

Financial Independence of a Public Hospital as Regional Public Service Body During COVID-19 Pandemic

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ABSTRACT

The continuity of quality health services supported by financial independence is the focus of research. Whether during the COVID-19 pandemic, public hospitals could be financially independent is an important question for this research. Study aims to assess the financial independence at public hospital as the regional public service body (BLUD) during COVID-19. This study uses a comparative descriptive approach by comparing data before and during the COVID-19 pandemic. The secondary data used are financial reports, patient visit data, and reports on the results of the community satisfaction index (IKM) survey from the Public Hospital AM. The results show that financial independence and community satisfaction for services have better impact to public hospital during COVID-19. Although patients gave a satisfied assessment of health services, the pandemic period had a negative impact on decreasing patient visits. In short, the decreasing number of patients does not affect financial independence and the quality of health services in public hospitals, on the contrary, it increases. This means that there is an increase in income from other sources that are not directly related to health services.

Keywords: Community Satisfaction Index, COVID-19 Pandemic, Financial Independence, Health Services, Public Hospital, Public Service Body, Quality of Services.

INTRODUCTION

During COVID-19 pandemic, health services experienced high turbulence. Demands for the readiness of health service facilities, resources for health service providers, and financial adequacy are the main keys for health service providers, in this case hospitals, during the COVID-19 pandemic. This shows that the health crisis can be overcome or triggered from various aspects. For this reason, the quality of health services is a very important topic both during normal times and during times of crisis, for example during the COVID-19 pandemic. During the pandemic, good service quality is still demanded by the community, while limited interaction with patients and financial resources are obstacles at the beginning of the COVID-19 pandemic (Ariyani, 2021). The limited interaction between patients and health care providers is caused by the nature of the virus that easily spreads between humans. This reason underlies health services to be limited and only patients in an emergency condition who receive high priority treatment. This situation is directly related to the number of patients, types of health services, and finance or income received by the hospital. This is of course based on practice during normal conditions that business practices in the health sector are closely related to services, patients, and finances. If under normal conditions the hospital's income is obtained from medical services and other income, during the pandemic period, hospital income is of course in a different situation. Sari (2017) discusses the quality of health services in terms of accreditation status without relating it to financial aspects. Furthermore, Ricca and Antonio (2021) also state that patient satisfaction is a significant measuring variable that became one of the reasons for return visits and referrals to others. For this reason, this study explores the relationship between quality health services during the pandemic and financial independence as the focus. To provide a research direction, the problem to be answered is whether during COVID-19 pandemic, public hospitals can still be financially independent and provide quality health services. Thus, this study aims to assess financial independence and quality of health services at public hospital during COVID-19.

LITERATURE REVIEW

Financial independence in the public sector, in this case public hospital, is driven by changes and reforms in public administration by adopting new public management (NPM). In practice is also followed in administrative aspects, health services, service strategy management, and public financial management.

New Public Management at the Public Hospital

Public administration reform in Indonesia by adopting the concept of NPM has also been carried out by other countries' governments, for example European countries, America, Australia and New Zealand. The transformation of public management in Indonesia is carried out starting from institutional arrangements, personnel reform, and no less important is the reform of state financial management (Mahmudi, 2007).

The spirit of public financial management reform by using the NPM concept to leave the administrative paradigm that tends to be related to convoluted systems and procedures, slow and ineffective service delivery. With the NPM paradigm, hospital management focuses more on performance orientation, such as outputs and outcomes. Through NPM, hospitals are transformed into organizations that have a flexible bureaucratic culture, setting goals and organizational targets more clearly and more measurably (Wiesel & Modell, 2014). Targets are measured using transparent performance management, accountable, and fair through sustainable strategic management.

Strategic management in the practice of NPM in hospitals is through the application of financial flexibility that is oriented towards financial performance and financial performance (Peraturan Menteri Dalam Negeri, 2018). Financial flexibility encourages the synergy of non-financial performance achievements through customer satisfaction, learning and growth, and internal business processes to achieve financial performance. The flexibility of financial management encourages hospitals to become organizations with the form of regional public service bodies in administration and finance in accordance with applicable Undang-Undang and regulations.

