Proposed Intervention [illegible] Hospitals during [illegible] Crisis

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There are two situations that I can sense in May 1998. The first one is the economic crisis that is presently full blown. Every day you see, hear, read and maybe experience the impact on the economic crisis. Most of the Indonesians already experience or will experience in someway or the other some aspects of the economic crisis.

The second is the question whether there is a hospital crisis in May 1998. The answer is different from hospital to hospital. Some hospitals were in real danger of closing in January 1998. The economic crisis has hit hard. No hospital manager has experienced such a crisis situation before and they tried to take action for example to lower their operating costs and to increase their revenues.

Some of us thought that certain private hospitals (in Jakarta), because of their negative cash flow will go bankrupt and close. In May 1998 there has been no reports on hospitals closure, especially private hospitals. Logically it will be impossible politically, morally as well as technically to close public hospitals.

From my brief observation and discussions with hospital managers in Jakarta, Surabaya and Cirebon, the BOR of a number of these private hospitals are increasing. This is also the case with public hospitals.

My general conclusion is that in May 1998 all hospital has in one way or the other survived the first part of the economic crisis. Hospitals have survived in comparison to the other businesses such as building contractors, real estate businesses, international franchises, etc.

Although the worst has still to come, can we than state that

> "INDONESIAN HOSPITALS ARE NOT IN A CRISIS".

Is this statement valid? The answer for public hospitals lies with the government and with the respective private hospitals. I doubt that there is information available that can verify this statement because limited information is available to monitor and evaluate a hospital crisis situation that can be used to develop intervention policies.

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Certain hospital data are being sent regularly by the hospitals to the MOH but my information tells me that not enough analysis is being done that could be used for monitoring "the crisis". This especially is true for the private hospitals.

So, who will be able to agree with the above statement? I doubt that anybody, the government, the Indonesian Hospital Association, donor agencies and UN international agencies, can agree for the simple fact that it is very difficult to make such a statement because of lack of important information.

When I studied health planning many years ago, my teachers told me that the first needed to formulate policies is reliable information and data. This is especially important in crisis management where serious mistakes can be made because of lousy decision-making not based on reliable information and data

This important policy workshop is aimed to produce policy inputs for the government. In an economic crisis such as this one, *everybody should be open-minded and try to think of old ideas and approaches that have not worked as failures and be open to new and innovative ideas.*

This paper mainly focuses on issues for providing hospital services for the poor and near poor who are the most effected by the crisis. It provides suggestions to directly overcome the crisis. This paper does not discuses conceptual ideas for hospital reform that has larger and longer-term impact.

Ideas for intervention in hospitals.

Hospitals are only a small part of the health care delivery system. Hospitals can only do so much in lowering health indicators because only a small portion (about 20%) of the population uses hospital services. Any attempt to do interventions in hospitals should take into consideration the broader picture of the health services.

Public Hospitals

If one states that there are no immediate crisis problems in public hospitals one can say that the statement is maybe right because for a long time BORs are low quality of services in most type C hospitals are not up to standard. The government has done several interventions such as the accreditation process and introducing the *Pro Active Hospitals* concept. The fact is that every day one can read letters of patients in the local newspapers complaining about the bad services they experienced in hospitals. Even the larger type B and type A hospitals have their problems in quality of services.

My suggestion for intervention for public health hospitals in this economic crisis is basic reform of hospital services. The following are suggested:

1. Stop inefficiency.

   In management terms it is called *greater cost efficiency*. In our daily language it is called *prevention and wipe out corruption, collusion, nepotism, manipulation* (CCN&M) which was very rampant in Pelita VI. Any system aiming

for development of better hospital services will fail if CCN&M will be maintained.

Some will ask me whether I have prove that CCN&M did happen. I will demand for the system to prove to the public that it did not happen. The existing mechanisms can actually already prove that CCN&M is there, but these mechanisms are not effectively utilized. Examples of mark up of prices have been studied.

The economic crisis has taught us that in public hospitals there is an acute shortage of drugs, laboratory chemicals, basic medical care equipment, other supporting utilities, funding for maintenance, routine expenditure, etc. There is no other alternative to take, if funding is very limited, operation cost is sky rocketing and CCN&M is still existing,

End CCN&M.

