

Chapter I

Introduction

1.1 Background

In the recent research health has been redefined as compared to the previous definition by WHO as it's a state of complete physical, mental and social well-being, as ability to manage with and one's own malaise and well-being condition (Leonardi, 2018). Hospitals are a major part of business entities that offer services oriented towards the provision of health services which play an important role in improving the standard of living of people in the health sector (Ramani and Mavalankar, 2006). However, in practice, the provision of services to the community cannot be separated from the way the hospital carries out marketing activities related to the service program offered to the community. This is related to the purpose of the service quality approach at the hospital, which is to be able to provide service results or services that are in accordance with patient expectations in order to provide patient satisfaction. However, on the other hand the hospital is also part of a business entity that must think about profit for the sustainability of the hospital itself in addition to carrying out its social functions in the community. This is also influenced by the increasing number of hospitals as well as the ease of public access which makes it easy for people to choose a hospital that suits the patient's wishes. So that the hospital is required to be able to provide the best quality service. This

can be achieved, if the hospital management gets information about what the patient wants and needs in different forms. In Indonesia, the number of hospitals is increasing rapidly (Kemenkes, 2018), since health has become one of the most important factor that contributes to the economic value of the country. In the last eight years, there is an increase about 5.2% for the number of hospitals. The number of private hospitals is more in comparison with public hospital with the rate over 7%. In which the public hospital's rate of growth is only 3%.

Based on the Regulation of the Minister of Health (Permenkes, 2014) concerning Classification and Hospital Licensing, hospital grouping based on operation, namely government hospitals, local government hospitals, and private hospitals. The private hospital is a legal entity whose business activities are only engaged in hospitalization in comparison to public hospitals operated by legal entities that are not looking for profit. In Indonesia, with the recent growth of health concerns, the number of people visiting the hospital has increased over the years. With the increase in population over the years, the requirement of hospital beds also necessary to put up with the maximal bed occupancy during an outbreak of a disease, hence hospitals increases over the years. The growth of Private Hospitals are more aggressive compared to Public Hospitals. In Figure 1.1, its shown the total number growth of private hospital is more compared to public hospital at about 7%. The growth of public hospital is about 3%.

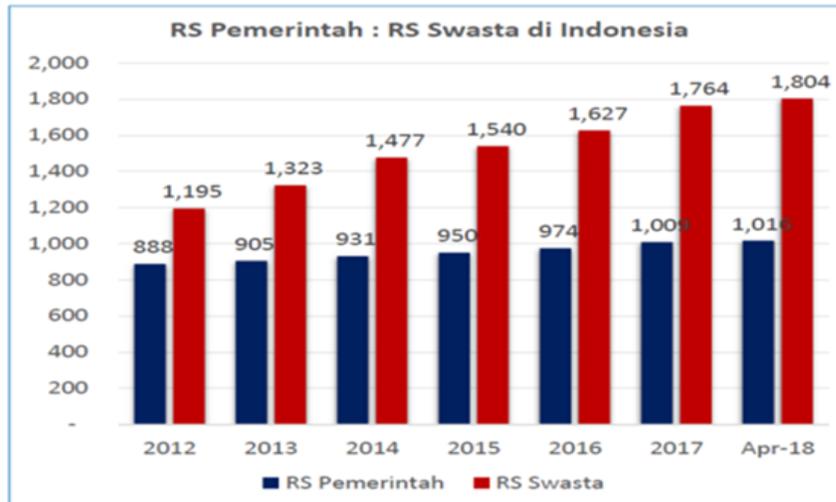


Figure 1.1 – Public and Private Hospital In Indonesia
Source : Kemenkes, (2018)

The increase of private hospitals in Indonesia is due to the increase in population yearly and also based to their knowledge that private hospital that has better service quality in comparison to public hospitals. The recent awareness regarding diseases in the middle income people made them alert the importance to visit for monthly or yearly check-ups in hospital with better and detailed services. The private hospitals, serve the people better in terms of information, waiting time, specialist outpatient clinic, knowledgeable physician and patient nurse services. In Figure 1.2, it is shown that in the last five years the growth of hospitals in Indonesia, highest number is in the Private Hospital, its takes about 50 – 60 % from the total number of hospital. (Kemenkes RI, 2020)