Flexibility of Public Financial Management for Public Hospital

Reforms in the public finance have been carried out by the Indonesian Government in implementing NPM concept began with the issuance of three financial management packages, such as Undang-Undang No. 17/2003 about State Finance, Undang-Undang No. 1/2004 about State Treasury, and Undang-Undang No. 1/2017 about Standard of State Financial Audit. The three regulations are expected to be a bridge to change the mindset or mindset in managing state finances to be more accountable, transparent, efficient, and professional. This is also supported by the encouragement to make improvements from the traditional budgeting process to performance-based budgeting within the government, both central and local. Based on performance, it is hoped that the direction of financial use will become clearer from the inputs and the process is expected to turn into outputs and outcomes in the long term. This change is very necessary considering the increasing need for funds, but limited resources owned by the government.

Reforms in financial management endorse the basis for providing flexibility to maximize health services to the community. According to Peraturan Menteri Dalam Negeri No. 79 of 2018, for a hospital as a regional public service agency (BLUD), financial flexibility is intended to increase productivity, efficiency, and effectiveness of health services. BLUD hospital focus on the performance of public services through the implementation of financial management based on governance, quality, strategic business, accountability, and transparency. Public hospital as one of the public service institutions plays an important role in improving public health services. Another important role is ability to serve community, must also be able to develop independently and provide affordable services to community (Juliani, 2018).

In contrast, high demands on hospitals are often constrained by the limited budget for operational costs coupled with a long bureaucratic flow in the process of disbursing funds. Thus, the BLUD concept is expected to overcome the obstacles faced by hospitals in financial management. The form of the hospital as PPK BLUD is expected to improve hospital performance so that the hospital's financial independence can increase (Candrasari, Kurrohman, & Wahyuni, 2018).

Indicators of Financial Independence for Public Hospital

Financial independence as an indicator of the success of the government hospital's business strategy and budget is an important criterion as a regional public service body (BLUD) hospital. Financial independence because of achieving financial performance can be analyzed using the independence ratio. The independence ratio is very suitable to measure the financial capacity of a BLUD's public hospital, considering the demands of hospitals to be independent in managing income and meeting hospital needs.

Calculating the independence ratio is one way to assess the ability of a BLUD to be able to fund all its programs and activities. The quality of financial independence is highly dependent on the pure revenue of the BLUD and the amount of subsidy income from the local government. The higher the value of the BLUD's pure income, the higher the quality

of BLU's independence. The high income of a hospital cannot be separated from the good quality of service and the amount of public trust in the hospital (Rensiner, Azwar, & Putra, 2018). There are several factors that influence patient satisfaction, such as reliability, confidence, responsiveness, and physical evidence.

During the COVID-19 pandemic, the business practices of health services in hospitals underwent significant changes. Health service providers both in hospitals and community health centers (puskesmas) are the main actors in health services as well as the frontline at the risk of being exposed to COVID-19. These changes in conditions limit the number of patients and interactions in health services. As a result, the number of regular patients decreased, and COVID-19 patients increased in early 2020 to late 2021 and until mid of 2022 starting the endemic period. This is also supported by the issuance of Instruksi Presiden No. 4/2020 as an effort to support the handling of COVID-19 pandemic in Indonesia. With the pattern of internal business processes in hospitals during the pandemic that experienced temporary changes in financial independence as an indicator of hospital performance, other supporting indicators are important to explore. Another performance indicator is the community satisfaction index (IKM) to measure the level of patient satisfaction. These two indicators are a measure of financial independence and the quality of health services according to the community for services in public hospital.

