

# The Development Of The Health Sector

Nieke Monika Kulsum<sup>1</sup>, Mahyudin Ritonga<sup>2</sup>, Irina A. Akhmadullina<sup>3</sup>, Albina A. Akhmadullina<sup>4</sup>, Dian Arif Wahyudi<sup>5</sup>

<sup>1</sup>*Universitas Nasional, Jakarta, Indonesia. E-mail: niekemonikal@gmail.com*

<sup>2</sup>*Muhammadiyah University of West Sumatera, Indonesia. E-mail: mahyudinritonga@gmail.com*

<sup>3</sup>*Kazan Federal University, Russia*

<sup>4</sup>*Kazan Federal University, Russia*

<sup>5</sup>*Aisyah University of Pringsewu, Indonesia. E-mail: dianarifway@aisyahuniversity.ac.id*

## **Abstract**

*The current development of the health sector in Indonesia is not optimal. For example, hospital service quality standards are still not well organized, the number of doctors especially specialist doctors is still small, the distribution and income of doctors is not equal and some doctors have low income, and the performance indicators of health service institutions have not been used significantly. This section aims to discuss the development of components of the health sector in Indonesia so the analysis can be carried out properly. This discussion is needed to understand the constraints that exist in the growth of the health service sector in Indonesia. In discussing the development of the health sector, various key actors in health services need to be identified, namely the government, the community, and third parties who are sources of funding, such as PT Askes Indonesia, the Community Health Care (JPKM); service providers, including the pharmaceutical industry and educational places for health workers; and overseas lenders (World Bank, Asian Development Bank, Overseas Economic Cooperation Fund), as well as international grant-giving agencies such as World Health Organization (WHO), German Technical Cooperation Agencies (GTZ), United States Agency for International Development (USAID).*

**Keywords:** *health sector, government, hospital, regulation, community health care*

## **1. INTRODUCTION**

For nearly a half century, Indonesia government tends to view health as a sector that is not based on economic law. Various government regulations, including Public Health Center (Puskesmas) and hospital medical costs that affect PT Askes Indonesia or Community Health Care (JPKM) premiums are determined based on social and political considerations, not on the concept of unit-cost and subsidy. Management of specialist doctors is carried out without considering the concept of the labor market [1]. People are accustomed to know health as a sector that is financed by the government and cheap. This situation reflects the uncertain situation regarding the role of the government in health sector [2]. Actually, the de-facto health system in Indonesia operates based on market mechanisms, however the national health system is managed not based on economic law, so it is necessary to think about the role of the government in life that relies on market mechanism [3].

Conceptually, the role of government in this spat's health can refer to the third way, which has values: equality, protection of the weak, freedom as autonomy, no right without responsibility, no authority without democracy, cosmopolitan pluralism and philosophical conservatism. Therefore, the government must firmly decide on health services as a social service or as market commodity. If it leads to market commodity, then we need an appropriate system with clear priorities to protect the poor (as the weak party that must be maintained). Various health services, including Community Health Care (JPKM), can be implemented by private institutions with good quality control system [4]. The government is also expected to continue to guarantee



various matters related to unbalanced information, until providing social security. At the government level, the government acts as an activity actor, thus several activities are carried out such as: coordinating the private sector so market failure does not occur and carrying out activities to overcome inequality by redistribution [10].

The understanding of good governance is various. There are three pillars in civil society, namely government, society, and the institution of business actor. An understanding of business actor institution does not have to seek profit. In the context of good governance, what is the role of the government in the health sector? There are three roles of government, namely (1) regulator, (2) financier; and (3) executor of activities.

### **3. Decentralization Policy and the Role of Government**

The health decentralization policy in Indonesia emphasizes the role and function of government institutions in the health sector. Government Regulation (PP) No. 25/2000 emphasizes the role of the central government as a regulator. The role of the provincial government appears to be limited, while the roles of district and city governments are not explicitly stated, thus requiring various interpretations [11]. The results of workshops on the effects of decentralization on institutions in health services in Indonesia during July 2002 - August 2002 show that there have been various interpretations of the function of the District Health Office. This interpretation cannot be separated from the influence of the environmental situation of the government and society on the relevant agencies. As an illustration, the Yogyakarta City Health Office tends to choose a role as a regulator in curative activities, while in District X it tends to act as an implementer in curative activities [12]

