394



6. A deposit advice slip issued by the aforementioned Bank in respect of a deposit contemplated in item 5, received by the Council for Medical Schemes, and bearing the name of the relevant medical scheme, shall serve as *prima facie* proof of payment of a levy.

Annexure B: CMS Budget

Table 1: CMS Summary budget 2013/14

Council for Medical Schemes							
INCOME BUDGET 2013/14							
Funding Proposal			2013/14	2012/13	2011/12	2010/11	2009/10
Operational expenditure	A		110,130,989	98,402,778	90,483,837	79,994,264	61,246,091
Capital expenditure	B		-	2,609,000	2,312,000	2,930,691	1,220,306
Total expenditure	C	A + B	110,130,989	101,011,778	92,795,837	82,924,955	62,466,397
Plus: Single Exit Price System of South Africa	D		-	-	-	1,500,000	-
Less: Depreciation and Amortisation	E		-	2,039,373	2,520,000	2,681,256	1,020,000
Total cash requirement	F	C + D - E	110,130,989	98,972,405	90,275,837	81,743,699	61,446,397
Surplus funds	G		-	-	6,900,000	11,500,000	5,300,000
Accreditation fees	H		5,700,000	4,700,000	5,500,000	5,500,000	5,500,000
Registration Fees	I		370,000	400,000	400,000	384,000	400,000
Interest Received	J		840,000	1,200,000	900,000	1,000,000	1,400,000
Total income excluding levies	K	G + H + I + J	6,910,000	6,300,000	13,700,000	18,384,000	12,600,000
Income from levies	L	F - K	103,220,989	92,672,405	76,575,837	63,359,699	48,846,397
Total membership	M	0	3,852,956	3,800,000	3,608,727	3,463,642	3,168,000
Levy amount	N	L / M	26.79	24.39	21.22	18.29	15.42
			9.85%	14.93%	16.00%	18.64%	11.03%



Table 2: Detailed CMS budget 2013/14 (per unit)

Economic description per business unit	Budget 2013/2014	Budget 2012/2013	% increase
Goods & Services	39,875,500	34,344,416	16.10%
Accreditation	745,500	575,819	29.47%
Benefit Management	235,788	316,410	-25.48%
CFO's Office	14,775,388	13,746,079	7.49%
Complaints and Adjudication	129,500	184,500	-29.81%
Compliance	977,200	980,726	-0.36%
Financial Supervision	683,302	498,197	37.15%
Human Resources	3,021,373	2,832,851	6.65%
Information Systems and Knowledge Management	3,986,046	3,442,052	15.80%
Legal services	6,753,002	4,877,782	38.44%
Office of CEO / Registrar	4,756,420	4,228,599	12.48%
Research and Monitoring	767,297	288,890	165.60%
Stakeholders' relations	2,813,484	2,165,851	29.90%
Strategic office	231,200	206,660	11.87%
Salaries	70,255,489	64,058,366	9.67%
Accreditation	5,741,324	5,501,453	4.36%
Benefit Management	4,677,242	4,545,016	2.91%
CFO's Office	6,745,636	6,318,230	6.76%
Complaints and Adjudication	4,161,921	3,937,745	5.69%
Compliance	5,304,285	4,430,937	19.71%
Financial Supervision	9,244,190	7,787,702	18.70%
Human Resources	3,362,368	3,061,827	9.82%
Information Systems and Knowledge Management	6,884,083	6,531,782	5.39%
Legal services	3,038,909	3,001,944	1.23%
Office of CEO / Registrar	4,921,493	4,323,574	13.83%
Research and Monitoring	5,810,458	5,429,407	7.02%
Stakeholders' relations	5,734,893	5,198,521	10.32%
Strategic office	4,628,687	3,990,228	16.00%
Capital Expenditure	2,672,000	2,609,000	2.41%
Grand Total	112,802,989	101,011,782	11.67%