Financial Independence Ratio of BLUD's Public Hospital

Financial independence ratio is the real ability of the BLUD to finance all its expenditures using the BLUD's pure income. The BLUD financial independence ratio is used to measure financial independence (Table 1) with the following formula:

$$\text{Financial Independence Ratio} = \frac{\text{Revenue of BLUD}}{\text{Revenue from the Local Budget/Loan}}$$

The criteria for the independence ratio are as follows:

Table 1. The independence ratio of BLUD

| Financial Ability | Independence Ratio (%) | Relationship Pattern |
|-------------------|------------------------|----------------------|
| High | >75 – 100 | Delegative |
| Medium | >50 – 75 | Participatory |
| Low | >25 – 50 | Consultative |
| Very Low | 0 – 25 | Instructive |

Notes:

- Delegative shows independency in carrying out autonomous affairs so that they are no longer dependent on the government.*
- Participatory is close to being able to carry out autonomy so that the role of the government is getting less and less.*
- Consultative means BLUDs slightly more capable of implementing BLUD autonomy.*
- Instructive occurs when the role of the central/regional government is more dominant than the independence of the BLUD.*

Source: Mahmudi (2007)

To measure the level of public trust, it is measured using the number of patient visits at the Public Hospital AM before and after the pandemic, from 2018 to 2021. Based on Peraturan Menteri Pendayagunaan Aparatur Negara No. 14 of 2017, to measure the quality of health services in hospital, it is measured using the results of a community satisfaction index (IKM) survey () that has been routinely carried out in public hospitals. According to Peraturan Menteri Pendayagunaan Aparatur Negara No. 20 of 2006 state that the elements that are the focus of the implementation of the community satisfaction survey consist of:

1. Handling complaints, suggestions and inputs are procedures for handling complaints and follow-ups.
2. Requirements must be met in the management of a type of service, both technical and administrative requirements.
3. Implementing behavior is the attitude of officers in providing services.
4. Systems, mechanisms and procedures are service procedures for service providers and recipients, including complaints.
5. Implementing competence is the ability that must be possessed by the implementer including knowledge of expertise, skills and experience.
6. Product type of service specification is the result of service provided and received in accordance with the stipulated provisions. This service product is the result of each type of service specification.
7. Means are everything in achieving the goals and objectives. For example, infrastructure is the main support for the implementation of a process. Facilities used for movable objects and infrastructure for immovable objects.
8. Fees/tariffs are fees charged to service recipients in managing and or obtaining services from the provider, the amount of which is determined based on an agreement between the operator and the community.
9. Completion time is the period of time required to complete the entire service process of each type of service.

Each service element is measured using the weighted average value method with the following formula:

$$\text{Weighted Average Score} = \frac{\text{Total Weight}}{\text{Total Elements}} = \frac{1}{11} = 0,11$$

To obtain the IKM value is calculated by the following formula:

$$\text{IKM} = \frac{\text{Total of Perceived Value per Element}}{\text{Total Elements Filled}} \times \text{Weighing Value}$$

Furthermore, the IKM value will be converted to the basic value, which is multiplied by 25.

$$\text{IKM Service Unit} \times 25$$

The categories of the IKM interval value and the IKM conversion interval value are arranged to determine the level of service quality and the level of performance of the service unit, which can be explained in Table 2 below:

Table 2. Community Satisfaction Index (IKM)

| Value | Conversion | Quality | Performance Rank |
|-------------|----------------|---------|------------------|
| 1,00 – 1,75 | 25 – 43,75 | D | Bad |
| 1,76 – 2,50 | 43,76 – 62,50 | C | Medium |
| 2,51 – 3,25 | 62,51 – 81,25 | B | Good |
| 3,26 – 4,00 | 81,26 – 100,00 | A | Excellent |

Source: Keputusan Menteri Pendayagunaan Aparatur Negara No. 25 of 2004

RESEARCH METHOD

This research uses a comparative descriptive by comparing the number of patient visits before and during the COVID-19 pandemic at the Public Hospital AM in Samarinda, Indonesia. The secondary data used are financial reports, patient visit data, and reports on the results of the community satisfaction index (IKM) from 2018 to 2021.

