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Hospital financial control strategy in the COVID-19 Pandemic era

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ABSTRACT

Background and purpose: The pandemic of COVID-19 is an unprecedented medical and economic challenge for healthcare system. The number of patients during pandemic of COVID-19 had a rapid growth which led to changes in services aspects that threaten financial viability of hospitals, including private hospitals. This study aims to determine the efforts of private hospitals in maintaining financial stability during the pandemic of COVID-19.

Methods: A qualitative study with a multi-case design carried out in 7 (seven) private hospitals in Denpasar. Informants were obtained based on a purposive sampling approach. This study recruited 19 informants from 7 private hospitals in Denpasar. Data was collected through in-depth interviews conducted face-to-face, using the Zoom and Whatsapp applications. The data were analysed using a content analysis approach.

Results: Almost all hospitals stated that their finances disrupted. Financial mitigation efforts were difficult to do, hospital preparation and responses were dependent on the hospital's financial condition and regulations that changing, and recovery efforts were not easy either because in general the community's economy has not recovered.

Conclusion: Private hospital finances were experiencing disruption. Mitigation efforts were difficult to do due to the unpredictable changing regulations and policies during the pandemic. Based on the study results, it can be recommended that the hospital management needs to develop a service strategy that is able to overcome the problem of the surge in the number of patients.

Keywords: COVID-19, finance, pandemic, private hospital, stability

INTRODUCTION

COVID-19 is an infectious disease caused by a new type of corona virus. The World Health Organization declared that corona virus as a pandemic since the disease had spread throughout the world.¹ COVID-19 Pandemic has created a health and socio-economic crisis which led private hospitals to face double burden during the pandemic. On one hand, private hospitals must increase the investment in manpower, equipment, consumables and other resources to ensure safety, security and health readiness in hospitals as well as for patient treatment. While on the other hand, hospitals experienced a sharp decline in patient visits and a decrease in the number of elective surgeries which became a source of income for private hospitals. Private hospitals were likely to experience a decline in business value if the pandemic situation persists.²

The rapid growth in the number of patients with illnesses caused by COVID-19 leads to exceeded hospital capacity and treatment capacity. Almost all hospitals experienced a decrease in number of beds due to switching functions into isolation rooms and handling patients with COVID-19. This change has a potential threat to continuity of the hospital's business and finances with additional costs that must be incurred to prepare a new service, namely special services for patients with COVID-19.³ In carrying out the operations of health institutions, hospitals are in dire need of strategic decision making to prevent bankruptcy. Hospitals can consider budget changes to strengthen business continuity or make changes to their business strategies to adapt to COVID-19.⁴

Business Continuity Plan (BCP) is the process involved in creating a system of prevention and recovery from potential threats to the company. Plans developed to ensure that staff and assets are protected and can function quickly when disaster happens. BCP is a strategy taken to avoid business bankruptcy in hospital sector. This process intended as a dynamic tool for use in emergencies, disasters, and other catastrophic phenomena where technology, buildings or departments are severely affected.⁵ Until now, BCP consists of 4 (four) stages, namely mitigation, preparedness, response and recovery.

Research on BCP conducted in hospitals as well as research on the financial stability of hospitals in Indonesia remains very limited. Based on the Regulation of the Minister of Health of the Republic of Indonesia Number 59 Year 2016⁶ concerning the exemption of infection fees for certain emerging disease patients, it is stated that the cost of treating COVID-19 patients is exempted from financing treatment to hospitals. However, dispute occurs, so the hospital must bear receivables from the National Health Insurance Agency (BPJS) while hospital services continue to run in accordance with quality service standards. Based on the background, this research is aimed at exploring the efforts of private hospitals in Denpasar in maintaining financial stability during the COVID-19 Pandemic.

METHODS

This research used a qualitative approach with a multi-case study design to understand in-depth the efforts of private hospitals in maintaining BCP-based business and financial stability during COVID-19 pandemic. The study was conducted in seven private hospitals in Denpasar because it has the highest number of private hospitals in Bali with more varied types of private hospital than the other districts.

Subjects in this research are the private hospitals' managers. There are 19 informants selected purposively according to the principle of adequacy and data saturation. The inclusion criteria of the informants are willing

to participate, understand the hospital's financial process, have experience in working as a manager for at least one year. Triangulation of methods and informants were carried out to maintain the validity of the data. Methods triangulation was conducted using in-depth interviews, documents and literature reviews, while informant triangulation was conducted by analysing the data obtained from three types of informants, namely the President Director, Deputy Director/Head of Finance, and Deputy Director/Head of Medical Service.

