



# **Public Hospital Governance in the Asia Pacific Region: Indonesia Case Study**

Andayani, Marthias, Putri, Armiatin

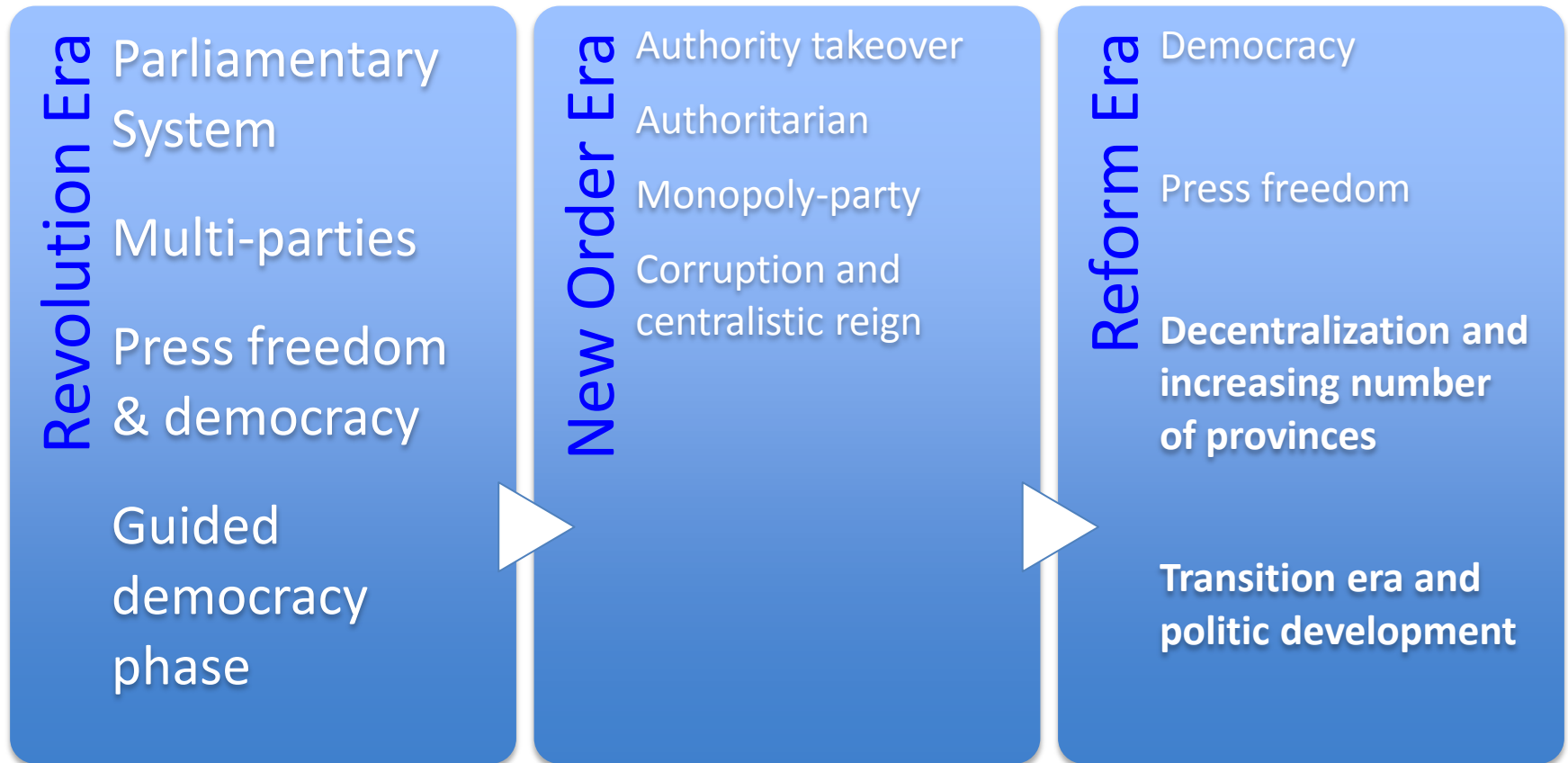
Center For Health Policy and Management  
Medical Faculty of Gadjah Mada University, Indonesia