Table 3: Detailed CMS budget 2013/14

Council for Medical Schemes Detailed budget 2013/14	2013/2014	2012/2013	% Difference	Notes
Goods & services	39,875,500	34,344,416	16.10%	
Accreditation Cost	434,000	425,815	1.92%	1
Administrator Training	150,000	-		2
Annual Report	694,000	655,000	5.95%	3
Appeal Board	541,002	477,000	13.42%	4
Bank Charges	49,800	43,135	15.45%	5
Cellphone contracts	30,000	-		6
Cleaning and Gardening	931,620	676,794	37.65%	7
Complaints Adjudication Forum	45,000	40,000	12.50%	8
Computer Expenses	120,050	113,500	5.77%	9
Consulting Fees	220,000	382,000	-42.41%	10
Consumer Education	1,026,000	896,680	14.42%	11
Copy Cost	159,000	159,000	0.00%	12
Council Committees	1,917,516	1,775,473	8.00%	13
Council Members Fees	1,500,000	930,986	61.12%	14
Courier and Postage	125,200	140,000	-10.57%	15
Donations	6,798	6,413	6.00%	16
Employee Benefits	1,587,133	1,327,968	19.52%	17
Employee Wellness	446,429	421,159	6.00%	18
External Audit Fees	679,905	629,542	8.00%	19
External Storage	227,904	227,904	0.00%	20
General Expense Admin	200,000	165,360	20.95%	21
HR Organisational Strategy	950,476	711,960	33.50%	22
Implementation & Training costs	264,000	-		23
Insurance	159,034	150,032	6.00%	24
Internal Audit Fees	850,000	788,212	7.84%	25
International Partnership Program	200,000	240,000	-16.67%	26
Internet Expenses	501,900	356,680	40.71%	27
Investigation Costs	500,000	795,000	-37.11%	28
Knowledge Management	531,100	487,376	8.97%	29
Legal Fees	6,000,000	4,200,000	42.86%	30
Media and Promotion	166,000	112,000	48.21%	31
Motor Vehicle -Expenses	22,476	21,204	6.00%	32
News Letters	112,000	128,600	-12.91%	33

Council for Medical Schemes Detailed budget 2013/14	2013/2014	2012/2013	% Difference	Notes
Operational Planning	224,720	212,000	6.00%	34
Operational projects	1,152,000			35
Printing	19,188	18,765	2.25%	36
Recruitment and Relocation	750,000	818,000	-8.31%	37
Refreshments	173,742	181,072	-4.05%	38
Rent	5,955,063	5,234,447	13.77%	39
Rental Copiers	279,840	279,840	0.00%	40
Rental Other Assets	24,663	13,898	77.46%	41
Repairs and Maintenance Office	608,916	1,041,346	-41.53%	42
Research Costs	174,497	165,400	5.50%	43
Security	289,532	294,532	-1.70%	44
Software License Subscription	898,400	484,900	85.28%	45
Special projects	120,000	120,000	0.00%	46
Staff Training	2,092,300	2,186,870	-4.32%	47
Stationery	318,922	291,020	9.59%	48
Strategic Planning Costs	225,000	262,500	-14.29%	49
Stakeholder engagement	550,000	500,000	10.00%	50
Subscriptions	118,142	108,318	9.07%	51
Team Building	89,888	84,800	6.00%	52
Telephone and Fax	584,220	584,220	0.00%	53
Temp Services	254,400	254,400	0.00%	54
Tip-off Anonymous	51,750			55
Transcription Services	66,000	58,592	12.64%	56
Travel	347,836	274,455	26.74%	57
Trustee Training	178,984	159,000	12.57%	58
Water & Electricity, Rates & levies	1,158,000	991,875	16.75%	59
Workmen's compensation	124,150	200,000	-37.93%	60
Amortization	490,680	847,936	-42.13%	
Depreciation	1,206,324	1,191,437	1.25%	
Compensation for employees	68,438,692	64,058,366	6.84%	
Salaries	70,255,488	64,058,366	9.67%	61
Capital Expenditure	2,672,000	2,609,000	2.41%	
Computer Equipment - @ Cost	1,362,500	850,000	60.29%	62
Computer Software - @ Cost	652,000	1,414,000	-53.89%	63
Furniture and Fittings - @ Cost	635,500	315,000	101.75%	64
Grand Total	110,986,192	101,011,782	9.87%	