Interviews were conducted through the *Zoom* application and *Whatsapp* media because of the social distancing and activities restriction during the COVID-19 pandemic in Bali. Interviews conducted by the researchers and lasted about 15-30 minutes per participant. Before the interview conducted, the researcher gave an explanation of the aims and objectives of the study, then the informants were asked to sign an agreement as an informant. Interviews were conducted at the place agreed upon by the informants and researchers. In this case the researcher is not part of the hospital management, so there is no information bias from informants.

The collected data were business planning process consisting of mitigation, preparation, response and recovery processes. Mitigation is the stage of providing relief in disaster risk. Preparation is an act of disaster preparedness. Response defined as a disaster response action that includes the two most important elements, namely rescue and relief. While recovery is a step in carrying out recovery related to disaster damage. In-depth interviews were conducted using a pre-prepared list of questions. The interviews were recorded and followed by writing transcripts of the recording results. Researcher created a code for each informant so that transcripts can be distinguished between informants. The transcripts were re-read and compared back with the recorded results to make it more accurate. The transcripts were marked for words that considered important, after which data encoding was carried out. Codes that had the same meaning were regrouped, so that it was easier to process data and set aside overlapping or repetitive questions. Data from the interviews were analysed using a content analysis approach.

This study has been approved by the Ethics Commission of the Faculty of Medicine, Udayana University with an ethical clearance No.1079/UN14.2.2.VII.14/LT/2021.

RESULT

Based on Table 1, it can be observed that that the age of informants ranged between 30-65 years and the majority of respondents were male (68.4%), with educational level of bachelor degree (73.6%). Only few of them had master degree (26,4%) and the working period were ranged from 2 to 24 years.

Table 2 describes the private hospital financial overview. It is found that there are 3 (three) sub-themes about financial management of private hospitals, namely regulations that change quickly, balance sheets that are not balanced and suffer losses.

Disrupted hospital finances are made more difficult by changes in the uncertain situation, including rapid changes in government policies related to COVID-19 management, as in following statement:

Because we will work with time to deal with government regulations that keep changing all the time. We just want to do an analysis, suddenly there's something new again, right?" (Informant 17)

The declining income also has an impact on the hospital's cash flow. Disrupted cash flow causes the hospital's operating expenses to increase. Hospital cash flow is disrupted if hospital revenues decrease while hospital operating expenses increase.

Table 1. Characteristics of informants

No	Informants Code	Age (years)	Gender	Working period (years)	Education
1	01	47	M	8	Bachelor
2	02	42	M	11	Bachelor
3	03	40	M	11	Bachelor
4	04	37	M	10	Bachelor
5	05	57	M	6	Bachelor
6	06	34	F	7	Bachelor
7	07	40	M	13	Bachelor
8	08	48	M	5	Bachelor
9	09	30	F	2	Bachelor
10	10	47	F	22	Bachelor
11	11	55	M	22	Bachelor
12	12	34	M	6	Bachelor
13	13	54	M	24	Master
14	14	55	F	23	Bachelor
15	15	42	F	15	Bachelor
16	16	65	M	4	Master
17	17	48	F	18	Master
18	18	43	M	16	Master
19	19	64	M	6	Master

Table 2. Private hospital financial overview

Theme	Sub Theme	Simple Sub Theme
Hospital financial overview	Regulations are changing fast	a. Fast-changing government regulations
	Unbalanced scale	a. Revenue dropped b. Expenses increased
	Loss	a. Slow growth b. Deficit c. Decrease in turnover d. Loss e. The hospital's finances greatly disrupted because it was "bigger a peg than a pillar".

In 2020, after that, it started to go down. and the results of our audit yesterday after doing our audit were negative. Yes, from 2019 to 2020 were minus. It will automatically have a very significant effect, yes because of corona so everything goes down.... what percentage will it be if yesterday we were at 9.9 2019 and only for the tax. After that 2020 we will minus 2.3 M, maybe. I forgot to calculate what percentage it would be.” (Informant 15)

The decreased income in hospital was also followed by an increase of expenses, which resulted hospital turnover and decreased growth as in the following statement.

"2020 we were still positive, only slowed down its growth so that the position of our deposit, eee... also slowed down compared to 2019..." (Informant 8)

Table 3 shows that the hospital's financial recovery efforts were carried out by monitoring cash flows, joint financial analysis with hospital financial consultants and asking for help from other parties, either from the government, banks, or other donors.

Table 3. Analysis of private hospital financial recovery efforts

Theme	Sub Theme	Simple Sub Theme
Recovery	Financial analysis	a. Cash flow monitoring b. Conduct financial analysis together with financial consultant
	Asking others for help	a. Request COVID-19 claims that have not been paid by the government b. Requesting additional funds from shareholders c. Delaying bank installments d. Requesting additional capital from the bank

Hospitals need a hospital disaster management team specifically in preparing revised business plans, but unfortunately the hospital did not have a special team to carry out financial analysis. Therefore, in a pandemic situation, hospitals took steps to work with financial consultants to deal with uncertain financial stability issues, such as the following quote.