in collaboration with  
Asia Pacific Observatory – World Health Organization

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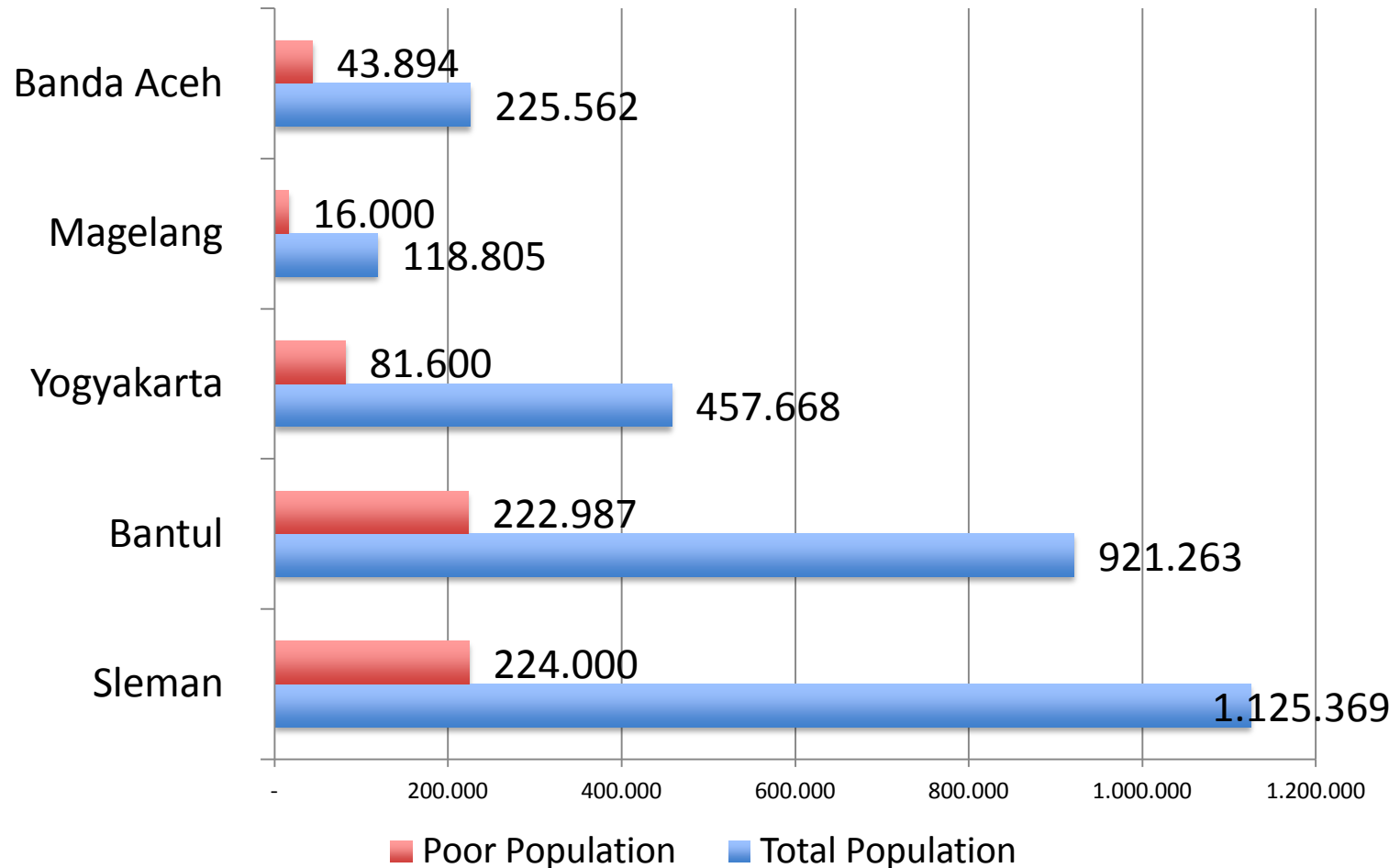
# 1. Description of Country Context



