CHAPTER I

INTRODUCTION

1.1 Background

In many emerging nations, the complexity of health challenges is escalating rapidly (World Health Organization, 2019). Alongside the enduring struggle against communicable diseases, such regions are grappling with an increasing burden of non-communicable degenerative diseases such as diabetes and cardiovascular conditions (Boutayeb, 2010; Schröders, 2017). These health issues significantly impact the population's well-being and impose substantial economic strains on affected regions. Indeed, managing both communicable and non-communicable diseases has emerged as a formidable challenge for developing nations in the third millennium.

Likewise, as the global economy has evolved over the past two centuries, a notable shift from industrial-driven to service-oriented economies has shifted. This transition has underscored the importance of efficiency and economics, particularly in service industries such as healthcare and finance (Hod et al., 2016). For instance, in the United States, annual healthcare spending has reached a staggering $2.6 trillion, accounting for approximately 18% of the nation's GDP, with projections indicating a further increase to $4.8 trillion, or 20% of GDP (Venkatraman, 2015). In stark contrast, Indonesia, with a population exceeding 270 million, allocated a mere 3.41% of its GDP to healthcare spending in 2020 (World Bank, 2021; Badan

Pusat Statistik, 2020). Despite ranking as the fourth most populous country globally, Indonesia's healthcare expenditure falls significantly short compared to the United States. Therefore, healthcare in Indonesia cannot rely on public health services run by the government; otherwise, it must involve the private sector.

As an emerging country, Indonesia grapples with significant healthcare challenges tackled through its universal healthcare system, BPJS, initiated in 2014. (Erniaty & Harun, 2020). Despite covering nearly 96% of the population and aiming for full universal health coverage by 2024, BPJS's low reimbursement rates often strain private hospitals financially, necessitating more efficient healthcare management strategies. However, access disparities persist, particularly between urban and rural areas, with the private sector primarily serving higher-income urban populations (Agustina et al., 2019). Decentralized healthcare management has furthered this divide, emphasizing privatization. Although expanding the National Health Insurance (NIH)/*Jaminan Kesehatan Nasional* (JKN) scheme has made strides, it has also highlighted systematic barriers hindering access for low-income communities, including inadequate infrastructure and indirect healthcare costs. To bolster hospital performance, prioritizing accessible and affordable public primary healthcare and establishing transparent provider payment systems are critical steps (Asante, 2023).

Indonesia's healthcare landscape encompasses various hospitals with varying ownership structures, including private and public entities. Private hospitals are under the ownership of private organizations, whereas public hospitals are under

the government's jurisdiction. This hospital classification system is based on the scope of services provided. Type A hospitals are referral centers offering various facilities and medical services. In contrast, Type B hospitals are typically equipped to manage more complex medical cases and offer more extensive facilities than their Type C counterparts, which predominantly address common diseases.

Furthermore, Type D hospitals primarily deliver primary healthcare services, focusing on essential medical treatment and preventive care. Positioned as the frontline healthcare providers for communities, they are pivotal in addressing public health needs across Indonesia. Additionally, standalone hospitals and those affiliated with more extensive networks (chain hospitals) contribute to the healthcare infrastructure. Strategically distributed across urban and rural locales, these hospitals collectively strive to ensure equitable access to healthcare services for the populace.

The total number of hospitals in Indonesia is 3,147, comprising 71 Type A hospitals, 442 Type B hospitals, 1,709 Type C hospitals, 882 Type D hospitals, 67 Type D Pratama hospitals, and 5 hospitals whose types have not been specified. The distribution of these compositions is illustrated in the Figure 1.1. The data was from the Ministry of Health of the Republic of Indonesia in 2024 (Yankes, 2024). Upon closer examination of hospital ownership in Indonesia, it is evident that the majority are privately owned, with 831 hospitals. The second largest ownership category is government-owned district hospitals (public hospitals), totaling 641, followed by chain ownerships with 513 hospitals. This distribution is depicted in

the figure below. Considering the prominent presence of private hospitals in Indonesia, research must focus on private hospital management to provide insights based on empirical data. Type C hospitals are notable for their widespread presence and ability to address diverse medical conditions, making them a suitable focus for this study.