Table 4: Explanatory notes

Council for Medical Schemes		
Explanatory Notes to the Budget for the financial year 2013/2014		
<i>Note number</i>	<i>Item</i>	<i>Notes</i>
<p>This budget was developed on the basis of the Strategic Plan for 2012/13 to 2014/15 and the Annual Performance Plan for 2013/14.</p> <p>The following assumptions and projects were taken into account in developing this budget:</p> <ol style="list-style-type: none"> 1 The expenditure pattern of last year and the prevalent economic conditions. 2 A general inflationary increase, where applicable, of 6.0%. 3 In relation to salaries, a general 7.0% increase was used. 4 Additional seven permanent positions and three temporary positions - refer explanatory notes on salaries. 5 Council for Medical Schemes will relocate to new office space. A tender was issued to prospective bidders. 6 A new accounting software package will be sourced and implemented. <p>As far as it is feasible the expenditure has been aligned with the timing of the operational plans.</p>		
1	Accreditation Cost	
	Short definition	The accreditation of managed care organisations through on-site visits, as to opposed to desk based analysis, was started in 2010/11.
	Main cost drivers	The main cost drivers to this expenditure are travel costs (flights, accommodation and car rental)
	Method of budgeting	Combination of zero based budgeting and prior year actual expenditure.
2	Administrator Training	
	Short definition	The Finance Supervision unit will conduct administrator training in the year.
	Main cost drivers	As with administrator training cost the main cost drivers are venue, travel, flight and accommodation costs.
	Method of budgeting	Combination of zero based budgeting and prior year actual expenditure on similar training conducted by CMS.
3	Annual Report	
	Short definition	This budget includes expenses in respect of the design, layout and printing of 700 annual reports. This cost also includes road shows to Cape Town and Gauteng.
	Main cost drivers	Layout and printing cost, as well as travel costs (flights, accommodation and car rental).
	Method of budgeting	Based on the expenditure pattern of last year with a general inflation increase of 6.0%
4	Appeal Board	
	Short definition	This line item relates to section 50(3) appeals heard by the appeal board members appointed by the Minister of Health.
	Main cost drivers	All expenses related to the sitting of this board are budgeted for under this line item. (Appeal board members fees, travel cost etc.)
	Method of budgeting	Based on the expenditure pattern of last year with a general inflation increase of 6.0%

Note number	Item	Notes
5	Bank Charges	
	Short definition	All fees, levies and costs charged to CMS on accounts held at commercial banks.
	Main cost drivers	Number of - and type of transactions that goes through on our bank account.
	Method of budgeting	Based on the current year's actual to date expenditure adjusted with a general inflation increase of 6.0%
6	Cellphone contracts	
	Short definition	This is a new budget item for cellphone contracts for the Compliance Unit.
	Main cost drivers	Number of employees in Unit requiring the cellphone contract.
	Method of budgeting	Based on the cost of Talk240 contract currently multiply by number of employees in Unit requiring the service.
7	Cleaning and Gardening	
	Short definition	The cleaning services and related cleaning materials is outsourced to a service provider. This budget includes additional cleaning costs in respect of the additional office space required to accommodate new staff.
	Main cost drivers	As per Service Level Agreement
	Method of budgeting	The budget is based on the signed contract with the service provider, with additional services for the additional office space.
8	Complaints Adjudication Forum	
	Short definition	This initiative started in the 2010/11 financial year by Department of Trade and Industry (the dti) in relation to consumer protection meetings held quarterly in different provinces throughout South Africa.
	Main cost drivers	The main cost drivers to this expenditure are travel costs (flights, accommodation and car rental).
	Method of budgeting	Based on the current year's actual to date expenditure adjusted with a general inflation increase of 6.0%
9	Computer Expenses	
	Short definition	This line item entails acquisition of computer accessories like back-up tapes, toner cartridges, mouse devices etc.
	Main cost drivers	Computer related expenses. Main cost-drivers are the high demand for computer back-up tapes and the acquisition of toner cartridges for stand-alone printers.
	Method of budgeting	Combination of zero based budgeting and prior years' actual expenditure.
10	Consulting Fees	
	Short definition	Consulting services refer to specialist services and skills required for the achievement of a specific objective. It is unnecessary to maintain these skills in-house, since they are required on an ad-hoc basis.
	Main cost drivers	The Information Communication Unit (ICT) requires consulting on the records management project (Metrofile Scan Phase 3).
		The Internal Finance Unit uses consultants on the accounting and payroll packages from time to time.
	Method of budgeting	Combination of zero based budgeting and prior years' actual expenditure.