# Indonesian Economic Development

- Middle-income developing country
- Strong economic development, with 6% economic growth
- Fourth largest economic power in Asia
- Previous economic crisis
  - 1998
  - 2008
- Economic inequity, 13-24% poor population

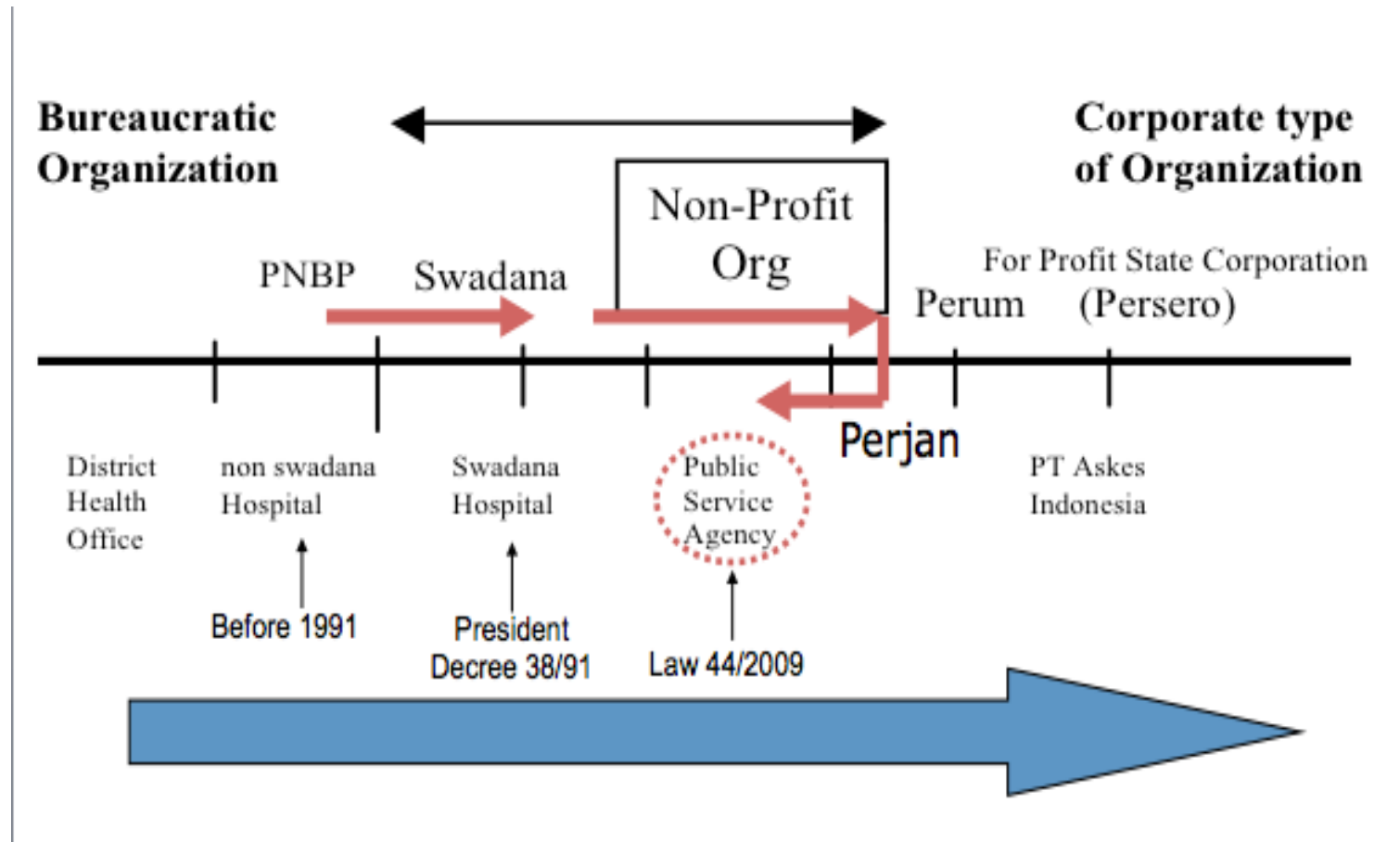
# Poor Population in Areas of Study



# Indonesian Public (government owned) Hospital

- In the past: Public hospitals have similar bureaucratic process with other government institutions
- Challenges in responding to local needs and development of the hospitals
- Hospital competitiveness
- Challenges in competing with private hospitals and also overseas market (medical tourism)

