

Ahead of its time?

The case of public hospital conversion in Jakarta

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Outline of Session

- Background
- The experiment
- Implication
- Key messages

- DKI Jakarta :
 - Funding for hospital USD40 million per year for operational cost
 - Funding for the poor: USD10 million per year (purchased services)
- Common issues in public hospitals
 - Inefficiency in hospital management
 - HR issues resulting in poor services
 - Huge investment for quality and services improvement but no significant improvements
- MoH instructed experiment to find a better model of public hospital management

Local Regulation set up (2004)

Experiment 1 Pasar Rebo
(Public Hospital converted to corporate)

Experiment 2 Haj
(Foundation to For-Profit Corporation)

Experiment 3 Cengkareng
(Newly built, run as Corporate)

Experiment 1: Pasar Rebo Hospital

Public Hospital

Technical
Operating Unit
(UPT)

Public Hospital with more autonomy

1991 - 1998

* Use up to 80% of their earnings

* Private wing

Private Clinic (after-hour): 75%-25%

* At least 40% cost recovery.

* At least 50 % of the total number of beds are for the poor (third class).

Corporate

2004:

Limited
Company

* 99% DKI
Government
share

* 1% Staff
Cooperative
share

Experiment 2: Haj Hospital

Not-for-Profit (Foundation)

1994: Government-owned
hospital managed by
Foundation

For-Profit (Corporation)

2004: For-Profit Limited Company

- * 51% DKI govt share
- * 42% MoR share
- * 7% Staff Cooperative
- * 1% Haj Association

Experiment 3: Cengkareng hospital

**Newly built by DKI gov't
(2000 – 2004)**

Established as
Limited Company (2004)
* DKI gov't share (99%)
* Staff Cooperative share (1%)

Initial implications:

- Delivered services to private patients (OOP and private insurance) and public patients (free for poor residents; 80% subsidized for near-poor, civil servants & military personnel insurance).
- Managed its retained earnings
- Increased effort in accountable planning management and operational efficiency measures
- Introduced performance based HR management

PT Rumah Sakit Pasar Rebo

- Gave options to existing civil servant employees:
 - Retire from civil service and become private employees
 - Remain as civil servant and transfer to public hospital

PT Rumah Sakit Haj

- Originally had private employees and health staffs

PT Rumah Sakit Cengkareng

- Recruited new employees and health staffs

Issues

- Staff (civil servants) unhappy with contract arrangement
- Doctors (civil servants) unhappy with new procurement policy
- Population served
- Mix of income from government vs income from OOP

Disciplined health
staff

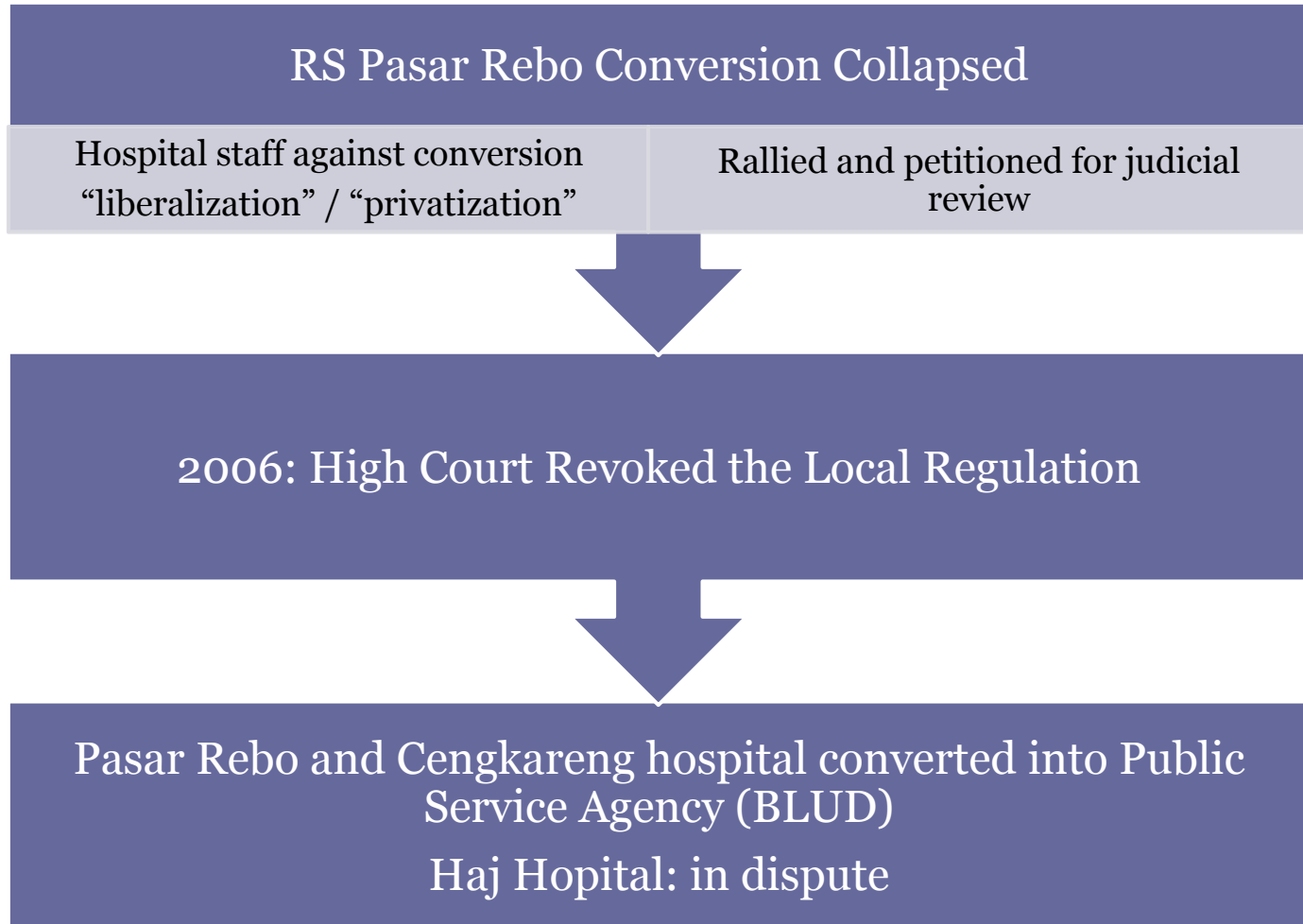
No changes in the
proportion of public
patients

Result in
year one

Slight improvement
in BOR, LOS

Slight decreased in
government'
operational funding

What happened next ...



Current standings

- **Public Service Agency Act (2005)**
 - Enabled hospital to become Public Service Agency in order to give them more financial authority
 - All public hospitals in DKI Jakarta are now Public Service Agencies (BLUD)
- **Hospital Act (2009)**
 - Forbade government to convert ownership of public hospital to private
- **Public Service Act (2009)**
 - Allowed corporation, or any other legal institution, manage and operate a public service institution, or provide public services.
- **PT Rumah Sakit Pasar Rebo and PT Rumah Sakit Cengkareng still exists (divestment still pending), although the hospitals themselves have become Public Service Agencies (BLUD)**
- **PT Rumah Sakit Haji taken over by Ministry of Health**

Key Messages

- Reform is also a political issue
- Clear understanding of the meaning and concept of what is “privatization” and what is not
- Manage the “human” side of reform
- Context: timing, legal framework and enabling environment
- Different interests at different level of government (Central and Local)