This is easy to say than to implement. My suggestion is that the MOH establish a team, outside the present system, which will be responsible to monitor CCN&M in public hospitals (and in any other health institution). Results of this team should be channeled to the appropriate government organizations such as Irjen, BPK, BPKP, and announced in a MOH newsletter.

Strict measures should be taken against the people involved in CCN&M. To be able to do so, there should be political will at high levels of decision making. The Minister should make a clear statement that cost efficiency should be the priority for the next five years, meaning that CCN&M should be ended. Every body in this country outside the ruling system is demanding that this will happen.

The MOH should step back and look at the public health hospitals system with a new vision. In the past we believed in the following about public hospitals:

2. *Accessibility and affordability*

Public hospitals should be accessible and affordable to the poor people because these hospitals are run by public tax money.

Not true!

From studies done, most of these hospitals are not accessible to the really poor. The government tried several policies: allocation of 25% of the private hospital beds for the poor, subsidizing hospitals a certain amount of funds for the poor, the *Kartu Sehat* program, the referral system where one has to go to the health center first.

In fact the really poor are still not able to access the services they need. Hospital inpatient services are the last alternative for the poor in their care-seeking behavior. Before going to the hospital, they seek services from traditional healers. If they are admitted to public hospitals, their condition is advanced and if they leave, they will leave without paying and let the hospital take care of

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their bad debt. From data at RSCM, bad debt has increase in the last three months.

All hospital beds, especially the lower class beds, should be available for the poor. The poor will not seek for hospitalization in the popular and expensive hospitals in large cities. They will select the hospitals "matching their economic class". The question that we have to answer is "Should private hospitals be responsible for the poor?" One will argue for it is based on the social responsibility concept.

Private hospitals should provide services for the low-income population that they already serve. Look for instant at the religious hospitals. They are non public and have provided services for the low income as well as the poor. We have to differentiate between *kurang mampu* (low income) and *miskin* (poor).

My suggestions:

The MOH is not responsible for the poor. The MOH is responsible for providing health services for the poor. The "real owners" of the poor are the Ministry of Interior, the Minister of Social Affairs, and the Ministry of Finance. They should be responsible for the poor to be able to access the hospital system. These partners should take care for supporting the poor financially if they need hospital care, should establish a social health insurance system. The existing schemes for the poor such as TAKESRA and KUKESRA could be expanded to cover cost for hospitalization. The *Kartu Sehat* scheme could be integrated into this scheme. This idea should be carefully planned so that it will not end up as a failure like the former interventions.

3. *Public hospitals are cheap.*

This is maybe true in the past. In this crisis, *public hospitals are becoming more expensive* because drugs and hospital utilities are not available and should be purchased outside the hospital with a higher price. If these are available, patients now have to pay more in comparison to last year.

My suggestion:

Public hospitals should be heavily subsidized for at least six months, the period where the crisis will hit hardest. This means that any poor person should be accepted and treated at public hospitals. Subsidies should be targeted for special purposes such as basic medical equipment and drugs in relation to epidemiological disease patterns in a certain area. *Blanket approach policies are not appropriate for this crisis.*

The *Kartu Sehat* scheme should be reinforced with providing clear guidelines to all hospitals on how to financially manage *Kartu Sehat* patients. This should include financial backup for such patients.

The government has already taken action to purchase drugs and equipment. Other governments have provided similar support. The reality has to be checked in the hospitals. The question is whether this support has made or will make a

difference in providing basic services at public hospitals especially for the poor.

A monitoring system should be setup to evaluate whether the actions taken by the government are really effective. My guess is that with all this support, the poor has still to spend money for hospitalization because in a crisis situation like this there are always parties and people who will take advantage of the crisis for their own benefit. Further more clear guidelines are nearly always not ready.

For at least one year, public hospitals should be exempted from the decree of the Ministry of Finance where they should submit all their revenues to the government. A financial analysis should be carried out on macro level on how much this will cost the government.

4. *The Cost Efficiency Team*

A *cost efficiency team* (ET) should be established in all public hospitals. The main task of the ET is to provide management with advice on areas for efficiency and monitor whether steps taken are effective. Based on advice given by the ET, management should take action.

