

CHAPTER 6

CONCLUSION AND SUGGESTION

6.1 Conclusion and Suggestion

In determining what kind of business model strategy a hospital will be created is starting from its economic substance, whether it is social-oriented, not-for-profit or maybe profit-oriented (private). Not-for-profit hospitals are unique because they have to balance profit for growth and provide affordable health service for middle-lower community. With all the complexity, hospitals may be spending more than billions rupiah annually to provide free health care due to its mission and mandate, therefore can encourage a not-for-profit business model strategy focuses on covering costs rather than optimizing profitability or revenue. To be able to compete in the future, Not-for-profit hospitals must embrace best practices of the for-profit; develop a cost limitation strategy, increasing revenue most importantly in their pricing strategy. Does it enable them to competitively generate profit without having to rely much on government subsidies.

Findings from this research is taken from a study from a public hospital own by Government, RSUD Koja, through interviews and questionnaires of management and program staff, and observations of the organization. Research particularly focus on three major unit: emergency unit, outpatient unit and inpatient unit. Overall results shows that the price rate currently charged for hospital services have cover the costs of providing the services. The cost recovery level across the nine three units evaluated was 77.52% for full cost recovery and 84.33% in 2009 implying that the hospital is experiencing profit on health service delivery. The analysis of costs and revenue streams has let the hospital to identify several findings to the financial sustainability of providing services:

- Grow and build strategy is appropriate for Outpatient Unit. Hold and Maintain strategy should be done by Emergency Unit and Inpatient Unit. Inpatient
- In hold and maintain strategy for emergency and inpatient unit, since there is limited scope for reducing the costs of providing services and external constraints, such as poverty levels of clients and competition from other

provider of services in the market, limit ability to collect revenues from these services. Therefore market penetration and promotion activities should be done to grasp new markets, thus increasing revenue from service and reducing dependency from government subsidies.

- In grow and build strategy for outpatient unit, customer care here is becoming top priority since RSUD Kojka has an opportunity to becoming reference hospital. The biocratic administration must be reduce and simplified, more flexible and off course provide customer care.
- Overall, services of all units is already in a some-what profitable price and therefore the hospital can recover cost with consideration that subsidies from government will keep on decreasing. However, to be compete with increasing number of private hospitals, study concerning rate price covering unit cost from each service must be put into consideration, with the addition of study of ability to pay from target customer. Although every hospital has a pricing strategy, some are more sophisticated than others. If a hospital's pricing strategy is driven solely by the desire to meet a budget, without a more deliberate, fact-based assessment of costs, contracts, and market conditions, that hospital will continue to be vulnerable to attack.
- A sound pricing strategy needs to incorporate a range of complicating factors, including the impact on the brand, payer contracting, compliance, competition, the cost of education and research, and the implications of consumerism. For example, consumerism is beginning to drive providers to reduce costs, change utilization, negotiate new contracts and rates, focus on quality reporting, and create new competition, such as express care clinics. RSUD Kojka in executing pricing initiatives need to consider these external influences to fully understand the healthcare pricing environment
- Organizations should develop dynamic pricing migration strategies that are customized based on the market and the organization's competitive position and that incorporate three critical factors: costs, comparative market data, and payment. The process should begin by analyzing hospital charge data at the unit and procedural level to determine each procedure's

contribution to charge-based, cost-based, and fixed revenues. Once this analysis has been completed, the goals and parameters for desired gross or net revenues changes should be defined.

6.2 Managerial Implication

By doing internal-external matrix and TOWS analysis, suggestion for each unit in order to achieve an independent hospital are as the following

- Emergency Unit
 - Service quality improvement
 - Marketing hospital improvement
 - Service and product development
 - Investment in human capital
 - Facilities and infrastructure improvement
 - Market penetration
 - Rate evaluation using unit cost
- Inpatient Unit
 - Service and product development, particularly for VIP and third class
 - Increasing marketing activities
 - Improvement in inpatient service quality
 - Improving human resource quality by generating a reward and recognition program to increasing their discipline and developing remuneration system to motivate them.
 - Rate evaluation by using unit cost
- Outpatient Unit
 - Improvement in outpatient due to lack of service efficiency
 - Building a customer care program and increasing on time delivery skills from health care staff
 - Increase customer satisfaction by simplifying bureaucracy and providing better facilities and infrastructure
 - Evaluate polyclinics rate by calculating their unit cost