Data Analysis

Data were analyzed using the ratio of financial independence, the number of patient visits, and the community satisfaction index from 2018 to 2021 at the Public Hospital AM. Data are compared and assessed for financial independence and the quality of health services at the public hospital as regional public service body (BLUD) public hospitals according to predetermined criteria.

RESULTS

Hospital with financial independence means the ability of public hospital, in this case the Public Hospital AM, to fund all of its activities with sources of income derived from its own operating income without assistance from other parties. This study measures level of financial independence of the Public Hospital AM in the pre-pandemic and during the pandemic. The results of the measurement of the independence ratio are as follows:

Table 3. Financial Independent Ratio of the Public Hospital AM from 2018 to 2021

| Year | Independent Value (%) | Category |
|------|-----------------------|---------------|
| 2018 | 73,05 | Participatory |
| 2019 | 77,73 | Delegative |
| 2020 | 106,57 | Delegative |
| 2021 | 96,56 | Delegative |

Table 3 shows that the independence ratio of the Public Hospital AM from 2018 to 2020 has increased, one of the reasons is the tiered referral policy required by the government health insurance (BPJS Kesehatan). While the financial independence of the Public Hospital AM in 2021 has decreased in the independence ratios. Even though the ratio decreased, this ratio is still quite high in terms of category as delegative. It means the Public Hospital AM has ability in carrying out autonomous affairs and no longer dependent on the government.

In regards services to patients during COVID-19 pandemic, the number of patients was still high as shown on Table 4 below.

Table 4. List of Patient Visits at the Public Hospital AM

| No | Year | Out-Patient | In-Patient |
|----|------|-------------|------------|
| 1 | 2018 | 66.363 | 11.034 |
| 2 | 2019 | 84.395 | 10.799 |
| 3 | 2020 | 55.041 | 6.719 |
| 4 | 2021 | 56.533 | 8.517 |

Table 4 shows a decrease in the number of patients both inpatient and outpatient during the COVID-19 pandemic. At facilities on outpatient installations, hospital policies to reduce service time and the number of patients served affect the number of outpatient visits. Patients visit number is one indicator to show, indirectly, quality of health services.

It can be said that if patients satisfy with health services, then the Public Hospital AM can ensure those by using community satisfaction survey (IKM).

Table 5. Community Satisfaction Survey (IKM) of the Public Hospital AM

| Year | Interval Value IKM Conversion | Quality of Service | Performance of Unit Services |
|------|----------------------------------|--------------------|---------------------------------|
| 2021 | 79,08 | B | Good |
| 2020 | 81,93 | B | Good |
| 2019 | 77,95 | B | Good |
| 2018 | 77,88 | B | Good |

Table 5 shows that the increase in IKM from 2018 to 2020. This shows that even in a pandemic condition, the Public Hospital AM can still maintain service quality by adapting behavior changes as an adaptation to the COVID-19 pandemic. The Public Hospital AM has developed service standards that conform to health protocols in accordance with WHO guidelines and standards.

DISCUSSION

Regarding to financial independence, the quality of health services can be seen from the number of patients for many reasons. One of this reason is the number of patients can contribute to hospital's revenues. In turn, revenues affect to financial independence ratio. From this point of view, the bigger number of patients will increase hospital's revenue, and vice versa. Therefore, patients' easiness to access health facilities is key factor to revenue, such as referral system. Referral system causes patients to have to go through stages from the first health facility and then to type C hospital. Furthermore, the patient will be referred to a higher health facility (type B or type A) if the previous hospital (type C) cannot be treated. This causes patients who are usually referred directly to type A hospitals to receive referrals from type C hospitals. In addition, people from other areas who live close to public hospital also have access to health services. The quality and type of hospital indirectly affect the preferences of the community or patients in using health services in public hospitals.