The ET membership should not exceed 8 persons, 5 selected from the hospital and 3 from the community. The community should be involved because they are the party who utilizes services. The ET should later be developed into a full fledge Public Hospital Board. This is in line with WHO recommendations on involving the community in decision-making.

Advice should include efficient use of available hospital resources such as electricity, water, gas, and closing of inefficient utilized wards and services, optimizing hospital manpower, improving the quality of services, and overall service quality.

The ET will be able to function effective if the management will be open to share information and more important to listen and follow up the advise given. In the very near future the MOH should issue a decree for establishing the ET, especially in response to the crisis situation and in relation to the clean government movement.

5. *Problem Solving for Better Hospitals*.

Hospitals are coping with many and different problems especially in facing the crisis. There is always a tendency for hospital managers to try to solve several micro problems from higher management levels. This approach has many times proven to be unsuccessful because problem solving is done top down with limited or without important support and participation of the staff involved in the problem. Sometimes management has not enough information on micro problems that they try to solve. So they create the problem. Most of the problem solving is budgeted and need one year before funds are available to solve the problem.

My suggestion:

A *Problem Solving for Better Hospital Movement* should be initiated by the MOH. The movement is aimed at problem solving of micro problems in hospitals that could be solved by the staff with the available resources or resources identified from outside the hospital. This approach could also be used to solve larger system and managerial problems.

Every hospital has to initiate the movement, which should be chaired by the hospital director. It is very important that top management is willing and committed to solve problems in his or her hospital. To start this movement, the hospital staff should be introduced to the new approach in problem solving to solve service as well as for management problems.

A two and a half-day workshop should be carried out attended by the staff. They have to identify a problem or problems in their work environment and prepare steps for problem solving. After the workshop, hospital staff should carry out the problem solving process them selves. Most of the problems do not need funding to solve. Some need funding depending on the type and magnitude of the problem.

Students of the UI Graduate Program for Hospital Administration have implemented the problem solving approach in over 70 projects in different hospitals in Jakarta. The results are now being evaluated.

The basic philosophy of this approach is *start with solving small problems. The big problems (which consist of small problems) will eventually be solved*. This approach has been carried out in over 20 countries with good success rates. This approach is especially relevant for situations such as the crisis we are now in where resources are scars.

6. <u>The Hospital Information System</u>.

The MOH has a complicated information system, which consist of different subsystems, which does not need to coordinate among them. Available data collected are seldom analyzed for the purpose of policy making. This has been going on for a long time. There is a pressing need for quick and reliable data on the crisis not able to be supplied by the present MOH system.

That is why, information on what is happening in hospitals during this crisis is very limited and does not give clear indications on the status of the crisis in hospitals. One will not be able to evaluate and monitor the crisis by using routine collected data. For crisis monitoring specific data is needed such as data on special drugs and equipment availability, status of service quality, cash flow, etc.

My suggestion:

An alternative information system should be set up *complementary* to the existing public hospital information system run by the MOH. A university, an NGO, or the private sector should run the system.

Critical macro and micro analysis should be carried out from the data collected and send to the MOH decision makers and other institutions such as donor agencies, international agencies or hospital business circles. With an initial small investment one could run the system and aim for sustainability in 2 years time.

7. *Hospital Research*

The issue of hospital research (not medical research) is complicated for the simple fact that hospitals do not want to invest in research. That is why very little research has been done in hospitals. Research done in the past are mainly on financing and costing of hospital services. Many other areas of hospital management need to be research especially during this crisis.

To improve hospital management and services during this crisis, a large number of research projects have to be carried out on different aspects of hospital management. Results should be used for better management at micro and macro level and also for teaching purposes. The question is who will provide the needed funds and which institutions are interested and have the capacity to do research?

My suggestion:

This must become a special priority for the Center for Health Research and Development of the MOH. In the very near future hospital research should be carried out to monitor the crisis and how hospitals cope with the crisis.

Research should be done with other research institutions and hospital administration programs. Quick action should be taken especially in providing funds to do research. The routine research selection process should be passed to enable researches to directly do the research.

Hospital administration programs at universities should be strengthened and provided the necessary resources to do research.