Note number	Item	Notes
11	Consumer Education	
	Short definition	The Education and Training Sub-unit is engaged in a variety of consumer awareness programmes which include consumer month, outreach and awareness programmes (e.g. Oberg Easter Festival, Royal show, Pretoria show and IPM Conference), consumer open days (e.g. Trade Unions, Consumer Groups, Health Organisations, Healthcare providers). Except for the administrator training, all other training previously done by other units e.g. manage care training and schemes training are now combined under this unit.
	Main cost drivers	The main cost drivers to this expenditure are travel costs (flights, accommodation and car rental)
	Method of budgeting	Based on prior years' actual, taking into account the prior years' budget.
12	Copy Cost	
	Short definition	The maintenance of our photo copy machines is outsourced to a service provider.
	Main cost drivers	Service charges are based on number of photo copies made by the entity for the specific month.
	Method of budgeting	Based on prior years' budget, as new machines were acquired in 2012/13.
13	Council Committees	
	Short definition	This line item relates to the travel, accommodation, car hire, shuttle service and refreshments for Council members. Council members also serve in other sub-committees like Audit & Risk Committee, Finance Sub Committee, HR Sub Committee, Appeals Committee etc.
	Main cost drivers	The main cost drivers to this expenditure are travel costs (flights, accommodation, shuttle service and car rental).
	Method of budgeting	Based on the current year's actual to date expenditure adjusted with a general inflation increase of 6.0%
14	Council Members Fees	
	Short definition	Costs of attending Council meetings and other sub-committees by Council Members.
	Main cost drivers	This will mainly be driven by the attendance of Council members and Treasury Regulation stipulates the remuneration value.
	Method of budgeting	Based on the current year's actual to date expenditure adjusted with a general inflation increase of 6.0%
15	Courier and Postage	
	Short definition	Cost incurred to courier CMS documentation to committee members.
	Main cost drivers	This will mainly be driven by activities in the Council.
	Method of budgeting	Based on the current year's actual to date expenditure adjusted with a general inflation increase of 6.0%
16	Donations	
	Short definition	General contributions / gifts to charity organisations or a project identified by CMS.
	Main cost drivers	None
	Method of budgeting	Based on prior years' budget with a general inflation increase of 6.0%

Note number	Item	Notes
17	Employee Benefits	
	Short definition	Council introduced a more comprehensive employee benefit structure with effect from 1 September 2007. The benefit structure provides for death cover, disability cover and a 1% of provided fund.
	Main cost drivers	Based on number of employees and salary package.
	Method of budgeting	Based on the current year's actual to date expenditure adjusted with the general salaries 7.0% increase, as well as the appointment of new staff members.
18	Employee Wellness	
	Short definition	This line item covers for the well being of staff of Council in the form of providing subsidy to health activities as well as counselling sessions.
	Main cost drivers	Number of staff taking up the health activity subsidy and counselling sessions.
		Number of health days and workshops held per year.
	Method of budgeting	Based on prior years' budget with a general inflation increase of 6.0%
19	External Audit Fees	
	Short definition	This expenditure relates to the statutory audit to be undertaken by the Auditor General in terms of section 188 of the Constitution of South Africa.
	Main cost drivers	Payments made to the Office of the Auditor General in terms of their approved audit plan.
	Method of budgeting	Based on prior years' actual, with a general inflation increase of 6.0%
20	External Storage	
	Short definition	Council has a contract with Metrofile to store documents off- site. Old documents are always taken off-site to facilitate proper filing.
	Main cost drivers	Number of documents filed.
	Method of budgeting	Based on prior years' budget with no general inflation increase.
21	General Expense Admin	
	Short definition	This line item is used to cover for any other expenses not specifically budgeted for under other line items, e.g. Gifts, flowers, bereavements and kitchen crockery.
	Main cost drivers	None
	Method of budgeting	Based on prior years' actual, with a increase of 3.0%
22	HR Organisational Strategy	
	Short definition	HR unit is taking forward the project on succession, talent, succession management, culture and diversity management. A need for team building at unit level has also been identified.
	Main cost drivers	HR strategic focus.
	Method of budgeting	Based on prior years' budget with a general inflation increase of 6.0%, plus an amount for the new identified project.