Overall, it can actually be interpreted that the government is expected to function more in the role of regulation and provider of fund, especially in the private sub-sector institution which has already carried out many activities. It means that a lot of curative action in the health sector [13]. The private sector tends not to carry out promotive and preventive activities without the support of government funding unless the preventive and promotive actions lead to a more private-goods. In the health sector, there are various government agencies operating. The role as executor is carried out some institutions such as central or local government owned hospital. The role as a provider of funding sources can be carried out by the central and local governments. The role as health service regulator can be carried out by the Ministry of Health for the central government for the health system in Indonesia or the Provincial and District / City Health Offices. The role as executor requires good management system. One of the concepts that need to be developed in improving the management system is the concept of managerialism and hospital autonomy [14]. Changes of government's role in the hospital sector can be seen in Government Regulation no. 8 issued in early 2003. Government Regulation (PP) No. 8/2003 regulates the position of regional hospital but also strengthens the functions of Provincial and District or City Health Offices. It can be interpreted that as a substitute for Government Regulation No. 84/2000, and PP No. 8/2003 reinforces the role of the agency. In changing the structure of the health system, the Health Office is expected to play a role as a policy maker and regulator including licenser for hospital [15]. In addition, as a technical policy maker, it is hoped that the Health Office can manage the health financing system. In this case, for the province, the Health Office will manage the deconcentration fund. Beside of regulatory and policy-making functions, the agency is expected to provide public services. In the health sector, activities with large element of public good for example preventive and promotive activities, are expected to increase the role of the Health Office.

It appears that Government Regulation No. 8/2003 conducted managerial separation of regional hospital from Health Office. It is feared that this situation will result in fragmentation of the health system. In responding to this separation, it is necessary to study the consequences in the form of repositioning the relationship between RSL and the Health Office. Government Regulation No.8 / 2003 implies a separation of the management aspects of regional hospitals from Health Office. On the other hand, Government Regulation No. 8/2003 emphasizes the licensing function held by the agency. As a consequence of this structural change, regional hospitals need to be monitored for aspects of the quality of health services and their function in the referral system by Health Office. This monitoring needs to be linked to hospital licensing.

Therefore, a new discourse arises: regional hospital as health service institution must be treated the same as private hospital in term of licensing. Analogous to driving license (SIM) which must be applied to all people (including civil servants) who wish to drive a car on public roads, hospital licensing must also apply to government hospital [16].

#### **4. Society**

Society is the party who have to change their economic perspective on health. From a historical perspective, Indonesians are accustomed to view health as social-missionary service system. With a historical background, it is possible that the society is not ready to understand health services as an industry based on unit cost. In this case, society considers that health services are the right that must be fulfilled by the government. People are not ready to pay for health services. This is evident from National Socio-Economic Survey (Susenas) data in various regions which shows that household expenditure on tobacco is greater than expenditure on health [17].

In a community context, efforts must be conducted to meet the needs of the health insurance system by doing risk pooling. It is understandable that Community Health Care (JPKM), which currently relies on simple primary health services, is unable to attract participants. In this case, there is no demand to buy low-cost insurance premium because people still think that medical cost is still low. In addition, there is the possibility that the society will still have their own mutual cooperation (social insurance) if a family member is sick or a village member or a co-worker is sick. Various studies have shown high drop out rates and Community Health Care (JPKM) failures in various places [18].

People in Indonesia must aware that health services are not true public goods. The economic situation of the country makes people have to pay for health services. Government funding cannot afford the entire health care system [19]. People who can afford it are asked to pay through Community Health Care (JPKM) system or directly (depending on condition). In this case, a systematic effort is needed so people are ready to accept the fact that health services require quite high cost, so they are interested in paying the medical cost by pre-payment such as health insurance premium and through Community Health Care (JPKM). The opportunity to obtain health fund from the public is still high because household spending on cigarette is still high [20].

#### **5. Health Insurance**

In several countries, there have been various changes which include various things such as: competition in various insurance companies and options for insurance; demand for increased satisfaction of insurance buyer; approaches to contractual relationships between different levels of government and between buyers and providers. In fact, the health insurance system in the developed countries operates with economic approach, namely demand and supply, while for poor society, the government will provide assistance [21].

