

Transformation of Regional Public Service Agencies in Improving Performance Al Ihsan Hospital, West Java Province

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KEYWORDS

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ABSTRACT

This research was conducted to analyze the performance of governance in implementing BLUD and provide recommendations for financial governance at Al Ihsan Hospital, West Java Province. This research uses a post-positivism paradigm using a balanced scorecard (BSC) approach using primary data and secondary data obtained from interviews and documentation studies. The analytical tools used are for financial performance including financial ratios and operational cost ratios to operational income (BOPO) as well as compliance aspects of financial management. Meanwhile, service performance includes customer aspects, internal business processes and learning and growth aspects. So, this research will depict the transformation conditions of BLUD management in the field in terms of financial and service performance aspects. The research results show that the growth and learning perspective has the best value compared to the other four perspectives. Therefore, in order for RSUD's to be able to implement better BLUD governance so that they can improve performance, this can be done through adjustments to regional regulations to accommodate the flexibility needs of BLUD's and implementation conditions that continue to develop in the field.

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Introduction

Health services for the community are one of the important and mandatory affairs for local governments that can be managed by implementing the Regional Public Service Agency (BLUD). BLUD is a financial management system that is applied to work units in regional apparatus within the local government. The BLUD was formed with the aim of providing services to the community without expecting profits (Alvarenga et al., 2020). However, in its implementation and management, it is still carried out effectively, efficiently and upholds professionalism. If drawn in administrative and public finance literacy, it can be related to the concept of *New Public Management* (NPM) and agency/agency (Lukman, 2013). NPM directs that various public agencies have the main

goal of providing services to the community. In particular, it has emerged a variety of services that are more innovative, adaptive and flexible in supporting the needs of community services. Especially for health services to the community that require innovative, adaptive and flexible management, especially in financial management (Scupola & Mergel, 2022).

The country's finances to date have experienced many significant developments. This development can be seen in the shift in the budgeting system from a traditional approach to a performance-based approach (Eriksson et al., 2020). The implementation of BLUD is carried out with the aim of improving the aspects of public services, financial performance and performance of benefits for the community in a sustainable manner which is managed based on "healthy business practices" and not just changes in the aspects of format and regulations. The implementation of BLUD provides independence in the aspect of financial management by being manifested in the privilege of flexibility that is excluded from regional financial management in general. Where this flexibility privilege is of course carried out in order to provide more innovative and quality services in accordance with applicable regulations (Witesman et al., 2024).

In its implementation, the flexibility of BLUD faces many challenges both internally and externally, ranging from the implementation ranks and even the management of BLUD who have not yet had a single view regarding the flexibility of financial management. Similar to internal, collaboration with external parties of BLUD is also a challenge in itself, starting from officials within the Regional Development Planning Agency (BAPPEDA), Regional Financial Management Officials (PPKD), officials within the Regional Inspectorate, including in the Health Office itself and other SKPDs related to the full implementation of BLUD (Verhoest et al., 2021). This is because there are still many parties who differ in principle, regulation, and substance in implementing BLUD policies. So that this can provide its own challenges in presenting and realizing a better BLUD implementation system in the future as explained in the Circular Letter of the Director General of Regional Financial Development Number 981/4092/KEUDA concerning BLUD Financial Management Guidelines (Ujianto et al., 2017).

The implementation of BLUD also occurred in West Java Province, especially in the health sector. Where, there is still a limited quality and quantity of human resources who understand BLUD operations, especially the internal ability to understand and implement this BLUD and the ability of BLUD itself to present a system that can help the governance and performance of BLUD in accordance with applicable laws and regulations (Indonesia, 2020). The West Java Provincial Health Office added that in 2022 the challenges faced are related to internal and external coordination; planning and budgeting processes that are not effective and efficient; the ability of human resources to produce the expected performance; and performance supervision (2022 Government Agency Performance Report of the West Java Provincial Health Office).