Note number	Item	Notes
23	Implementation & Training costs	
	Short definition	Implementation and training costs involved in changing the accounting system.
	Main cost drivers	Costs driven by project plan.
	Method of budgeting	Based on quotations received in current year, with a general inflation increase of 6.0%
24	Insurance	
	Short definition	This line item relates to the insurance cover for the assets of Council and the projections are in line with the contract with the service provider.
	Main cost drivers	Movement in asset value (Acquisitions or disposals).
	Method of budgeting	Based on prior years' budget with a general inflation increase of 6.0%.
25	Internal Audit Fees	
	Short definition	The internal audit work relates to the work performed by our internal auditors.
	Main cost drivers	Number of internal audit projects conducted.
	Method of budgeting	Based on prior years' budget with a general inflation increase of 6.0%, plus an amount for the new identified project. (New service provider to be appointed in March 2013)
26	International Partnership Program	
	Short definition	We cooperate with and learn from the experience of our regulatory counterparts at home and abroad so as to strengthen the health insurance regulatory system.
	Main cost drivers	The main cost drivers to this expenditure are travel costs (flights, accommodation and car rental).
	Method of budgeting	Zero based budgeting.
27	Internet Expenses	
	Short definition	Payments made for internet hosting services and primary- and backup data lines. Addition of second Primary Connection capability to increase bandwidth and secure adequate backup on internet connectivity.
	Main cost drivers	Data line capacity.
	Method of budgeting	Zero based budgeting.
28	Investigation Costs	
	Short definition	Investigation costs are provided for routine inspections and any other ad hoc inspections.
	Main cost drivers	Number of inspections or investigations conducted.
	Method of budgeting	The budget item has decreased as the internal capacity has been increased with the appointment of more staff members.
29	Knowledge Management	
	Short definition	This line item covers for subscriptions in respect of systems used in the library. We are also now budgeting for the annual subscription to OECD Health Data - and EBSCOHOST, for academic research.
	Main cost drivers	Number of subscriptions.
	Method of budgeting	Based on prior years' budget with a general inflationary increase plus additional subscription as mentioned above.

Note number	Item	Notes
30	Legal Fees	
	Short definition	Cost incurred for services rendered by attorneys and advocates. This expenditure is unpredictable in nature as we do not know how many legal challenges we may have in a year.
	Main cost drivers	Number of legal challenges.
	Method of budgeting	Legal fees are projected at R6,000,000. This is based on actual for last year, and amended for additional capacity within the Unit.
31	Media and Promotion	
	Short definition	This budget item is mainly for press space, affiliation to media journals and subscription to media monitoring tools (e.g. Meltwaters, SAPA Link2Media).
	Main cost drivers	The main cost driver is the media monitoring tool subscription cost.
	Method of budgeting	Based on prior years' budget with a general inflationary increase plus additional media monitoring tool as mentioned above.
32	Motor Vehicle -Expenses	
	Short definition	This line item is for the maintenance of the Council motor vehicle.
	Main cost drivers	Number of kilometres travelled.
	Method of budgeting	Based on prior years' budget with a general inflation increase of 6.0%
33	News Letters	
	Short definition	This budget covers for the design, layout and printing of our 2 publications of CMS News.
	Main cost drivers	Number of CMS News.
	Method of budgeting	Based on prior years' actual with a general inflation increase of 6.0%
34	Operational Planning	
	Short definition	This relates to a planning session by all staff members in preparation for the year ahead.
	Main cost drivers	Travel and accommodation costs of staff members.
	Method of budgeting	Based on prior years' budget with a general inflation increase of 6.0%