**PERKEMBANGAN JUMLAH RUMAH SAKIT UMUM BERDASARKAN PENYELENGGARAAN
DI INDONESIA TAHUN 2015 – 2019**

| No | Penyelenggara | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------------|---------------------------|--------------|--------------|--------------|--------------|--------------|
| PEMERINTAH | | | | | | |
| 1 | Kementerian Kesehatan | 14 | 14 | 14 | 15 | 18 |
| 2 | TNI/POLRI | 162 | 161 | 164 | 158 | 159 |
| 3 | Kementerian Lain dan BUMN | 61 | 67 | 14 | 55 | 51 |
| Total | | 237 | 242 | 192 | 228 | 228 |
| PEMERINTAH DAERAH | | | | | | |
| 1 | Pemerintah Provinsi | 68 | 75 | 87 | 91 | 92 |
| 2 | Pemerintah Kabupaten/Kota | 553 | 564 | 585 | 614 | 640 |
| Total | | 621 | 639 | 672 | 705 | 732 |
| SWASTA | | 1.093 | 1.164 | 1.334 | 1.336 | 1.384 |
| Total Keseluruhan | | 1.951 | 2.045 | 2.198 | 2.269 | 2.344 |

Sumber: Ditjen Pelayanan Kesehatan, Kemenkes RI, 2020

Figure 1.2 – Growth of hospital in Indonesia between 2015 – 2019.
Source - Kemenkes RI (2020)

With a population of 268 million people, the government is unable to provide health services for the community due to limited budgets. For that, the private sector is needed to build health facilities such as hospitals. The definition of hospital according to the most recent ministry regulation (Kemenkes, 2020) is a health service institution that provides complete individual health services that provide inpatient, outpatient and emergency services. On the other hand, hospital services in the current era are health services that are socio-economic in nature, where this health service business entity is not only social in nature, but also strives to benefit professionally by using economic principles. Meanwhile, private hospitals were created according to a concept that is not only for profit, but also offers a health service concept that prioritizes comfort for patients and their families so that they can

foster patient confidence in healing by offering the best services that may not be provided by government hospitals maximally. In general, patients with private or public expenses prefer to undergo treatment in private hospitals over government hospitals. This is greatly influenced by perceptions and stigma in the community regarding services in private hospitals which are certainly better and faster than health services in government hospitals.

The human resource factor here is very closely related to the quality of the product of the organization itself, both products in the form of goods and the public are health services, where if the human resource factor is not managed properly it will certainly affect the level of patient satisfaction. With the technological advances especially in the health segment, management of hospital marketing is essential. In particular where the relationship between economic growth and health services is closely interconnected (Ramani and Mavalankar, 2006). Another aspect that's important is hospital brand image, in a corporation it is considered important to have a good brand image to hold itself in the market position (Wu, 2011). With the brand image of the hospital, certain level of services need to be delivered to the clients, with that service benchmark then satisfaction of the patients is achieved. In a hospital, service is an important factor in which is the sole purpose of a hospital. In an outpatient clinic, is the main entrance towards healthcare services, hence patient should be satisfied from all the service quality provided by the hospital. There are two types of outpatient services; firstly, centralised outpatient services that's the

services provided in the efficient area including diagnostics and therapeutic facilities in the same place, secondly, decentralized outpatient services that's services in the corresponding departments with more medical procedure being offered in qualified outpatient service centres (Tabish, 2011).

There are few private hospital that has been in the listing. Most of them are in the upper medium class category. The competition lay upon other public company hospitals such as Omni and Siloam hospitals. From these book value figures, it can be seen that Mitra Keluarga Hospital also has the largest value of funds raised during the IPO and ultimately has the largest market value of all open hospitals. The Mitra hospital had the largest market value in 2018, followed by Siloam Hospital, Omni Hospital, and with the lowest market value is Mayapada Hospital. (Perbandingan 6 Rumah Sakit Tbk. (2018, November 13).

The Mitra Keluarga Hospitals has been serving the people of Indonesia for over twenty five years. The Mitra Hospital was declared in the listing hospital in 2005, they entered in the competition between the other hospital tycoon competitor. To win the competition between the big hospital tycoon, improving service quality is the main mission. The health dynamics in Indonesia has been quite challenging and force the Mitra Hospitals to perform better and better over the number of years (Mitra Keluarga, 2020). Mitra Keluarga Hospitals is more than just a hospital, but more to serve the Indonesia families become more dynamic and alive with the short definition of "Life.

Love. Laughter.”. This symbol defines that Mitra Keluarga from hospital becomes home, by this, it means its committed to serve public health as our family with the services that enables them to live fully filled with love and happiness. The Mitra hospital became public company since 2015, since then the competition keeps growing better with other public company hospitals. This hospital is quick in decision making great expansion with acquisition of hospitals.