The transformation of BLUD governance should be able to answer various challenges faced, especially in producing accurate and accurate information in anticipation of future circumstances, so an effective control system is needed. The control tool in the regional apparatus can be in the form of bureaucratic regulations, especially in measuring performance in the form of measuring economy, efficiency, and effectiveness. Performance measurement is carried out with the aim of improving performance, assisting decision-making in resource allocation, and creating better institutional communication and as a form of accountability to the general public (Mardiasmo &

MBA, 2009). One of the tools to analyze performance is to use financial and non-financial ratio analysis. In the context of transparent and accountable financial management, it is necessary to analyze the ratio of finance to income and expenditure (Akhmad, 2019: 170). Furthermore, Akhmad (2019: 170) added that the financial ratios that can be used are the ratio of independence, effectiveness, efficiency, and harmony of spending.

(Kaplan & Norton, 1996) explained that a *balanced scorecard* is a measurement and control management system that can quickly, accurately and comprehensively provide managers with an understanding of business performance. *The Balanced Scorecard* complements a set of financial measures of past performance with a measure of future performance drivers. The goals and size of *the scorecard* are derived from the vision, mission, and strategy. Goals and measures look at a company's performance from four perspectives including one is financial, financial goals are very different for each stage of the business life cycle. (Kaplan & Norton, 1996) revealed that the measurement of financial performance considers the stages of the business life cycle, namely: growth, sustain and harvest. Each stage has a different goal, so the emphasis on measurement is also different.

Second, the customer, the customer perspective allows the company to align various key customer measures i.e. satisfaction, loyalty, retention, acquisition and profitability, with customers and target market segments. The value proposition is a driving factor, a leading indicator, for the size of the customer that matters. Third is internal business processes, most performance measurement systems focus on improving current operational processes. However, in a *balanced scorecard*, it is more recommended that the leadership determine the relationship and linkage of complete internal values that begin with the innovation process, recognize current and future customer needs and develop solutions to those needs, continue with the operation process, deliver current products and services to current customers, and end with services that contribute to the acceptance, as well as providing added value to products and services received by customers. And finally, learning and growth, the goal in the learning and growth perspective is to provide the infrastructure that allows the ambitious goals in the other three perspectives to be achieved. Goals in the perspective of learning and growth are the driving factors for producing exceptional performance in the first three *scorecard* perspectives.

This research refers to various previous studies, including conducted by (Slamet & In'am Esha, 2022) on *performance measurement of public service agencies in higher education institutions: a balanced-scorecard model approach*. And also by (Cacciatore et al., 2019) related to *balanced scorecard for performance assessment in healthcare settings: a review of literature*. The difference between this study and previous studies lies in the analytical tools used and the object of the research carried out. This research will photograph the condition of the transformation of BLUD management in the field in the performance aspect by looking at several components, namely finance in the financial ratio dimension and compliance aspect; internal business processes with dimensions of facilities and infrastructure, processes, and job satisfaction; as well as learning and growth in the dimensions of motivation, self-development opportunities, innovation and atmosphere in working at the Al Ihsan Regional General Hospital (RSUD) West Java Province. Therefore, this study will be conducted to analyze the performance of governance in the implementation of BLUD and provide financial governance recommendations at Al Ihsan Hospital, West Java Province.

Research Methods

This study explores the situation of typical and complex problems and challenges related to the transformation of regional public service agencies in improving financial management, especially hospitals in the West Java Provincial Government by using the *post-positivism* research paradigm. (Babbie, 2020) explained that by combining qualitative and quantitative approaches, research results can be maximized and the most effective way to conduct research is wrong. The West Java Provincial Government, especially RSUD that has implemented BLUD, has a complex of problems and challenges faced, especially in the aspect of governance. Starting from the coordination relationship between the parties and the relevant SKPD which is estimated to not be running well, the readiness of operational standards and regional regulations that are not ready, to the element of interest among the management officials of the hospital which is also estimated to be quite large (Lawrence Neuman, 2014). Therefore, the researcher feels the need to conduct a more in-depth analysis related to the transformation of BLUD financial management, both normatively and in real conditions that occur in the hospital so that complex problem situations like this have various perspectives. Therefore, this study is suitable for using a *post-positivism* methodology that uses a *balance scorecard* (BSC) approach by using primary data and secondary data obtained from interviews and documentation studies.