However, in Indonesia the development of a health insurance system is carried out without using the principles of economic-based business institution. The system for calculating medical cost and payment for hospitals that is carried out by PT Askes Indonesia as the largest health insurance manager in Indonesia has not fully used economic approach. The system used in PT Askes Indonesia which is mandatory for civil servants based on Joint Decree (SKB) between the relevant ministers has not been able to motivate doctors and hospital managers, health service providers and the society to buy it. The Joint Ministerial Decree (SKB) is not an economic instrument, but rather a social instrument that does not reflect the business logic based on economic principles [22].

The government program namely Community Health Care (JPKM) is still far from good. The sharp criticism for Community Health Care (JPKM) is that this program has the impression of selling preventive and promotive products which incidentally are public goods programs that must be financed by the government. Community Health Care (JPKM) should sell curative products with promotive and preventive aspects that integrated.

Thus, PT Askes Indonesia and Community Health Care (JPKM) still do not function as economically attractive alternative sources of funding for health services, except for several voluntary products in PT Askes Indonesia. In the future, Community Health Care (JPKM)

system and health insurance institution must be structured so society interest to the health care system increases. In this case, it relates to the question: are specialty doctors being paid through the capitation model? History shows that doctors are not educated at all about capitation so they tend not to understand it. Doctors and specialty doctors are educated in a cash and carry atmosphere.

When planning for health insurance improvement, past history needs to be considered. PT Askes Indonesia has a long history of criticism from doctor, hospital and society. Community Health Care (JPKM) trials in various regions were not accompanied by independent evaluative research so the results were confusing and there was an impression that the failures had occurred tended to be covered up. In the future arrangement, several things must be considered, namely: (1) Aspects of Micro Management of Community Health Care (JPKM) Health Insurance; (2) The relationship between the community and the Community Health Care (JPKM) and PT Askes institution; and (3) Relationship between health insurance agency- Community Health Care (JPKM) and service providers.

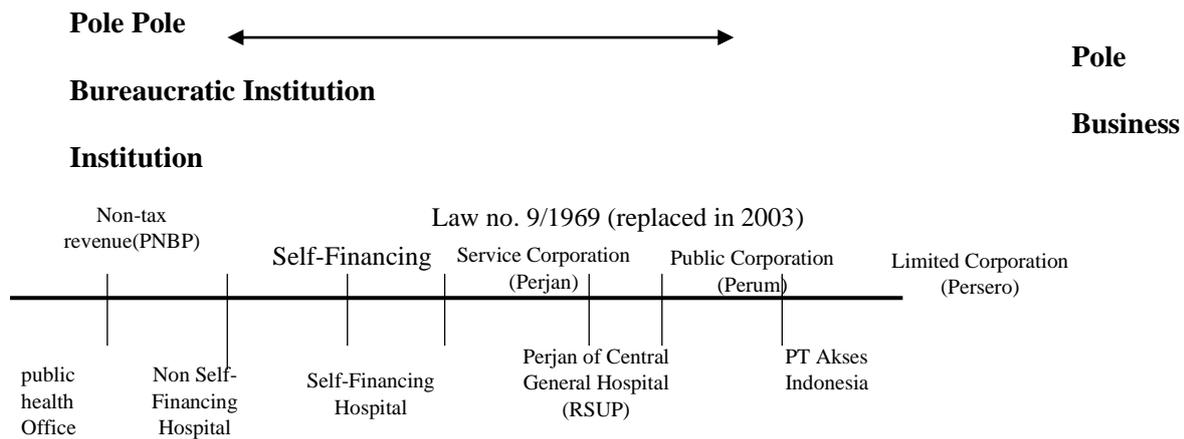
In the future, it is hoped that Community Health Care (JPKM) and health insurance companies will be business units based on risk principles and meet industry criteria. In this case, micro management skills are needed to process health insurance and the Community Health Care (JPKM) Implementing Agency. In fact, the quality of managerial skill and management system still lack and have shortcomings. The case of Batak Christian Protestant Church (HKBP) in Tapanuli Utara shows that skills of managed care are still lacking (Sitorus, 1998). This can be understood because there are not many Indonesian human resources or staffs who understand and are skilled about the concept of managed care and health insurance.