The first phenomena found in Mitra Keluarga financial report in patient proportion of inpatient and outpatient clinic (Mitra Keluarga, 2019). The recent data of Mitra Hospital in the last two years, the number of patients in the outpatient clinic increased. The increase can be due to the increase in population, number of ill people, the health system (BPJS), and trend of going to doctor adopted by the medium to high socioeconomic status. The patients choose private hospitals over public hospitals due to the fact that build in their minds that, private hospitals have better quality of service from facilities, environment, ease of making appointments, physician service, nurse service and administrative personnel. Together the factors contribute as a holistic way to approach a patient in comparison to public hospital which might different system due to involvement of the government services. Competition between private and government hospitals relies on the quality of service, competitive prices and the competence of medical personnel offered by the related hospitals.

| | 2018 | 2019 |
|--------------------|-------------|-------------|
| Outpatient Revenue | 37.9% | 38.3% |
| Inpatient Revenue | 62.1% | 61.7 % |
| Total | 100% | 100% |

Table 1.1 – Revenue from outpatient and inpatient in Mitra Hospitals.
Source : Self-analysis from Mitra Hospital Financial report (2019)

The increase in the proportion of outpatient revenue is in line with the hospital strategy to improve the performance of outpatient services through specialist polyclinics. However, an increase in outpatient means that the focus of hospital management must tightly maintain the services to ensure patient satisfaction. If the increase in revenue at outpatient is not accompanied by an increase in service excellence, it may have an adverse effect on the long-term performance of the hospital.

The second phenomena explained in terms of revenue segment in Mitra Hospital, the contribution is more centralised in Jakarta and West Java. In the revenue segment, Jakarta dan West Java contributed 82.5% in 2019 while outside is 17,5%. As it shows on the table below, highest contributors of revenues is from Jakarta and West Java. The reason being that these two location contributes the highest revenues is because Jakarta and West Java is densely populated, the awareness of health care has increased, more advanced laboratory services and well service quality (includes all aspects of service quality).

| Location of MK Hospitals | 2018 | 2019 |
|--|----------------------|----------------------|
| Jakarta and West Java | 2.233.914 (82,3%) | 2.643.185 (82,5%) |
| Total Revenue from XYZ hospital | 2.713.087 (100%) | 3.205.020 (100%) |

Table 1.2 – Total Revenue from Mitra Hospitals

Source : Self-analysis from Mitra Hospital Financial Report (2019)

The contribution of revenue is centralized in Jakarta and West Java, so it is necessary to focus performance in the hospital in this areas as the main contributors to the business of the hospital. This disproportion could result in hazardous on revenue, if there is a decrease in this area it will have direct impact on the overall hospital performance. Therefore, this area should be highly concentrated.

From the two phenomenon discussed above, it could be formulated convergently in one dependent variable that's patient loyalty. If patient loyalty is maintained it could help to resolve the above phenomena. From the previous literature review, there are few studies regarding patient loyalty especially that focussed on re-visit intention. One of the current study about re-visit intention, Kim *et al.*, (2017) that elaborates the predictors of re-visit intention are facility and environment, service procedures, physician, nurse, administrative personnel and treatment effectiveness comes together to a common factor that's patient satisfaction. To increase the number of re-visit in the hospital healthcare, the healthcare needs to assess on each of the independent variables. If loyalty

achieved, re-visit of patients increases which will lead to increased net revenue of the concerned hospital.

From the research adopted from Kim *et al.*, (2017), the model showed that all the independent variables are leading towards the mediator variables, patient satisfaction and treatment effectiveness, analysing the causal relationship leading to the dependent variable patient loyalty. With this model, it could be analysed further the detailed variables that have positive relationships towards the dependent variable. This research has moderate predictive accuracy, therefore it could be developed to the current study.

In the above model developed by Kim *et al.*, (2017), there is limitation in his study, due to the predictive accuracy range. As suggested the additional variable needed to incorporate to the current model. Previous study in patient loyalty revealed that there are few variable that could affect patient loyalty. One of the variable demonstrated strongly effect that's the hospital brand image (Wu, 2011; Asnawi *et al.*, 2019). Hospital brand image is relevant to the population of the study which focussed on Private Hospital. According to Aaker (1991), if the brand equity of a company rise, the brand loyalty will also rise drastically. With this knowledge, additional variable brand image need to be added to the research model to assess loyalty. In the research conducted by Wu (2011) and Asnawi *et al.*, (2019), the hospital brand image hypotheses to have significant effect to patient satisfaction and loyalty (re-visit intention). In accordance to the theory hospital brand image is an important factor to assess

positive relation to patient loyalty and patient satisfaction. Therefore, hospital brand image should be considered and a new variable in the research study.