The Director General of Treasury of the Ministry of Finance (2013: 99) who adopted the *balance scorecard* approach explained in the module he published that performance assessment in the Public Service Agency is carried out by combining service performance and financial performance. Furthermore, he explained that financial performance includes financial ratios and operating expense ratios (BOPO) as well as aspects of financial management compliance in the form of business plans and definitive budgets; financial statements based on accounting standards; Expenditure Income Verification Order (SP3B); service rates; accounting system; account approval; and *standard operating procedure* (SOP). Meanwhile, the performance of these services includes growth in service productivity; service efficiency; service quality; and organizational development and human resource management (Agus, 2013). Therefore, the assessment indicators from the perspective of finance, customers, internal business processes, as well as learning and growth used in the analysis of this study refer to the module issued by the Director General of Treasury of the Ministry of Finance.

Results and Discussions

Result

Based on the results of interviews and documentation studies conducted by the researcher from the information and data obtained from Al Ihsan Hospital, it can be explained by the following description:

Finance

The following can be shown the data obtained from a financial perspective according to the indicators used:

Table 1 Financial Perspective Data

Financial Perspective Indicators	Value Indicator	Value	Information
Cash ratio (Cash & Cash Equivalents x 100% / Short-Term Liabilities)	2,0	2,41	Above the indicator
Current ratio (current assets x 100% / short-term liabilities)	2,0	2,49	Above the indicator
Receivables Collection Period (accounts receivable x 360 x 1 day / operating income)	1,5	1,01	Below indicator
Fixed asset turnover (FAT) (operating income x 100% / fixed assets)	3,0	0,34	Below indicator
Return on fixed asset activity (ROA) (profit/loss x 100% / fixed assets)	1,0	0,30	Below indicator
Return on equity (ROE) (profit/loss x 100% / equity)	1,0	2,66	Above the indicator
Operating expense ratio (BOPO) (BLUD revenue x 100% / operating expenses)	2,0	2,00	Above the indicator
Schedule for preparation and completion of the definitive business plan and budget (RBA)	2,0	2,0	As per the indicator
Financial Statements Based on SAP, audit opinion	2,0	2,0	As per the indicator
BLUD Income, Expenditure, and Financing Verification Order (SP3BP)	2,0	2,0	As per the indicator
Regulations used as the basis for collecting fees for services provided	1,5	1,0	Below indicator
Have a financial accounting system	1,5	1,0	Below indicator
Account approval has been obtained from the regional head	2,0	2,0	As per the indicator
Have a Financial Standard Operating Procedure (SOP)	3,0	2,0	Below indicator

Customer

The following can be shown the data obtained from the customer's perspective according to the indicators used:

Table 2 Customer Perspective Data

Customer Perspective Indicators	Value Indicator	Value	Information
Facilities and infrastructure	2,0	1,5	Below indicator
Ability to provide the promised service appropriately and satisfactorily	3,0	3,0	As per the indicator
The ability of employees to assist patients and provide responsive services	1,8	2,0	Above the indicator
Knowledge and friendliness of employees that can build customer confidence	2,0	2,0	As per the indicator
Employee care	1,5	1,0	Below indicator

Internal Business Process

The following can be shown the data obtained from the perspective of internal business processes according to their respective indicators:

Table 3 Internal Business Process Perspective Data

Internal Business Process Perspective Indicators	Value Indicator	Value	Information
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The condition of the facilities and infrastructure owned in supporting internal activities	2,5	2,0	Below indicator
The ability of employees to perform a series of work carried out in providing services	2,0	1,5	Below indicator
Employee job satisfaction level	1,5	1,5	As per the indicator

Learning and Growth

The following can be shown the data obtained from a financial perspective according to the indicators used:

Table 4 Learning and Growth Perspective Data

Learning and Growth Perspective Indicators	Value Indicator	Value	Information
The level of employee satisfaction with the policies taken by management in running the organization	2,5	2,5	As per the indicator
Employee satisfaction level with self-development programs set by the organization	2,0	2,0	As per the indicator
Opportunities for employees to be creative and discover new things	1,5	1,5	As per the indicator
Employee satisfaction level with the work atmosphere	2,0	2,0	As per the indicator

Discussion

Finance

Based on the data presented as seen in the previous table 1, it shows that there are good financial ratios and some are also not good by showing values that are below the indicators that have been set. Financial ratios that show good value such as cash ratios and current ratios. This is because Al Ihsan Hospital in West Java Province in the last 5 (five) years has shown a very good liquidity level, meaning that the ability to pay short-term obligations is very high or can be said to be very liquid. However, it should also be noted that because it is very liquid, the remaining cash generated is also too large every year due to the previous year's revenue which has not been maximized for operational expenses.