"So if it's special, we don't make a special team to do that analysis. So, together we continue to be accompanied by consultants, there are financial consultants" (Informant 17)

As the COVID-19 cases slowly reducing, hospitals are also starting to recover both in terms of infrastructure and finances. To increase revenue, the hospital also conducted promotions to increase the number of general patient visits (non-insurance patients), where patients with general categories make payments with a fee for service system, as in the following statements:

"Yes, we focus on providing general patient services that are not with BPJS insurance, which is specific to us doing efficiency on all fronts, that's what we do. Why? Because in this pandemic era, the hospital certainly lives from isolation patients, BPJS, and the community is now reluctant to go to the hospital, unless he really needs to serve what he can't hold at home" (Informant 5).

In addition, recovery efforts were also carried out by negotiating with external parties (business partners). For instance: some hospitals asked the pharmaceutical company and other medical equipment vendors to reduce the price, extending payment deadline. They also applied re-structurisation for their loan and applied for tax payment relaxation, as the following statements shows:

"..... we approach the vendors, that's the strategy that we do. One thing is for vendors, like drug distributors, other logistics distributors for drugs and pharmacies, how can payments be more relaxed, right so that we can make regular payments. Then submit an application to the tax office, now there is a discount. Then to

the bank where we also do financing from the bank, yes, for investment credit, we also propose an ease of payment, do debt restructuring like that. In terms of other controls that regulate our human resources as well as our human resources to carry out fund efficiency, the effectiveness of financing funds." (Informant 17)

Table 4 describes the strategies that would be carried out by hospitals in maintaining their financial stability, especially by making efficiency, closing services with low bed occupancy rate (BOR) and innovating.

Table 4. Analysis of strategies to maintain financial stability of private hospitals

Theme	Sub Theme	Simple Sub-Theme
Private Hospital Strategy to Maintain Financial Stability	Efficiency	a. Savings b. Prioritizing the purchase of medical equipment that is really needed
	Close service with low drill	a. Continue to open essential services with a screening process first b. Closing services with low BOR c. Re-arrange the workforce d. Energy resource savings
	Making innovation	a. Innovative

One of the efforts made by private hospitals to maintain financial stability is to make savings as in the following statement:

"In order to make it work, we are forced to do our efficiency and we are also negotiating with the drug manufacturer so that we can get a discount on the medicine. We still pay smoothly; we use it as a negotiation. And we also have a reduction in the administration section for us to reduce it like that" (Informant 8)

In providing hospital infrastructure, some hospital also only prioritizing the purchase of vital medical devices to reduce expenses, as the following statements:

"...we made the priority for buying medical supplies, which ones we really need, we will buy, which we don't, we can still run services right, that's one of our efficiency strategies. For those who save on operational costs, sometimes that's what we do as a business strategy and something like AC or electricity is strictly controlled. ..." (Informant 18)

The last effort for the financial stability of private hospitals is to make innovations, such as purchasing medical devices which needed most during pandemic and also conducting teleconsultations as shown in the following statements:

"So making innovations for service needs that were really needed at that time, such as serving rapid test screening like that. PCR, which we didn't have before, we finally did it so that the patients who needed us at that time could be served and it became a source of income. Then open a service that is like a teleconsultation, yes. With teleconsultation, we still have income for the patients served by the hospital and we can still earn that income." (Informant 17)

DISCUSSION

This study found that there are rapid regulatory changes, unbalanced sheets and losses in the financial condition of private hospitals in Denpasar. Hospital finances are matched with the proverb "bigger a peg than a pillar". Hospital income in general decreased due to patient perceptions and concerns that patients would contract COVID-19 if they visited the hospital. Many operations which are a source of hospital income are postponed or even the number is deliberately lowered. A decrease in the number of visits was also found in polyclinic services due to the call to reduce service hours. Hospital financial problems are increasing in connection with additional expenditures to meet standard operating procedures (SOPs), new infrastructure related to the provision of services for patients with COVID-19. Almost all hospitals are "forced" to increase the number of isolation rooms to accommodate patients with COVID-19.