Position of this study is to propose modification model from the previous studies on patient loyalty (Kim et al., 2017; Wu 2011; Asnawi et al., 2019) . The model consist of patient loyalty as dependent variable, followed by patient satisfaction as mediating variable. There are seven independent variable such as facilities and environment, service procedure, physician service, nurse service, administrative personnel, treatment effectiveness and hospital brand image. This research model will be empirically tested on outpatient population from Private Hospital (Mitra Hospitals). These patients should have history visiting the outpatient clinic in Mitra Hospital in Jakarta and surroundings. The evidence of the empirical study will confirmed theoretical theory on hospital management and will definitely provide suggestions to the hospital management especially for Mitra Hospital (will be mentioned as XYZ Private Hospital).

1.2 Problem Statement

Based on the above phenomenon in regards to XYZ private hospital, the problems could be converted into research questions.

1. Does facilities and environment have positive effect towards patient satisfaction in XYZ hospital?
2. Does service procedures have positive effect towards patient satisfaction in the XYZ hospital?
3. Does physician have positive effect towards patient satisfaction in the XYZ hospital?
4. Does nurse have positive effect towards patient satisfaction in the XYZ hospital?
5. Does administrative personnel have positive effect towards patient satisfaction in the XYZ hospital?
6. Does treatment effectiveness have positive effect towards patient satisfaction of the XYZ hospital?
7. Does treatment effectiveness have positive impact towards loyalty towards XYZ hospital?
8. Does hospital brand image have positive effect towards patient satisfaction in XYZ hospital?
9. Does hospital brand image have positive impact towards patient loyalty in XYZ hospital?

10. Does patient satisfaction have positive impact towards loyalty towards XYZ hospital?

1.3 Objective of the Study

From the above research question, the objective of the study could be explained in detail as follows

1. To analyse and test the positive effect of facility and environment towards patient satisfaction
2. To analyse and test the positive effect of service procedures towards patient satisfaction
3. To analyse and test the positive effect of physician service towards patient satisfaction
4. To analyse and test the positive effect of nurse service towards patient satisfaction
5. To analyse and test the positive effect of administrative personnel towards patient satisfaction
6. To analyse and test the positive effect of treatment effectiveness towards patient satisfaction
7. To analyse and test the positive effect of treatment effectiveness towards patient loyalty
8. To analyse and test the positive effect of hospital brand image towards patient satisfaction

9. To analyse and test the positive effect of hospital brand image towards patient loyalty
10. To analyse and test the positive effect of patient satisfaction towards patient loyalty

1.4 Benefit from this Study

As academic benefit the study is to provide suggestion to the future researcher based on the proposed model. The proposed model will give contribution to the understanding to the variables that effect showing components to deliver the best service and treatment so patients will be satisfied that could lead to loyalty.

As practical benefit theoretically, this research was carried out from referral research models based on facility and environment, service procedures, physician, nurse and administrative personnel, the effect of these variables towards treatment effectiveness and patient satisfaction and in relation to the effect of loyalty (intent to re-visit) XYZ hospital. It was modified with adding hospital brand image and its effect on patient satisfaction and loyalty.

1.5 Structure Writing

This writing is divided into five chapters, where each chapter has its own function. These five chapters are related to one another which makes this research clearer and more complete. The following is systematic thesis writing

CHAPTER 1 INTRODUCTION

This chapter describes the research background, problems raised in research, research objectives, theoretical benefits and practice, as well as writing systematics in the thesis.

CHAPTER 2 LITERATURE REVIEW

This chapter will outline the basic theories that strengthen this research. It includes the explanation of the independent variables, intervening variables and the direct effect on the variables. The hypothesis and research models explained further details.

CHAPTER 3 RESEARCH METHODOLOGY

This chapter contains research locations, research objects, units of analysis, types research, operationalization research variables, population, and sample including determining the number of samples and sampling methods then data collection methods, descriptive statistical data analysis methods and inferential statistics that include the outer and inner models, and the test results of research instruments.

CHAPTER 4 RESULTS AND DISCUSSION

This chapter will discuss the results of research that includes respondent characteristics, research construct description, data analysis research in the form of an outer model, inner model and discussion.

CHAPTER 5 CONCLUSION AND SUGGESTIONS

This chapter contains the conclusions of this study, managerial implications as well limitations and suggestions for further research