The relationship between society and insurance institution is actually based on a rational economic theory of society. If people are not satisfied, they will tend to complain or leave the health insurance system. This is related to public trust in the health insurance system that can be identified through risk pooling. The drop-out problem in the voluntary membership system is an important issue and the absence of a law that requires people to become members of Community Health Care (JPKM) and health insurance.

The relationship between health insurance institution and Community Health Care (JPKM) and service providers is an industrial relationship which is expected to contain win-win principle. Without the win-win principle, things will happen that tend to hinder the development of the health insurance system (Farida and Kushadiwijaya, 1998). In this case, the relationship between PT Askes Indonesia and the hospital is not actually an industrial relationship because it is determined based on three ministerial decrees on Askes for civil servants. As a result, there were various disagreements regarding financial matters between the hospital and PT Askes Indonesia. However, in 2002, various activities were carried out by PT Askes Indonesia to reduce tension with hospital administrators that stemmed from the problem of paying patient's health insurance. One of the interesting things is that the Indonesia government participates in providing contributions to PT Askes Indonesia as the employer for civil servants. It is hoped that the activities carried out by PT Askes Indonesia in improving the relationship between its institution and various parties can be a good momentum for the development of health insurance in Indonesia.

## **6. Health Service Provider**

In various countries, there are almost the same symptoms, namely the existence of decentralization policies, including autonomy for health care institution; competition among providers; improving primary health services; and improving service quality through evidence-based medicine programs as well as increasing efficiency. Economic principles are increasingly being referred by health service providers, including in countries that implements welfare state principle. Health services are increasingly leading to a market marked by the increasing number of health services that have become private goods.



**Figure 2.** The spectrum of organizational types in government-owned health sector institutions

In Indonesia, health service providers are looking for a model, whether it leads to business institutions or other forms. Government hospitals are moving from bureaucracy to business institution. Likewise, private hospitals are moving from missionary and humanitarian institutions towards institutions based on the concept of enterprise. The development towards this business institution seems irresistible, because it is a global phenomenon. If the hospital sector in Indonesia does not follow the phenomenon, it is likely that the hospital will have difficulty in keeping up with world competition.

According to Figure 2, there are two poles that move away from each other, namely the bureaucracy pole and the business institution pole. Hospitals in Indonesia are currently shifting from the pole of bureaucratic institution to the pole of business institution. In a hospital owned by the central government, this is marked by the change in status to a Service Corporation (Perjan). The shift from bureaucracy to business institution has not been easy. Public and private hospitals have experienced what is known as trapping in the past. More clearly, the hospital management system is trapped by the bureaucratic characteristic of the past and can be pathological.

The bureaucratic structure designs to make the public bureaucracy be able to provide services to the public efficiently fairly and evenly, it also has the potential to produce various forms of bureaucratic pathology, which makes the bureaucracy dysfunctional. This situation is called the pathology of the bureaucracy. In the hospital sector, several pathological phenomena of the bureaucracy are as follows:

1. Attitudes and behavior of hospitals that do not respect consumer. One of the reasons is the scarcity of doctors and the weak position of the patient, resulting in paternalism in the doctor's service. This arrogant attitude of doctors is contrary to various research results that want humane doctor services. The data on the number of specialty doctors is a cause for concern. Indonesia lacks specialty doctors which ultimately lowers the rate of economic development in the health sector.
2. Poor coordination between various agencies in charge of hospital. An example is coordination in the placement of specialty doctors which can be contrary to logic. Case in point, a hospital in the pre-decentralization era that already had many specialty doctors was forced by the Regional Office of the Department of Health (KanwilDepkes) to accept additional specialty doctors, although it is not needed.
3. The procedure for procuring tools, equipment and consumables is convoluted. Various empirical evidences such as the existence of a Presidential Decree (Kepres) which reduces efficiency in procurement of goods, purchases of medical devices by the central government that are not required by hospitals, rigid centralized drug procurement are examples of bureaucratic pathologies that are very easy to find in the hospital government.
4. The use of procedures (ICW) which is a legacy of the Netherlands is no longer suitable for the current situation. Until 2003, ICW procedure when the Regional Hospital Association

(ARSADA) Work Conference in Balikpapan was still being debated because hospital administrators asked for financial management autonomy, while the financial authorities stated otherwise.