# Indonesian Public Hospital Historical Development



# Type of hospital according to the financial management

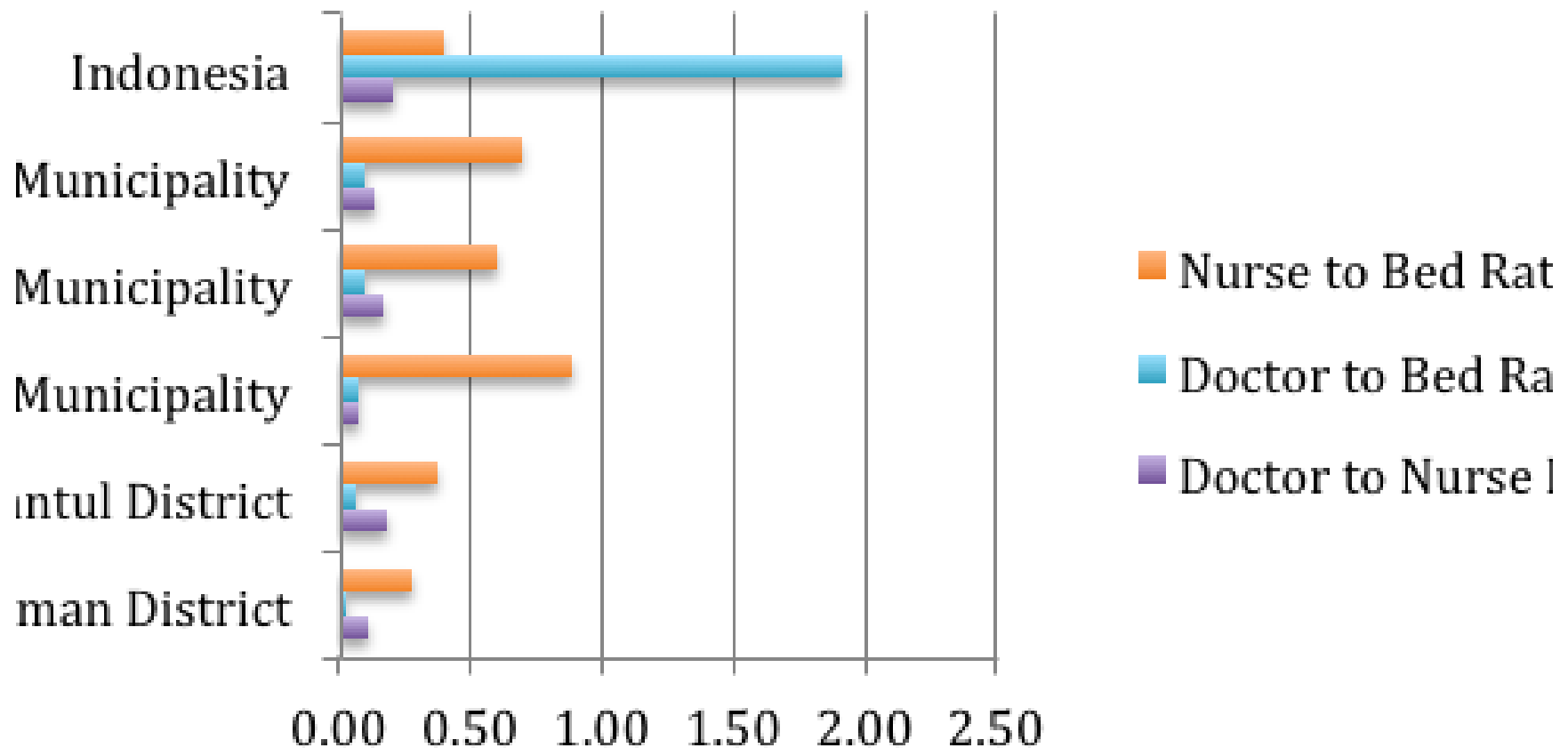
- Public hospital = not for profit
  - Government-owned: central, provincial or district/municipal level
  - Private-owned: owned by religion-based organizations
- Private hospital = for profit