Furthermore, the financial independence of the Public Hospital AM of independence ratio during COVID-19 pandemic has decreased but it is still as delegative category. This is due to the large number of claims for handling COVID-19 that are in arrears. On the other hand, the purchase of emergency health care needs, such as oxygen cylinders, for patient handling continues to increase along with the increasing number of confirmed COVID-19 patients. This makes the local government to carry out a policy of increasing the allocation of the Public Hospital AM funds through funds sourced from unexpected expenditures. This policy is a derivative policy direction from the Presidential Instruction related to the handling of COVID-19 in Indonesia. The allocation of funds for handling COVID-19 is used to purchase consumables, incentives for medical personnel, medicines and the purchase of assets used in the COVID-19 isolation room. On the other hand, the pure income of BLUDs has decreased because the number of general patients being treated has decreased, this is because the rooms used for general patients are used for COVID-19 isolation rooms.

Community Trust Level

The level of public trust shows proportional level of community visits and as well as reputation of the hospital. Many previous studies have written about the level of public trust that affects the continuity of hospitals, but not many studies have discussed the level of public trust during a pandemic. Restrictions on mobility and people's fear of

visiting the hospital and delaying treatment at the hospital tend to reduce the level of community visits to the hospital during the pandemic.

During COVID-19 pandemic, the policy of limiting the number of patients served and the number of hours of service was taken by the Public Hospital AM to prevent medical personnel on duty at the hospital from being exposed to COVID-19. In addition, some of the officers serving in outpatient installations are assigned to the COVID-19 isolation room, resulting in a shortage of medical personnel serving in outpatient installations. This is coupled with the large number of medical personnel who are also exposed to COVID-19, both asymptomatic to severe symptoms, which has resulted in the number of medical personnel decreasing.

In-patients still need health services in any situation, especially during pandemic. This is because inpatient service rooms at the Public Hospital AM were used as isolation rooms for COVID-19 patients. In 2021 where the peak wave for the Alpha variant occurred in early 2021 and the peak of the Delta variant around June to August 2021 caused the Public Hospital AM to add more capacity to accommodate a surge in COVID-19 patients with moderate to severe criteria requiring home care. The increase in the number of hospitalized patients in 2021 is dominated by COVID-19 patients. The COVID-19 condition, which began to show a downward trend in the fourth quarter of 2021, prompted the Public Hospital AM to take a policy to reopen several inpatient installations and VIP inpatient rooms for the community. This has an impact on the increasing number of people who are treated at the Public Hospital AM.

Quality of Services

The Undang-Undang No. 25/2000 about the National Development Program (PROPENAS) needs to be compiled a community satisfaction index as a benchmark for assessing the level of service quality. Also, based on the Undang-Undang No. 25/2009 about the Public Service emphasizes that the management is obliged to periodically evaluate the performance of the implementation of public services. In addition, IKM data can be used as an assessment tool for service elements that still need improvement and become a driving force for each service provider unit to improve service quality (Nurriszka & Saputra, 2011). The community satisfaction index means data and information about the level of community satisfaction obtained from the results of quantitative and qualitative measurements from respondents or patients' opinions in obtaining services from public hospital.

In short, the study shows that COVID-19 has good impact on financial independence and community satisfaction with services at public hospitals. Although patients gave a satisfied assessment of health services, the pandemic period had a negative impact on decreasing patient visits.

CONCLUSION

Condition of COVID-19 pandemic that hit from end of 2019 until now has changed the way of life for all of us to adapt. The Public Hospital AM has proven to be able to survive, this is evidenced by the increasing level of independence ratio in 2020. Regional economic conditions that are increasingly difficult during the pandemic due to budget cuts and refocusing policies used for handling COVID-19 both at the central and regional governments have made the Public Hospital AM maximizes all available resources to continue to provide maximum service to the community. The condition of independence of the Public Hospital AM tends to increase during the COVID-19 pandemic. Even though the number of patient visits has decreased but the level of community satisfaction as measured by IKM has increased. In short, the decreasing number of patients at the

Public Hospital AM does not affect financial independence and the quality services in public hospital, in contrast, it increases. This means that there is an increase in income from other sources that are not directly related to health services.

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DECLARATION OF CONFLICTING INTERESTS

All authors declare that we have no conflicts of interest to disclose.

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