5. Bureaucratization of hospital accreditation. The accreditation process mixed with the influence of bureaucrats will cause fear, thus eliminating the essence of the accreditation process, namely the development of service quality. The fear of not passing hospital accreditation so the hospital management tries to get the accreditation in various ways. In that circumstance, it can happen that a hospital is very busy pursuing accreditation but forgets the basic prerequisite to become a good business institution in health services.

The development of various forms of bureaucratic pathology is detrimental to the hospital user community [23]. This symptom is often found in government hospital. Further impact is the confusion of the internal view of the hospital. Thus group fragmentation can occur. Government hospital directors can easily become a group of bureaucrats who have different vision and work culture from the specialty doctor.

## 7. Staff in Hospital

One of the main factors attributed to the slow development of the health sector is the shortage of experts and professionals in hospitals. In this case, there are two major groups, namely management professional and medical-nursing professional. Research by the GadjahMada University (UGM) Center for Health Service Management shows that the managerial skills of installation directors and managers as well as head of Functional Medical Staff (SMF) are still very limited. This is natural because their recruitment to their current position is not based on managerial technical skill. In the government hospital sector, echelonization has resulted in the emergence of bureaucratic hospital director, while in the private institution there is a phenomenon of "puppet" director who is appointed only for formality. Thus, there are relatively few management professionals who are trained and master managerial skill. As a result of the scarcity of skilled management, the creation and expansion of health programs is hampered [24]. In the medical-nursing field, it is clear that the number of specialty doctors and expert nurses is very low. Various figures showed that there were very few specialty doctors and consequently were multiple jobs in several hospitals. In this circumstance something resembling a specialty doctor cartel can emerge, which holds the power to regulate the number of specialty doctors who enter education down to the distribution of alumni.

The existence of a very large concurrency of work has resulted in difficulties in the management system in managing its specialty doctors because there is no reasonable contract system. There was a kind of complication in the spread of work. Moreover, some specialist doctors think that the profession should not be regulated by outsider because the number specialty doctors are limited and very small so their power to bid is very high. For example, it is now commonplace for orthopedic surgeons to sell pen to repair a fracture without going through the hospital financial system. This behavior is against the management system of modern business institution and can violate the Consumer Protection Law. This behavior arises because of low trust in the hospital management system or because of profit motivation or because of an inefficient hospital management system.

Due to the scarcity of certain specialty doctors, those who wish to cure or recover from illness have two alternatives: (1) finding specialty doctors in other countries; or (2) using alternative medicine. This can provide an explanation of government officials and wealthy people in Indonesia who go for treatment overseas or to explain why alternative medicine is increasingly common in Indonesia.

## 8. CONCLUSION

The Ministry of Health is a department that the output is difficult to measure. In contrast to physical projects, the indicators of success can be viewed objectively. In the projects of the World Bank and the Asian Development Bank (ADB) in the health sector, the indicators are not clear. Several physical projects such as the construction of hospitals have failed in various places, such as in Kalimantan and Sumatra. Currently, there has never been an independent evaluation of the impact of World Bank or Asian Development Bank (ADB) project or the

Overseas Economic Cooperation Fund (OECF) on the public health status management system. For this reason, it is hoped that World Bank and Asian Development Bank (ADB) projects can be evaluated by an Independent Evaluator Agency. In this case, a study is needed to determine the accountability of aid projects and foreign loan.

The scarcity of specialty doctors in Indonesia cannot be separated from the development of specialty medical education establishment. The lack of specialty doctors can be seen in the historical process. The Faculty of Medicine does not place the educational process as important. The history of the large development of the Medical Faculty and health academic budget is very sad. There is no special budget for education. Specialty doctors who have the status of lecturers seem to pay more attention to aspects of medical services in private hospitals that provide high incentive. The private health service system needs to be improved with a variety of actions, including equipping human resources, especially specialty doctors. If the hospital does not have specialty doctors, then private hospitals are asked to train specialty doctors at educational center. If the education center does not want to accept it, it is necessary to find specialty doctors from Southeast Asian (ASEAN) countries.

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