The Private Hospitals

1. Private hospitals have the disadvantage of not being financially supported by the government. They are much more vulnerable in this crisis situation compared to public hospitals.

   At present there is no information available on how good or bad the private hospital situation is in relation to the crisis. If hospitals have to be closed down or discontinue some of their services because of the crisis, the question that has to be answered by the government is *whether the government will step in to help those hospitals.*

   The possibility of closure is very real especially because of the increase in gasoline and electricity prices introduced on July 15, 1998. A multiplying effect will occur that will spiral up cost in relation to provision of services. Can a hospital state bankruptcy?

My suggestions:

Several alternatives are available to help hospitals in danger of closure:

a. *Merger of hospitals*.

From the experience of bank mergers in Indonesia, merging seems not to be easy. That is why hospital merger is still an idea that has to be exercised. What kinds of processes and experts should be involved in a merger process is not clear especially because the legal and financial status of several hospitals is questionable.

The question is *should the government intervene in the closure of hospitals?* If the answer is "yes", the next question is whether the government has made preparations to do so? What is the role of the MOH?

b. *Subsidy by the government*.

This alternative seems not to be too realistic at this stage of the crisis. The IMF does not agree with any subsidy by the government to the private sector. If the position is that hospitals should be looked at differently because of its important role in improving health of the people, a special case could be argued by the MOH to the Minister of Finance. Closure of factories is different from closure of hospitals.

c. *Tax deduction and exemption for the private hospitals*.

This has been one of the alternatives argued for a long time by the private hospitals. The problem that arises is that not all hospitals are open about their revenues. They try to hide their revenues and profits so that they will pay lower tax. It is known that to do so they can bribe the tax officials. For 1998 the government should provide some tax deduction or exemption to release the private hospitals from their financial burden. How this will be initiated and how this will be done is still a question. The Indonesian Hospital Association could play a role here.

d. *Just let the weak die*.

This is what the free market is all about. Why should one worry?

2. Private hospitals are competitors among themselves. They operate on individual bases without considering working together to save costs. Many hospitals in a certain area invest in the same expensive services and equipment. The results are under-utilization of services, misuse and overuse of services that end up with increasing prices to be paid by the patients. This crisis will hopefully encourage hospitals to collaborate with each other.

My suggestions:

a. *Combined use of expensive medical equipment.*

This will lower operation and maintenance costs. This means that certain hospitals have to discontinue

services using certain expensive equipment and use available equipment in other hospitals. An economic analysis should be made of several hospitals in an area with the same expensive equipment that will be able to provide advise to the certain hospitals to close down services because during this crisis and in the long run this will be more profitable.

The question is who should initiate this process? The government, the Indonesian Hospital Association, the university or a private consulting agency. And who should pay for the analysis? In the past there have been talks about this subject but there was no follow up because there seems to be no need for collaboration. This crisis will hopefully move the discussion and action on this issue.

b. *Joint purchase of drugs, equipment and spare parts*.

If the private hospitals can make arrangement to do joint purchasing directly from the producers and bypass most of the distribution points, this will decrease prices by about 30%-40%. Some of the religious hospitals have always done this.

The Indonesian Hospital Association and the Indonesian Medical Association have plans to do such purchasing. I doubt that these organizations will be able to do so in the near future because there is a need for professional business expertise to start such encounter.

I think that hospitals should come together and do their own business with the producers of drugs and equipment. Because drugs, equipment and spare parts are many and very variable, a system should be developed where the hospitals can do their purchase based on certain brands and models.

The biggest problem is whether this idea will be acceptable to hospitals that are competitors. The crisis maybe can do miracles.

c. *Outsourcing of services*.

This could be done among hospitals or by third parties. Services that can be outsourced are for example cleaning services, site maintenance, administrative services, laundry, sterilization, equipment maintenance, etc. The direct problem is that in this crisis these services are partly or not yet available. Outsourcing will decrease operational costs if contracts between hospitals and third parties are clean. Hospitals that already do outsourcing should inform other hospitals on these possibilities.

On individual hospital level, every private hospital should be encourage to do the following in this crisis:

1. *Development of a new strategic plan*.