# The number of Hospital in Indonesia

Types of Hospital	Ownership/types	Hospital Classification				Non Specified Class	Total
		A	B	C	D		
Public Hospital	Ministry of Health	25	6	1	0	1	33
	Provincial Gov.	19	43	20	3	9	94
	District Government	3	114	263	126	37	454
	Non Profit Organizations	1	56	239	204	221	721
	Military	1	9	10	13	85	118
	Police	1	2	8	2	28	41
	Other Ministries	0	1	0	1	1	3
Private Hospital	Private	4	42	99	94	91	330
	Enterprises/company-owned	0	10	57	38	74	179
	Individuals	1	1	13	20	28	63
	State Enterprise	2	7	22	11	25	67
<b>Total</b>		<b>57</b>	<b>291</b>	<b>732</b>	<b>512</b>	<b>603</b>	<b>2,195</b>

# Health Worker Ratios per 100,000 Populations



# Rate of Hospital Utilization by wealth deciles

Deciles	Hospital					
	Inpatient			Outpatient		
	Public	Private	Total	Public	Private	Total
poorest 10%	0.53	0.04	0.56	0.14	0.08	0.22
2nd poorest	1.14	0.51	1.65	0.26	0.16	0.42
3rd	1.63	0.96	2.60	0.45	0.23	0.69
4th	1.58	0.93	2.51	0.44	0.23	0.67
5th	2.52	1.46	3.98	0.58	0.45	1.03
6th	2.34	1.32	3.66	0.54	0.43	0.97
7th	3.93	2.44	6.37	0.88	0.66	1.54
8th	3.72	2.28	5.99	0.84	0.63	1.47
2nd richest	7.35	6.29	13.65	1.39	1.13	2.51
richest 10%	7.19	6.15	13.35	1.35	1.10	2.45
<b>Population</b>	<b>3.19</b>	<b>2.24</b>	<b>5.43</b>	<b>0.69</b>	<b>0.51</b>	<b>1.20</b>

