

Hospital Transition, Indicator, and Economic Evaluation in COVID-19 Situation

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Abstract

In the activity cooperating with the pharmaceutical industry and various healthcare support industries, the hospital management system is dilemma; whether following the missionary hospital pattern, or the profit-seeking system. In this case, this causes a relative difficulty to manage if the hospital production input is profit-oriented, while the hospital does not behaves for a profit. Practically, there will be anomalies, for example in the religious hospital, the drug and consumable management is carried out based on the principle of maximizing profits while the hospital mission is to help the poor. If the hospital decreases the drug price or even subsidizes it (selling the drug at below the purchase price from the distributor). Finally, the religious hospital will be difficult to pay for the poor service, because the cost of production factors cannot be decreased and the subsidies are not obtained. This also happens to a government-owned hospital. Will humane-owned hospital change into a for-profit enterprises? These questions triggered the various hospital change from a social entity to a business entity. In this change, various indicators are needed so that there are guidelines for making changes.

Keywords: hospital, economic evaluation, management, profit, service

1. Introduction

At the end of twentieth century, various countries governments are difficult to finance the health services fully [1]. According to a health service management expert, in eschewing

the welfare-state concept, there is a view transition, such as, from a hospital planning that is oriented to the public health service to a strategic plan that resembles the business entity. This situation can be seen in the hospital autonomy process [2].

The point is various transitions, such as, the hospital planning system changed from an annual bureaucratic planning or a social entity service to a planning process known as strategic planning [3]. In this planning, there are various techniques used in the company planning, such as Strength, Weakness, Opportunity, and Threats (SWOT) analysis, and a business strategy formulation [4].

The strategic plan preparation requires a special skill that can be learned from a book and a strategic management training. Another needs attention is the needs term us for planning [5]. In the needs approach, the health service planning is carried out based on the community's need for the health service without considering the economic status. This aspect transition uses the demand concept, in which the community is judged on their willingness and ability to get the health service [6]. By using this demand approach, there are various people groups who are able to finance themselves, but some need the government subsidies or help from the social entity to meet their needs for the health service [7].

The disease and death pattern, or epidemiological data, has turned into data that can be used for a hospital marketing [8]. Various disease development trends are used to forecast the market prospects for hospital users. This transition recognizes the term production management to describe the hospital program development in the community. The term community groups who use the hospital are recognized as a customer [9].

In this change, various business principles are used by the hospital. The hospital is not only oriented to the public health, but also they have to think of the business systems to grow and develop [10]. The regional hospital condition in Indonesia shows that the business orientation is not being watched over, causing a failed development. As a result, all hospital

functions are disrupted. This transition causes the hospital seems to be the business entity based on the economic and management principles used by other business entities. This impact demands some changes in various standard arrangements that are traditionally rooted at the health service system, including the government management [11]. This transition has resulted the hospital to be the economic and social character entity. In this case, it is worried that if the impact is not managed properly, the management pattern confusion and inaccuracy will emerge [12]. This transition is not only from one extreme to another. In this case, we need an appropriate combination of the public health orientation and business orientation [13].

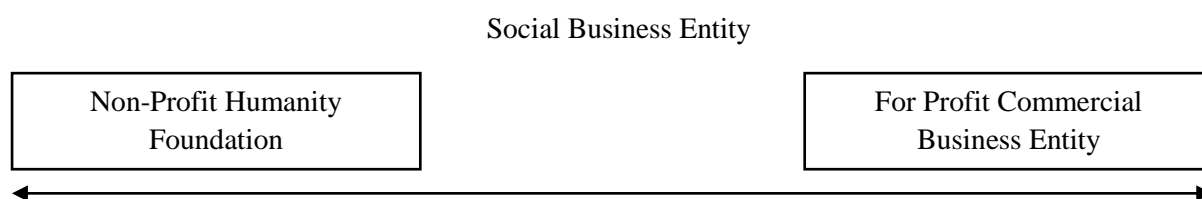


Figure 1. The hospital spectrum takes the form of pure humanity foundation and commercial business entity

A firm or business entity is assumed to aim maximizing profits (for-profit). However, some business entities do aim maximizing profit (non-profit). This lies the hospital as the non-profit business entity [14]. The hospital business entity having a mixed motivation (hospitals in the form of non-profit business entity) and the profit business entity. In Indonesia, it is difficult to find a humane hospital truly.