However, poor financial ratios include receivables collection ratio, fixed asset turnover, and ROA. This is due to the fact that the utilization rate of fixed assets is still very low and needs to be improved. Fortunately, the ratio of activities that have shown good progress is the turnover of working capital reaching 2.66 times. This level of working capital turnover shows quite good performance and needs to be maintained and improved. Another thing that causes the low ROA value is that Al Ihsan Hospital already needs additional facilities and infrastructure, especially the addition of buildings, patient spaces and beds and other medical equipment when compared to the amount of admission that continues to increase. This has also been submitted as a proposal in the design and budgeting of the hospital in the next period. The BOPO ratio also shows a good value, although if you look at the development trend of the BOPO ratio tends to decrease due to the burden that is increasing every year. This indicates that revenue from the hospital still needs to be increased considering the operational burden that continues to increase every year.

Meanwhile, for the compliance aspect, Al Ihsan Hospital shows good values, starting from the accountability process and planning and budgeting that has been carried

out in accordance with applicable regulations. Starting from the financial statements that have been prepared based on the Government Accounting Standards so as to obtain a reasonable opinion without exception (WTP). The SP3BP document has also been submitted to the Health Office every month, then by the Health Office it is submitted to the BPKAD of West Java Province. And the same is true for the planning and budgeting stages which are all carried out on the basis of RBA documents that have been ratified following the implementation documents provided by the Health Office. This is emphasized in provincial government regulations contained in West Java Provincial Regulation Number 1 of 2022 concerning Regional Financial Management and West Java Governor's Regulation Number 2 of 2022 concerning Accrual-Based Accounting Policies for West Java Provincial Governments. Including West Java Provincial Regulation Number 9 of 2023 for general patient and contractor (Non-BPJS) rates. Furthermore, it can also be seen that it already has SOPs related to the management of Finance and Accounting, but it is explained that it is still necessary to update it following changes in central regulations which have changed a lot following the development of implementation in the field.

Customer

Based on the data presented as seen in the previous table 2, it shows that most of them have quite good values, especially in the aspect of service felt by patients. This is certainly inseparable from the internal capabilities of Al Ihsan Hospital, especially health workers and administrative staff who are directly facing patients in creating a comfortable environment so that the services available can be provided precisely, well, and satisfactorily. In addition, there are several service innovations that are presented to improve better service, such as presenting a patient queue counter that can be accessed online through any device as long as it is connected to the internet. And there is also one place that is equipped with tools and operators that will help patients register the queue online so that there are no longer long queues when patients do administrative registration.

However, behind the fairly good score, there are indicators of value that are still not good, such as in facilities and infrastructure as well as employee concern. This is partly due to the need for the hospital to add patient room space, buildings, and be equipped with other medical equipment to accommodate the number of patients who are increasing every time. This is evidenced by the achievement of the community satisfaction index at Al Ihsan Hospital in the first position of 97.08% (Lakip of the West Answer Provincial Health Office for the 2022 Fiscal Year). So that for the time being the hospital anticipates by increasing the procurement of medical and medical equipment which can be seen from the number of asset mutations, the increase in maintenance costs, and the improvement of public facilities and infrastructure in existing financial information. And regarding the concern of Al Ihsan Hospital employees, it has experienced a much better increase than before, both in the form of concern for patients and fellow employees, although the value is still below the existing indicators.

Internal Business Process

Based on the data presented as seen in the previous table 3, it shows that most of them show poor scores. Indicators that look good can be seen in the level of employee job satisfaction. This is because the employees of BLUD RSUD, both from health workers or financial and administrative personnel along with existing management, have better cooperation than before in carrying out the duties, responsibilities, and functions mandated to them. In fact, their performance is directly monitored by the director of the

hospital through documents that can be filled in by anyone, anytime, and placed in one strategic position so that everyone can access it. And if there is a report on the party or part of the document, the director of the hospital will immediately follow up on the results of the report so that if proven there will be *punishment* given.