A study explored similar issues faced by dr. Yap Eye Hospital which located in Yogyakarta. The study reveals that financial aspect was mainly impacted due to the decreased number of hospital visits and the increase of hospital expenses for additional needs during pandemic such as personal protective equipment (PPE), modification of room spaces, and other routine expenses. Development of hospital business was also impacted with several adjustments needed to be made in planning and priority setting.⁷

Another study shows that hospital revenue decline was also experienced by hospitals in the US. It is reported that their income from inpatient and outpatient services had decreased by 13% from the previous year.⁸ Nearly half of America's hospitals experienced negative margins in the second quarter of 2020, despite the COVID-19 outbreak declining. Similar challenge was also reported in 195 hospitals in Japan. The results of the analysis of claims data at 195 hospitals in Japan showed a decrease in the number of visits and hospital income since March 2020 compared to the previous year.⁹

Based on research conducted by Ambarwati (2021),¹⁰ the low number of patient visits during the COVID-19 pandemic resulted in a drastic decrease in hospital revenue. The burden on hospitals handling COVID-19 patients is getting higher with delays in paying COVID-19 claims. BPJS data as of January 28, 2021 shows that the total number of COVID-19 claim submissions by hospitals is 433,077, from the verification results, there are 266,737 suitable cases (61.59%) and can be claimed at a cost of 17.3 trillion, 165,189 dispute cases (38.14%) at a cost of 9.7 trillion and 1,151 inappropriate cases (0.27%). The total claims submitted until December 2020 amounted to Rp. 22.9 trillion, the amount paid by the Ministry of Health to hospitals amounted to Rp. 14.5 trillion (63.3%) and the remaining unpaid amounted to Rp. 8.4 trillion (36.6%). Obstacles encountered in claim payment include: improper payment, high claim disputes caused by differences in perception of applicable regulations, incomplete hospital claim documents, unprepared application devices and the number of verifier disputes from the Ministry of Health in conducting the re-verification process. The decrease in cash flow resulted in hospital operational constraints, including a decrease in the ability to pay drug and medical device providers, including the payment of salaries for health workers and hospital employees.¹⁰

In this study, it was also found that the hospital's financial recovery efforts were carried out by monitoring cash flows, financial analysis together with hospital financial consultants and asking for help from other parties, both from the government, banks, or other donors. To overcome these financial problems, hospitals, especially private hospitals, have developed a strategy by implementing efficiency, closing services with low BOR and innovating. Hospitals make savings, approaches with vendors, taxation, and banks to maintain financial stability. Savings made by limiting the purchase of medical devices. In addition, the fulfilment of infrastructure in the form of medical devices/medical devices has received assistance from the government through the Indonesian Ministry of Health. The assistance mechanism is carried out by submitting proposals for medical

equipment needed to the Indonesian Ministry of Health.

The dr. Yap Eye Hospital in Yogyakarta implemented BCP in order to manage the financial problems during pandemic. BCP is an effort to maintain the sustainability of a business by analyzing the risk related to human resources, health services, information and technology, supporting health services, financing, business development and partnership/competition. The results of the assessment will be used for developing the impact mitigation strategy. BCP that were implemented by dr. Yap Eye Hospital including service modification, cost efficiency, human resources management, hospital promotions and supplementary services. The recovery efforts taken by the hospital for financial mitigation were setting the priority for activities that had significant change on the hospital's income, cost efficiency (except for the health care cost of the staff), monitoring and evaluating the budget, emergency budget planning and re-starting a collaboration with BPJS.⁷

During the pandemic, hospitals in the US also transformed their financial management in order to make it more dynamic and flexible due to the uncertain pandemic waves. They relied on telehealth and developed digital platforms to make works done efficiently. The hospitals made significant investments in emergency department and intensive care unit with 20% of their beds ready for COVID-19 patients. They also adopted the staffing model for human resources efficiency, in which they hired retired nurses to work part time and people from tech schools to be assistants of nurses.¹¹

This study has limitations in the data collection methods, where data collection is carried out during a pandemic with the implementation of social distancing, so that interviews are conducted online so that the recorded voice is often interrupted.

CONCLUSION

The financial condition of private hospitals during the COVID-19 pandemic suffered losses, there were rapid regulatory changes, and imbalanced sheets. The hospital's financial recovery efforts have been carried out through cash flow monitoring, financial analysis together with hospital financial consultants and asking for help from other parties, both from the government, banks, or other donors. Meanwhile, the strategy is to implement efficiency, close services with low BOR and innovate. So that, it is recommended to the hospital management to develop a service strategy that is able to overcome the problem of the surge in the number of patients. It is expected that the government will pay attention to the financial problems experienced by private hospitals by accelerating the process of claiming COVID-19 patients so as to ensure the smooth operation of hospitals. In addition, this research is also expected to increase knowledge related to financial control during disasters, so that in the future efforts can be made to anticipate the occurrence of similar issues.

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CONFLICT OF INTEREST

There is no conflict of interest.

AUTHOR CONTRIBUTION

Conceptualized and designed the study, performed the analysis, curated data, wrote the original draft, interpreted the data: N.L.A.C.M. Revised the manuscript: L.S.A and K.S. All authors have read and agreed to the published version of manuscript.

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