   The strategy developed before the crisis should be reviewed and changed if needed. The new strategy should be based on limited funding, scars resources, less manpower, decreased of services, and lower quality operational standards and procedures. Considerations should be given for new target markets. The large private hospitals in Jakarta are now catering patients who usually go abroad for treatment. The smaller hospitals should look for more focussed targets such as developing insurance schemes for employees of companies and factories. The management should be innovative to look for new markets.

2. *Stop new investments in buildings and expensive equipment*.

   It is strategically not sound to make new investment now. The hospital should capitalized on what it has now and try to make it efficient.

3. *Efficient use of drugs and equipment*.

   One could argue that all expenses for drugs and equipment will be charged to the patient. That is true but that will make the cost of services high which will in turn keep patients away in this crisis.

   Better drug formulary should be developed using cheaper drugs with the same effects. Shorter medical and administrative procedures should be introduced so that cost can be decreased. This is the right time for management to impose management priorities on the specialists.

4. *Recalculation of unit costs.*

   Calculation or recalculations of unit costs are needed in this crisis where the rupiah rate against the dollar is changing by the day. This exercise is very difficult to do and hospital should start with certain assumptions to set unit costs. Hospitals that operate without calculating unit costs are strongly advised to doing so.

5. *More efficient use of manpower*.

   Hospitals are manpower intensive and salaries are one of the high costs centers for hospitals. In this crisis more efficient use of manpower is a must. The possibility of layoffs is also real. Because no data is available on layoffs in private hospitals, it is difficult to predict how big and serious the problem is and how to solve the problem.

   Layoffs will happen first in administrative manpower followed by supporting services. The last will be the nursing and medical staff. How the manpower problem is being managed by the private hospitals need to be studied. What is the government doing about this? Should the MOH be concerned? We should try to answer these questions.

6. *Improve preventive maintenance*.

   Break down maintenance of equipment

is a very expensive approach in this crisis. Spare parts are scars, expensive and not always available. There is no other alternative than improving preventive maintenance and more cautious use of equipment by the staff.

Special efforts have to be introduced by management especially concerning the use of equipment. Operating manuals should be available, guidance should be given to the staff using the equipment and control should be carried out to check staff behavior in using the equipment. This does not only include medical equipment but all kinds of equipment available in the hospital.

7. Rearrangement of debt.

Hospitals that still have to pay their debts should re-negotiate. This has probably already been done. No information is available on this issue. The question is whether the MOH should play a role in this is not clear.

The *Problem Solving for Better Hospitals Movement* and research should also be implemented in private hospitals.

Suggestions for the private hospitals are also valid for public hospitals. For public hospitals, several of these suggestions will need a basic change in public hospital regulations and most important government financial regulations. At this moment, many of the suggestions can not be implemented in public hospitals.

Some Last Words

We should be able to select the suggestions that are important to be included in a *Safety Net* for coping with the poor. The number of poor and near poor has increased because of the crisis. The only place they can go to for help is the government. If the government, in this case the MOH, do not response quickly and positively, this will backlash and put the MOH in a very difficult position.

The people will not tolerate smoke screens to cover up government incompetence and inefficiencies. This workshop should function as a milestone for reform in the health sector including the hospital sector. Follow up action is needed very quickly. Slow action on the part of the MOH is not desirable in this crisis.

Who will be responsible for taking the lead? How coordination will be carried out between secretary general office, the director generals and directorates? These are the managerial questions to be sorted out. If in the past certain coordination approaches did not work, state it as a failure and try to look for other new approaches. This is what reform is all about.

A last word to donor agencies and UN international agencies. Please help us in putting our priorities in the right places without imposing your policies on us. If in the past you have been almost powerless in watching inefficiencies in the system in relation to utilization of your funds, you should take a new stand and asked for accountability of the funds you provide. This will help us to emerge quicker out of this crisis.

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Program Pelatihan

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Materi Pelatihan yang [illegible] diantaranya:

- Manajemen Strategis
- Analisis Biaya dan Penetapan Tarif
- Cost-Containment dan Efisiensi
- Feasibility Study dan Analisis Investasi Produk Baru
- Strategi Pemasaran Produk RS
- Team Building
- Manajemen Lingkungan RS

Serta topik-topik lainnya