As the non-profit and profit business entity, the hospital cannot be separated from the environmental influences. In this case, the natural environmental changes will encourage the hospital to be an entity characterized by multi-products that require a handling with the right management concept [15]. Broadly speaking, this concept can be described as follows: a

hospital is actually a business entity that has various strategic business units, for example the inpatient installation, laboratory, emergency care, nutrition, and burial affairs.

2. The Hospital Change from Social Entity to Social Business Entity

An extreme example shows that a hospital is managed as a mall, with the laboratory installation, polyclinics, nutrition, and even nurses are contracted by the other party. Thus, the hospital as a whole can be considered as a business entity that has various strategic business units (businesses) [16]. Why is it called a strategic business unit? These units are used directly by the community, are assessed, and have some kind of accountability (profit-loss). A Strategic Business Unit (SBU) is an operating unit or a planning focus that groups a distinct set of products or services sold to a uniform set of customers, facing well defined set of competitors.

These business units are supported by the hospital and functional management. Broadly speaking, several main areas of functional management are: (1) finance; (2) human resources, (3) technology; (4) procurement and purchasing; (5) functional medical; (6) information systems, and (7) marketing. The strategic business units include: Installation Outpatient, Inpatient, Emergency Care, Laboratory, Radiology, and so on.

The hospital business unit is a controversial matter. The point of view that refuses to say that the hospital business unit can create an unnecessary limit that endanger the service quality for the patients, because a patient, for example a cesarean section patient, receives an integrated service from various hospital business units. Actually, it has no absolute independence between business units. Patients who enter the hospital and receive the service from all units in an integrative manner. If the business units are too independent and too selfish and chauvinistic, it might endanger the service quality for the cesarean patient. It is also worried that the business unit system development will cause the hospital to only generate some profits by neglecting other functions.

In this time, the strategic hospital business unit concept still needs a further research and development. However, it needs to emphasize that the hospital installation is a business units that must be managed in a competitive condition. Thus, the business entity spirit should be owned by the head of installation. This relates the hospital autonomy concept. It hopes that the hospital decision making autonomy can be partially delegated to some manager installations.

In developing into a business entity, the government-owned hospital will certainly not develop into a for-profit business entity, but rather as a non-profit business entity. Currently, the Ministry of Health has changed the Central General Hospital (RSUP) to an institution under State-Owned Enterprises (BUMN) predicate in the form of a Service Company (Perjan), based on the Law no. 9/1969. By the Government Regulation No. 64/2001 existence regarding BUMN, legally the RSUP will be under the Ministry of State-Owned Enterprises (BUMN). This is the further action of status cancellation of Self-Financing hospital which return into Non-tax revenue (PNBP) agencies and the existence of decentralization policy of health service.

The development of becoming Service Company (Perjan) and Regional-Owned Enterprises (BUMD) for the regional hospital is still controversial, especially in 2003 when a new policy emerged to bring the Central General Hospital (RSUP) into a Public Company (Perum). The opposite opinion states that the Service Company (Perjan) form (especially Perum) is a hospital social aspect denial. Meanwhile, the side opinion stated that the Service Company (Perjan) form is the hospital development strategy. In addition, there is a third opinion which states that the Service Company (Perjan) form is not appropriate for the hospital. It was proposed to be a special form regulated by the hospital law.

The developments show that the hospital has a de-facto shifted from a social entity to a business entity with various business concepts. The result indicated that the health service

history has changed from a service based on imperialism to be a missionaryism, and finally at the end of the 20th century it develops with a corporate value. There are no longer substantial subsidies to finance its service.

Practically, the religious hospital has become a business entity that has to pay for all activities from the patient income. The religious hospitals in Yogyakarta have lost the subsidies source. By losing this subsidies source, it is inevitable that the religious or humane hospitals must use the income from patients as the fund source. In this case, in reality, the religious hospital has been developed into business entity, but they still have a religious or social mission.

The question at this point is, is it good or bad to be a business entity, because a business entity is a service based on business principles? The further question is, is business bad? In this case, it is necessary to study the meaning of business. The business definition) is as follows:

"Business is a business supplying the quality products and services to satisfy customers' needs to obtain an adequate long-term return to survive and develop the business."

3. Entity that Can Apply the Business Principles

Based on the above definition, a hospital is an entity that can apply the business principles without violating the medical ethics and protecting the poor. The customer's need satisfaction means that the need is determined based on a medical indication. The Long-term return can be in the form of financial return or non-financial return. Thus, handling the poor is an action that has a return, instead of money, but it achieves the hospital's social mission. Surviving and developing are the entity basic principle to undergo the future. Without development based on quality, a hospital will decrease performance and eventually decline. In this case, the hospital needs to develop and carry out the social functions by applying the

ethical business principles. Therefore, it is necessary to have a hospital concept that is managed based on the business entity principle that has a social function.