Meanwhile, the ability of employees to do a series of work in providing services is still not good because the current RSUD employees still need technical guidance and increased understanding, especially related to good BLUD governance and in accordance with applicable regulations as well as the addition of personnel considering the number of patients that continue to grow. Then for the condition of the facilities and infrastructure owned in supporting internal activities is still not enough, this is sought through additional procurement of medical devices and medical devices, increasing maintenance costs, continuing to increase the number of public facilities and infrastructure that can be felt directly by hospital employees in general and patients in particular.

Learning and Growth

Based on the data presented as seen in the previous table 4, it shows that each indicator used produces good values, starting from the level of employee satisfaction with the policies taken by management in running the organization, both from the self-development programs presented or the opportunities given to employees fairly and equitably, including employee satisfaction in a conducive work atmosphere. This cannot be separated from the management policy that always presents *rewards* and *punishments* to employees who perform well or poorly. In fact, the local government together with the management of the hospital strongly encourage employees to play an active role in proposing the needs of training activities or programs that support daily tasks and functions so that these needs can be quickly accommodated.

Even the director of Al Ihsan Hospital strongly encourages his employees who have ideas or innovations in supporting their duties to be executed immediately by paying attention to the applicable legal corridors so that in their implementation there will be no obstacles. The latest example that is temporarily encouraged by the internal RSUD is the training program or *comparative study* conducted by other RSUD to Al Ihsan Hospital. So that the idea and innovation to add one of the *hospitality tourism* programs was born in an effort to introduce every corner of the hospital to certain groups of people who are visiting so that it can have a positive impact on the hospital. This is also in line with one of the goals of the development of West Java Province presented in the 2022 Government Agency Performance Report, namely improving the quality of public health and the reach of health services. In 2022, the quality of public health and the reach of health services in West Java Province increased by 100.59% from the set target. This increase is evidenced by the life expectancy of 73.52 which was previously 73.23 in 2021.

Conclusion

Based on the research that has been conducted, it can be concluded that the performance of governance in the implementation of BLUD at Al Ihsan Hospital, West Java Province when viewed from various perspectives. First, finance, in this financial aspect, the internal RSUD is very good from the point of view of liquidity. However, these liquidity conditions must be maximized in meeting the needs of facilities and infrastructure in supporting the improvement of services to the community. Similarly, the compliance aspect that is carried out is in accordance with regional regulations, but the regional regulations or governor's regulations still need to be refined and equipped in order to adjust and anticipate the increasingly developing field conditions.

Secondly, from this perspective, the internal hospital has succeeded in improving services well and satisfying patients which is manifested in providing comfortable conditions for the community within the scope of the hospital area, both for children and adults. This cannot be separated from the various innovations that have been carried out internally by the hospital. So that this has a positive impact on the number of community visits, both for treatment and to learn about the current programs and activities of the hospital. However, it is also undeniable that with the increasing number of visits, the hospital also needs additional rooms and buildings along with medical and medical equipment that is not enough.

Third, internal business processes, from this perspective, produce poor value. A good business process lies in employee job satisfaction because of the implementation of fair rewards and punishments for employees. However, the employees of this hospital still need technical guidance and increased understanding, especially related to good BLUD governance and in accordance with applicable regulations as well as additional personnel and an increase in the number of facilities and infrastructure of the hospital considering the number of patients that continues to grow. Finally, learning and growth, producing the best value when compared from the three existing perspectives. This is due to the level of employee satisfaction with the policies taken by management in running the organization, both from the self-development programs presented or the opportunities given to employees fairly and equitably, including employee satisfaction in a conducive work atmosphere.

Then from the results of the research obtained, the researcher can provide recommendations so that financial governance at Al Ihsan Hospital in West Java Province is getting better, namely first, the internal RSUD needs to immediately adjust existing regional regulations to accommodate the need for BLUD flexibility and implementation conditions that continue to develop in the field such as regional regulations, including related to the policy of utilizing the remaining more or less of the previous year's budget, special service rates for BLUD RSUD, procurement of goods and services and management of human resources of RSUD. Furthermore, it is recommended for the hospital to develop an information system, especially in the financial management of BLUD, both from the aspect of up-to-date use through the integration of various information systems that have been used by the hospital. Or in the aspect of the ability of employees to use information systems through technical guidance and training organized by related parties.

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