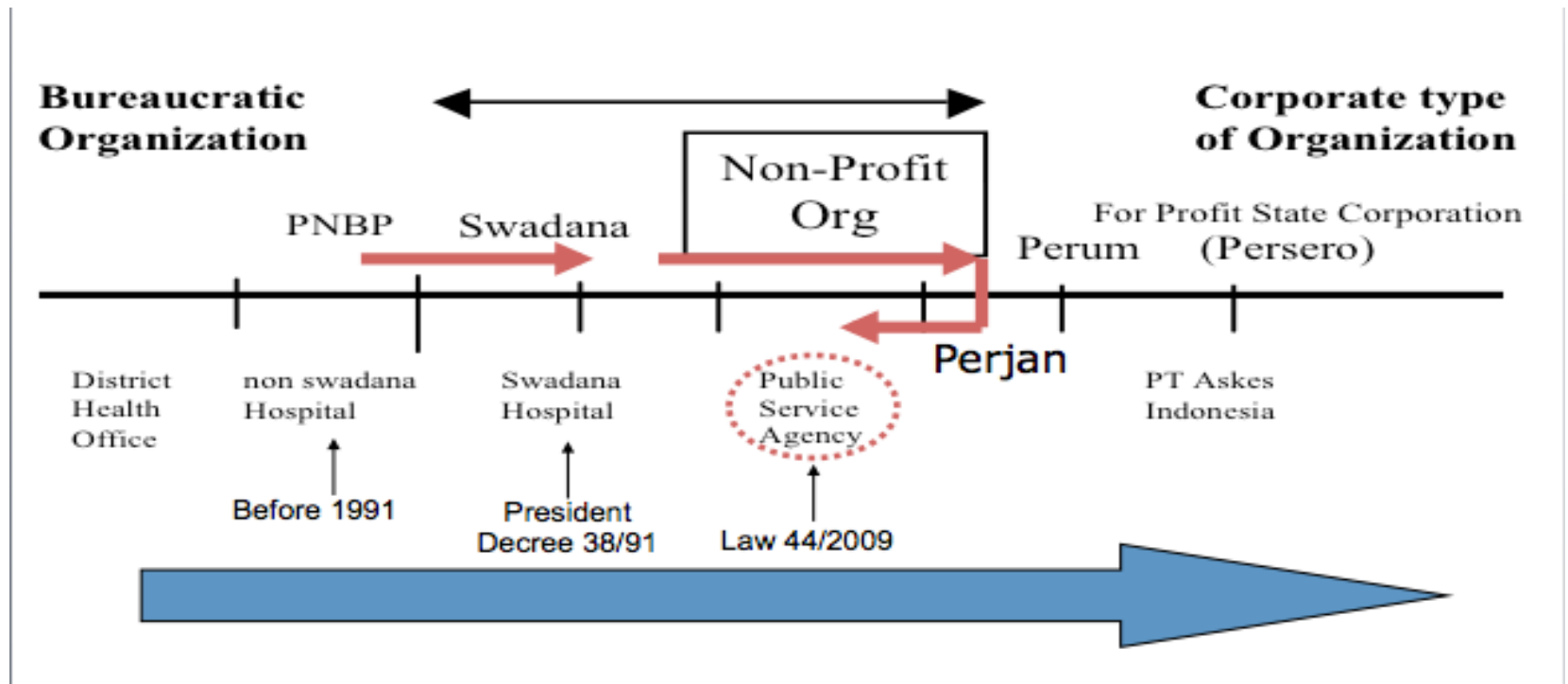
# 2. Government Assessment and Performance in Five Selected Hospitals

- Selected hospitals



# Policy context, recent policy development & reforms

- Laws and Ministry Acts on Public Service Agency (PSA/*BLUD*)



# Planning and Source of Financing

SH	PSH	WH	TH	MH
Developing business plan and annual budget plan, decision making	Developing business plan and annual budget plan, decision making, partnering with external party	Developing business plan and annual budget plan	Developing business plan, <b>strategic plan</b> , and annual budget plan	Developing business plan and annual budget plan
Local Gov: salary of civil servant, part of investment Hospital: part of investment, other operational cost	Local Gov: salary of civil servant, part of investment Hospital: part of investment, other operational cost	Local Gov: salary of civil servant, part of investment Hospital: part of investment, other operational cost	Local Gov: salary of civil servant, part of investment Hospital: part of investment, other operational cost	Local budget, national budget, hospital revenue are proportionally fund hospital cost

# Governance and Accountability

SH	PSH	WH	TH	MH
<ul style="list-style-type: none"> <li>• Head of District Decree on hospital financial management</li> <li>• Board of supervisor &amp; Board of Trustees</li> </ul>	<ul style="list-style-type: none"> <li>• Head of District Decree on hospital financial management except for purchasing</li> <li>• Board of supervisor &amp; Board of Trustees</li> </ul>	<ul style="list-style-type: none"> <li>• Head of District Decree on hospital financial management</li> <li>• Board of supervisor</li> </ul>	<ul style="list-style-type: none"> <li>• Head of District Decree on hospital financial management</li> <li>• Board of supervisor &amp; Board of Trustees</li> </ul>	<ul style="list-style-type: none"> <li>• Head of District Decree on hospital financial management</li> <li>• Board of supervisor &amp; Board of Trustees</li> </ul>
<ul style="list-style-type: none"> <li>• 3-monthly internal evaluation on service quality</li> <li>• Board of Supervisor is not yet effective</li> </ul>	<ul style="list-style-type: none"> <li>• Audited by internal &amp; external auditor</li> <li>• Using Minimum Service Standard and performance report</li> <li>• Board of Supervisor is effective</li> </ul>	<ul style="list-style-type: none"> <li>• Internal and external auditor</li> <li>• Using Minimum Service Standard and performance report</li> </ul>	<ul style="list-style-type: none"> <li>• Board of Supervisory evaluates every 6 months</li> <li>• Using performance report</li> </ul>	<ul style="list-style-type: none"> <li>• Weekly report</li> <li>• Audited by internal auditor</li> <li>• The board of supervisors is not very effective, but the hospital can ask for inputs directly from the local government staff</li> </ul>