One of the business principles that can be used in a hospital is the Balanced Scorecard concept. In the late 1990s, the industry received input on the Balanced Scorecard concept. This concept emphasized that a successful company does not only pursue profit, but also strives to pursue customer satisfaction, human resource development, and quality processes. The development of the Balanced Scorecard concept is relevant to be applied in the hospital. Based on the excellent service principle and the Balanced Scorecard concept, the indicator used to assess the hospital success as a business entity with a social function, such as:

1. Human resource empowerment and development
2. The process of implementing activities
3. Customer or donor satisfaction indicator. This indicator is an adaptation of the Balanced Scorecard concept.
4. Financial indicator.

In detail, the four perspective indicator values can be seen in Figure 2. Medical employees, paramedics, and other employees are important hospital assets that must be empowered with various human resource development programs and good compensation. The health service quality process can only be improved if the employees are committed and trained in their work. It is impossible to show the hospital service quality if the employees are not good. Efficient health service quality is the goal. In this case, efficiency can not be achieved only by improving the management system but also at the clinical medical and nursing process.

Furthermore, a good and cost-effective quality hospital service process will increase the health service user satisfaction. The user satisfaction will trigger the success of sustainable finance. In this case, it needs to be emphasized that the hospital users are not only

people who buy, but also people who donate or buy for other people (humanity fund donate), and the parties who provide subsidies, such as government agencies. Their satisfaction values must be considered carefully. Without the government subsidies or humanity fund, the hospital will a difficulty to develop.

The hospital success on the financial sector will be possible to realize various missions including protecting the poor, being a good place to work for human resources, and improving the wider community welfare. Systemically and continuously, the good financial hospital will be able to continuously improve the service process quality and human resource commitment.

A hospital as the business entity needs watch over the Balanced Scorecard concept in order to develop. By referring to the modified Balanced Scorecard principle for the hospital, it is possible that a form of business entity can function socially.

In this regard, there are two possibilities: (1) a cross-subsidy approach; and (2) the donor and subsidy approach. The critical question at this time is whether the business entity's social aspect runs based on a cross-subsidy approach? The answer is difficult, because the cross-subsidy is difficult to increase the hospital competitiveness as a business entity. The author's research at a government hospital shows that VIP room tariff is far below the unit cost. VIP room tariff is below the unit cost. The concern is a lower class patient shares the subsidies to the upper class. This is possible because the drug price has the same advantage between the upper class and the lower class, while the number of lower class patients is much higher than the upper class patients. The cross subsidy concept, if carried out purely, will be detrimental to the competitive power of a hospital, including the international competitiveness.