Note number	Item	Notes
35	Operational projects	
	Short definition	This line item has been created for unit specific operational projects.
	Main cost drivers	<p>The Internal Finance Unit workshop to reflect on the external audit management letter and report.</p> <p>The Financial Supervision Unit (FSU) requires consulting on Annexure B, which deals with prescriptions on investments by schemes.</p> <p>The Research and Monitoring Unit will launch a research project on trustee's remuneration.</p> <p>The Compliance Unit usually requires expertise advice and services, prior on commencing and during an investigation.</p> <p>Stakeholder Relations Unit has budgeted an amount for the development, layout and production of consumer education material.</p>
	Method of budgeting	Zero based budgeting.
36	Printing	
	Short definition	The ICT Unit will print POATIA Manuals in 3 different languages. The BMU Unit will print in the Government Gazette.
	Main cost drivers	Number of projects budgeted to be printed.
	Method of budgeting	Based on prior years' actual with a general inflation increase of 6.0%
37	Recruitment and Relocation	
	Short definition	We recruit using advertisements in the local newspapers or through recruitment agencies, depending on the type of position.
	Main cost drivers	Number of vacant positions to be filled.
	Method of budgeting	Based on prior years' actual with a general inflation increase of 6.0%
38	Refreshments	
	Short definition	This line item caters for general refreshments in the office.
	Main cost drivers	Number of unit - and/or external meetings.
	Method of budgeting	Based on prior years' actual with a general inflation increase of 6.0%
39	Rent	
	Short definition	Rent relates to payments made in respect of the office accommodation. Council for Medical Schemes will relocate to new office space. A tender was issued to prospective bidders.
	Main cost drivers	Office space in m ²
	Method of budgeting	As the current lease agreement will terminate May 2013, the current rent and escalation was taken into account to calculate the expense.
40	Rental Copiers	
	Short definition	Rental copiers relates to payments made in respect of photo copy machines.
	Main cost drivers	Number of photo copy machines.
	Method of budgeting	The budget is on the basis of a newly negotiated contract after the tender process conclusion.

Note number	Item	Notes
41	Rental Other Assets	
	Short definition	Rental other assets relates to payments made in respect of cold refreshing water dispensers and new additional dispensers for additional office space.
	Main cost drivers	Number of water dispensers.
	Method of budgeting	Based on current contracts and quotations received in current year, with a general inflation increase of 6.0%
42	Repairs and Maintenance Office	
	Short definition	Cost incurred for repairing, maintaining and day-to-day running of capital equipment such as the office building and IT equipment.
	Main cost drivers	The main cost driver this year is in regards to revamping of the new office space.
	Method of budgeting	Combination of prior year budget and zero based budgeting in regards to the additional office space that needs to be revamped to suite the requirements of CMS.
43	Research Costs	
	Short definition	Costs relating to research projects done by the Research and Monitoring Unit e.g. travel costs, ICD10 meetings held etc.
	Main cost drivers	Number of research projects per year.
	Method of budgeting	Based on prior years' actual with a general inflation increase of 6.0%
44	Security	
	Short definition	Security relates to safeguarding of assets through a security system within the offices. Upgrade access control system.
	Main cost drivers	CCTV cameras and access control system.
	Method of budgeting	Combination of zero based budgeting in regards to the new security systems and prior year's budget.
45	Software License Subscription	
	Short definition	Software license subscriptions is in respect of licences of various software systems such as:
		1) State Software;
		2) Helpdesk System;
		3) Red Gate Software;
		4) Thawte SSL system;
		5) Websense (Surf Control);
		6) Windows SAS;
		7) Aquaforest Software Assurance;
		8) Symantec anti-virus enterprise subscription;
		9) Cloud base data vault backup of SQL and critical servers.
		The following additional costs were budgeted for in the current year's budget:
		1) Fenestrae Fax Server License Subscription;
		2) Upgrade machines to Windows 7 and office compliancy.
	Main cost drivers	Number of software license subscriptions.
	Method of budgeting	Combination of zero based budgeting in regards to the additions and prior year's budget.