# Human Resources

SH	PSH	WH	TH	MH
<ul style="list-style-type: none"> <li>• Civil servant recruitment by District HR Bureau</li> <li>• Hospital recruits non civil servant</li> <li>• In process of improving remuneration system</li> </ul>	<ul style="list-style-type: none"> <li>• Employs many non civil servants</li> <li>• Contracting Pediatrician and Obstetrician</li> <li>• Established simple remuneration system</li> </ul>	<ul style="list-style-type: none"> <li>• Employs non civil servants</li> <li>• Contracting orthopedists, surgeons, pediatricians and internist</li> <li>• Established simple remuneration system</li> </ul>	<ul style="list-style-type: none"> <li>• Employs non civil servants</li> <li>• Contracting Pediatrician</li> <li>• Using the same service fee regulation with pre-BLUD era</li> </ul>	<ul style="list-style-type: none"> <li>• Employs non civil servants</li> <li>• Contracting Pediatrician, Internist, Anesthetist, cardiologist, pulmonary specialist &amp; Physiotherapist</li> <li>• Temporary staffs are paid by the local government.</li> <li>• The local government set the remuneration system</li> </ul>



# Characteristics of institutions implementing Public Service Agency (BLUD)

- Serves as local government work unit
- Not a separate local revenue unit
- Produce goods/services that are sold fully/partially to the public
- Not for profit
- Serve as cost center and /or revenue center
- Autonomy-based managed using corporate-based efficiency and productivity as the guiding principles
- Work and budget plan and accountability are consolidated with the local government or parent institution
- All revenues, except for grant funds, could be spent directly
- Staff can consist of both civil servants and non-civil servants
- Are not subject to taxation

# Capacity of Service

Capacity	Hospital				
	SH	PSH**	WH	TH*	MH*
<b>Bed Capacity</b>	168	300	200	172	125
<b>Volume of patients</b>					
Inpatient	11,142	13,742	10,842	13,017	6,244
Outpatient	71,083	90,610	105,728	94,008	33,924
Emergency	18,562	14,391	27,125	16,426	8,014
<b>Human Resources</b>					
Physician	34	42	49	n.a.	31
Nurse	177	255	226	n.a.	117
<b>Financial (total Revenue)</b>					
Million Rupiah	43,934	45,000	48,917	n.a.	23,000
thousand USD	3,514	5,600	3,913	n.a.	1,840

Source: calculated from various hospitals documents and secondary data from BUK

\* estimation

\*\* January-June 2013

n.a.: data not available

# 3. Conclusion and Suggestions

## Conclusion:

1. BLUD affect public hospital significantly
2. The changes were not only in financial management aspect but also other aspects such as planning, governance and HR management
3. Implementation of BLUD in Java is better than outside Java
4. The success of implementation also depends on operational management system
5. Challenges for the hospitals:
  - Subsidy from government is still needed
  - Public hospital is a “political commodity” to win people voice

## Suggestions:

1. Hospital director & managers should be equipped with political communication skill in order to improve the effectiveness of advocating process.
2. Operational management system should be developed to support accountability of the hospital.
3. Hospital and stakeholders need to monitor hospital performance from various perspectives: clinical service, managerial aspect and financial perspective in balance.
4. Central government should regulate and monitor distribution of medical staffs so that hospital outside Java has same opportunity to perform as those in Java

Thank you for paying attention