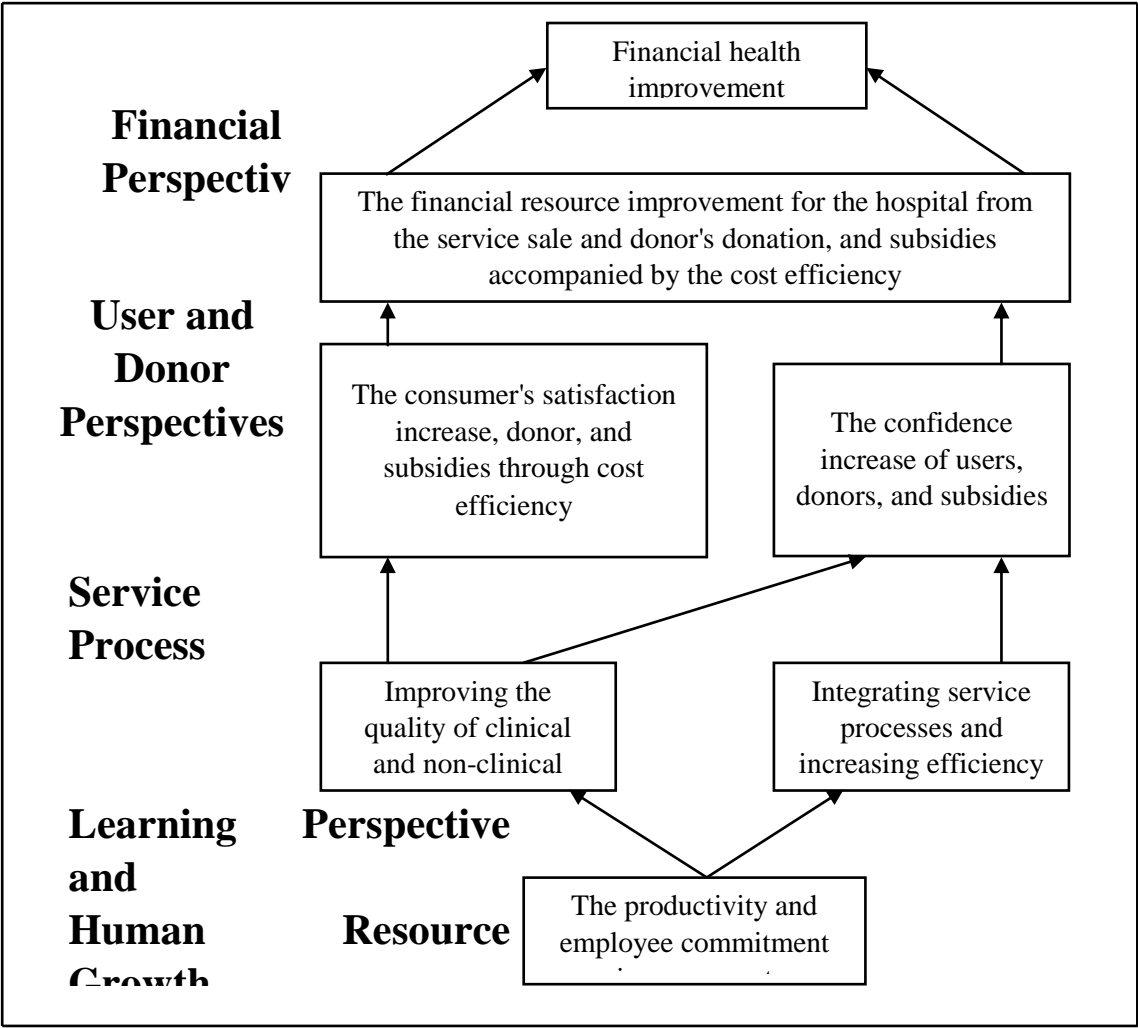


Figure 2. Entity's values are based on four perspectives.

This cross-subsidy approach practically expects the hospital director to do a very tough job; such as health service entity's manager, and the regulator of community income redistribution which incidentally is the government responsibility. It is conceivable that the burden on the board of directors and management staff is very heavy in carrying out this cross-subsidy, which is actually beyond their reach.

A second approach based on the donor and subsidy would make more sense as shown in Figure 2. Thus, the donor or subsidy is a hospital social aspect of the hospital, which is not using the cross subsidy. The question now is who provides the poor subsidies? The government is of course the party that must be responsible for this subsidy. The government

is the party that should set the budget allocations fairly [17]. The function of making budget allocations should not be with the hospital directors.

In Indonesia, the 1945 Constitution (UUD 1945) has guaranteed that the poor are under the state responsibility, not the government responsibility or private hospital financial resources. The 1945 Constitution indeed indicates that the Republic of Indonesia actually has a welfare-state view. This understanding is proven by the existence of JPS in Indonesia or Medicaid and Medicare in the United States. The problem in Indonesia is that the JPS program was not originally designed as a permanent hospital financing system, so there is a term as an exit strategy. In the UK, the government subsidy comes from taxes and state products.

5. Conclusion

Besides the government subsidy, there is another alternative in the form of raising the humanity fund. Who provides the humanity donor? In this case, the four main donor markets are an individual, foundation, company, and governments. Currently in Indonesia, these humanity donor is getting smaller and smaller. It is increasingly difficult for the religious hospital to get a fund, especially the operational costs in treating the poor. Is it true that the humanity donor source to serve the poor has exhausted? It is difficult to answer this problem. The Center for the Health Service Management, developed various training to raise the humanity fund. However, the results were not yet known. Currently, the hospital is de facto as a the business entity. However, legally, philosophically, and culturally, some hospitals are not ready to be the business entity. Another important thing in hospital policy related to the source of hospital fund and revenues is a tax issue. Various observations show that a hospital is considered to be the same business institutions as other for-profit enterprises. As a result, various economic activities, including the purchase of medical equipment, were imposed with various taxes, including the luxury tax. This is different with Malaysia where the hospital has

various exceptions in a taxation. Therefore, a new policy in Indonesia is needed in a taxation for the hospital.

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