Note number	Item	Notes
46	Special projects	
	Short definition	Budget for ad hoc specialised projects like the PMB, DRG project, ITAP and DRGTAP.
	Main cost drivers	Number of projects done.
	Method of budgeting	Based on last year's budget.
47	Staff Training	
	Short definition	Expenditure related to a study undertaken by staff which are relevant to their job content and are approved in terms of the PDP policy. Each staff member has submitted a training and development plan for the year.
	Main cost drivers	Number of employees undergoing training in accordance with a personal development plan.
	Method of budgeting	Zero based budgeting.
48	Stationery	
	Short definition	Costs relating to stationary requirements by staff to perform their day to day activities (e.g. accreditation certificates, letter heads, files, pens etc.).
	Main cost drivers	Number of stationary requests.
	Method of budgeting	The budget is based on last years' expenditure patterns and is adjusted for inflation. We have also increased the budget in line with the growth of the organisation.
49	Strategic Planning Costs	
	Short definition	This is the two day strategic planning session of Council every year.
	Main cost drivers	The main cost drivers to this expenditure are travel costs (flights, accommodation and car rental).
	Method of budgeting	The budget is based on last years' expenditure patterns and is adjusted for inflation.
50	Stakeholders Relations	
	Short definition	Projects aimed at improving the image of CMS.
	Main cost drivers	The main cost drivers to this expenditure are travel costs (flights, accommodation and car rental) and venue.
	Method of budgeting	Zero based budgeting
51	Subscriptions	
	Short definition	This relates to subscription to professional bodies by staff.
	Main cost drivers	Number of professional staff belonging to a professional body.
	Method of budgeting	Subscription cost was budgeted for based on prior years' actual expenditure, with a general inflation increase of 6.0%

Note number	Item	Notes
52	Team Building	
	Short definition	This is a team building session by all staff members at the end of the year.
	Main cost drivers	Number of staff.
	Method of budgeting	Based on prior years' budget with a general inflation increase of 6.0%
53	Telephone and Fax	
	Short definition	Telephone and fax consists of the rental of our Telkom lines, rental of our 0860-golden number, Orion least cost routing on landlines to cellular phones, Orion Uniserver sms subscription and our Vodacom cell phone and 3G data card subscriptions.
	Main cost drivers	The main cost driver is the Telkom land line and Orion least cost routing costs.
	Method of budgeting	This is based on last years' budget.
54	Temp Services	
	Short definition	Temp Services are required from time to time where vacancies are still in the process of being filled or in circumstances where non specialist staff is on leave e.g. reception or call centre agents and / or administrators.
	Main cost drivers	Ad hoc assignments.
	Method of budgeting	This is based on last years' budget.
55	Tip-off Anonymous	
	Short definition	A service where any fraud can be reported anonymously.
	Main cost drivers	Contract with service provider.
	Method of budgeting	Contract with service provider.
56	Transcription Services	
	Short definition	Transcription services relates to the recording of Council - and Appeal Board committees.
	Main cost drivers	Number of Council and Appeal Board meetings to be recorded.
	Method of budgeting	Based on prior years' actual expenditure trends.
57	Travel	
	Short definition	Provision has been made for staff to travel in pursuance of their operational activities, as well as the increase in the staff compliment.
	Main cost drivers	Operational activities in units.
	Method of budgeting	Based on prior years' actual expenditure trends.
58	Trustee Training	
	Short definition	Trustee training consists of introduction training sessions and assessments of Board of Trustees.
	Main cost drivers	Number of training sessions conducted.
	Method of budgeting	Based on prior years' actual with a general inflation increase of 6.0%

Note number	Item	Notes
59	Water & Electricity, Rates & levies	
	Short definition	This budget line item relates to all municipal charges.
	Main cost drivers	Electricity costs.
	Method of budgeting	Based on current year's actual, with additional expense for the additional office space.
60	Workmen's compensation	
	Short definition	This is a statutory requirement as per the Workmen's Compensation Act.
	Main cost drivers	The Compensation Commissionaire uses a formula to calculate the contribution payable - which is based on the number of staff members, their salary scales and type of industry that CMS operates in.
	Method of budgeting	Based on prior years actual.
61	Salaries	
	Short definition	Salaries are budgeted for on a total cost to company basis. The salaries include the medical aid contributions, retirement provision, skills development levy and UIF contributions. Salaries are expected to increase on average by 7.3%.
		Provision was made for the following new permanent positions:
		1) Accreditation: Clinical analyst;
		2) Compliance : Senior investigator;
		3) Snr financial analyst;
		4) Junior clinical Analyst;
		5) Council Secretariat: Administrator;
		6) Personal Assistant : Stakeholder Relations;
		7) Supply Chain Management Officer.
		Provision was made for the following new temporary positions:
		1) Complaints : Legal adjudication officer;
		2) Switchboard operator;
		3) Customer Care Intern.
	Main cost drivers	Number and level of staff compliment.
	Method of budgeting	Based on prior years' budget with a general inflation increase of 7%

Note number	Item	Notes
62	Computer Equipment - @ Cost	
	Short definition	Included in this budget line item for the current year is:
		1) the replacement of computers as per our hardware replacement policy;
		2) purchases of computers for new staff;
		3) purchase of a new call centre system and a scanner for the registry office;
		4) new access control system;
		5) Audio Visual Equipment for Boardrooms;
		6) New firewall to replace our old firewalls; and
		7) Cabinet in server room.
	Main cost drivers	New equipment, server virtualisation and replacement.
	Method of budgeting	Zero based budgeting.
63	Computer Software - @ Cost	
	Comments	Included in this budget is the purchase of an accounting system package, Strat Companion software and the upgrade to Microsoft Office 2013.
	Main cost drivers	Accounting package and upgrade to Office 2013.
	Method of budgeting	Zero based budgeting.
64	Furniture and Fittings - @ Cost	
	Short definition	Included in this line item furniture for the new staff and the new boardrooms.
	Main cost drivers	Furniture for new staff and new boardroom.
	Method of budgeting	Zero based budgeting.
65	Other Fixed Assets - @ Cost	
	Short definition	Coffee machine for new boardroom.
	Main cost drivers	Coffee machine for new boardroom.
	Method of budgeting	Zero based budgeting.

Annexure C: CMS Strategic goals

Goal 1	Access to good quality medical scheme cover is maximised
Statement	Ensure that at all times barriers to scheme access are minimized and that coverage provided by schemes is of a high standard. Improved risk pooling is achieved through enhanced community rating, open enrolment, and prescribed minimum benefits. By 2011, firm policy recommendations must be incorporated in government policy and proposals towards amendments of the Medical Schemes Act must be made to implement these arrangements.
Goal 2	Medical schemes are properly governed, are responsive to the environment, and beneficiaries are informed and protected
Statement	<p>Ensure that at all times medical schemes are governed in the interests of beneficiaries by ensuring that the principles of good corporate governance are fully adhered to and that appropriate action is taken against corporate governance failures. By 2013, amendments to the Medical Schemes Act must be in place to strengthen the governance provisions, and governance failures are addressed prior to scheme failures.</p> <p>Ensure that at all times medical schemes are sensitive to the specific needs of beneficiaries, are financially sound, offers protection against catastrophic financial incidents. Schemes must also be sensitive and to broader social considerations through the introduction of appropriate regulatory measures and their enforcement. By 2013 the Council must have a well functioning system to cater for the electronic filing of scheme rules, near real-time financial monitoring, and a well functioning composite risk index system.</p> <p>Through the control and coordination of the availability of information emanating from regulated entities, their education and training activities, participation in public discussions, and the publication of material in lay and official publications, the CMS will contribute to ensure that members, their dependants, and the public are informed of their rights. By 2013, the CMS will have an updated version of communication guidelines, which schemes must adhere to, most schemes' marketing material will be analysed before release, and scheme communication with members will be monitored.</p>
Goal 3	CMS is responsive to the needs of the environment by being an effective and efficient organisation
Statement	Through the improvement of: complaints regimes, information collection and dissemination, financial and other best practice monitoring systems, the effective internal organisation of the office including improved IT systems, enhanced human resource policies and procedures, adherence to financial management, and other internal measures, the CMS will constantly adapt and upgrade its way of doing business. To improve its efficiency, the CMS will reduce the proportion of the budget allocated to support functions to less than 40% by 2013.
Goal 4	CMS provides influential strategic advice and support for the development and implementation of strategic health policy, including support to the NHI development process
Statement	<p>Through reviewing the needs of the environment, the CMS, and government will constantly collect and upgrade the collection of information for the purposes of ongoing and strategic review of the private health system.</p> <p>Through its privileged position in the health system, the CMS will form strategic relations with regional and international institutions, consult, research, and collate information for the purposes of influencing stakeholders and to provide strategic advice to government; as well as provide technical assistance to major strategic health reforms. By 2013, the CMS will have completed at least one major project to support this goal.</p>