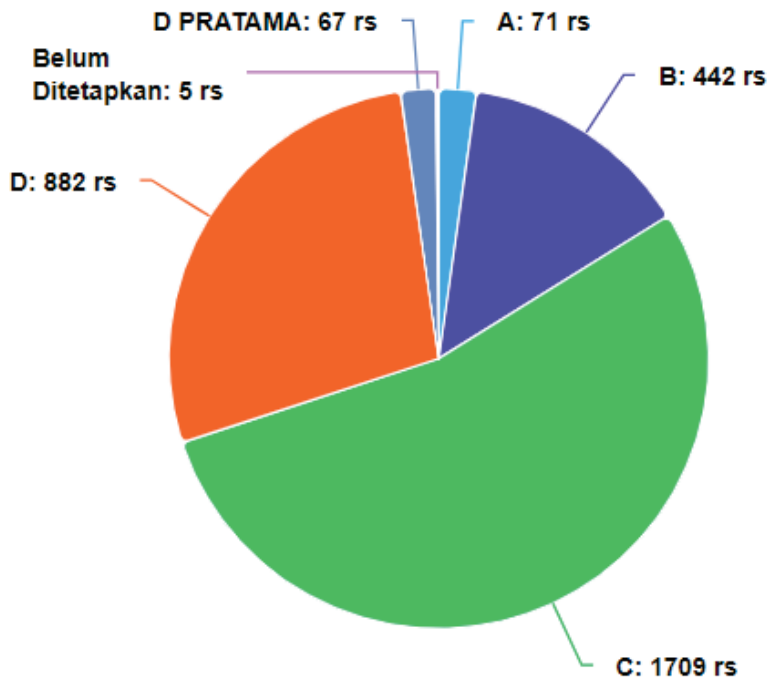

Figure 1.1 Total Hospital Types in Indonesia

Source: Kementerian Kesehatan Republik Indonesia (2024)

Type C hospitals in Indonesia have become a central problem in the healthcare industry due to several factors. These hospitals are categorized as having between 100 and 200 beds, and they receive case referrals from primary healthcare centers.

In Indonesia, many hospitals are owned by companies, as shown in the data (Fig 1.2). Many of these hospitals are corporate, such as Siloam, Primaya, Hermina, Eka, BMHS, and others. During the pandemic, several hospitals faced collapse and could not continue operations. This presents an excellent opportunity for hospitals to expand by acquiring nearby struggling or collapsed hospitals or companies.

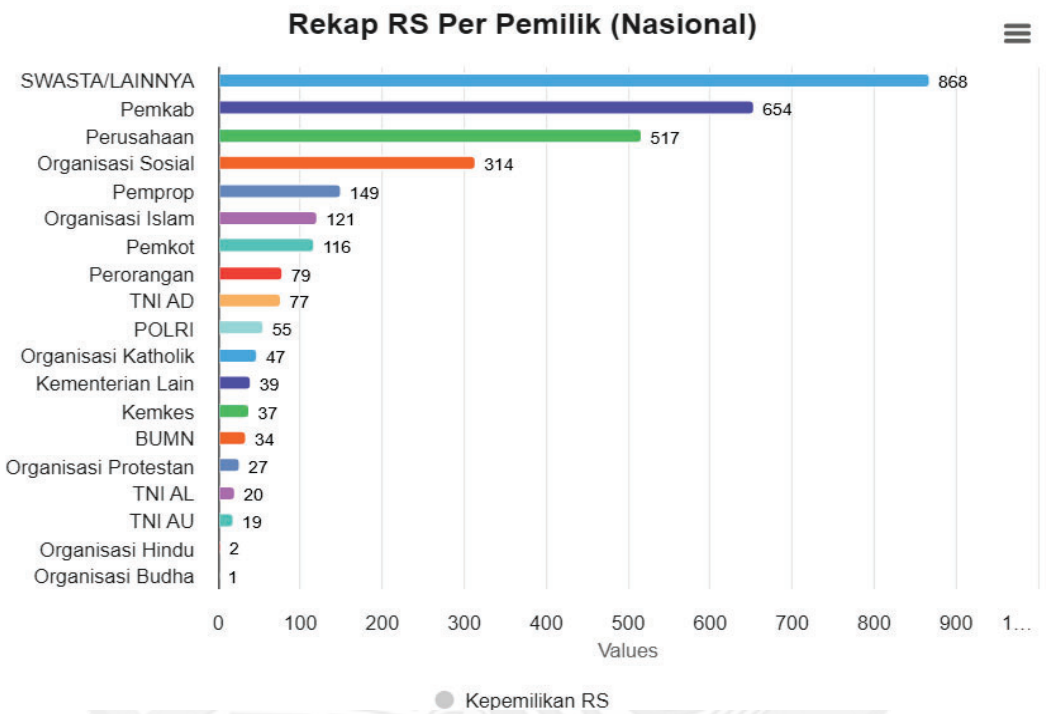

Figure 1.2 Hospital Ownership in Indonesia

Source: Kementerian Kesehatan Republik Indonesia (2024)

The selected research setting is a private chains hospitals, BND Hospitals, in Jakarta, Depok, and Bekasi. It is accredited and has been established for over ten years. BND Hospitals are type C hospitals with approximately 100 beds and offer various specialized services, including surgery, obstetrics, pediatrics, internal

medicine, cardiology, urology, orthopedics, etc. As per government expectations, BND Hospital also participates in and accepts patients covered by the National Health Insurance. Based on the above considerations, hospital BND has been chosen because it can serve as an example of a similar type of hospital that is growing in a highly competitive area.

The initial challenge lies in evaluating the efficiency of the hospital's operational processes. Hospitals often grapple with financial management issues typically reflected in their financial reports. Assessing hospital performance encompasses various facets, including economic indicators collected from these reports (Basarkar & Saxena, 2016).

Financial management remains a key concern, as hospitals must navigate complex financial landscapes to ensure sustainable operations. By analyzing financial reports, stakeholders can gain insights into areas of strength and areas that require improvement. Additionally, evaluating hospital performance extends beyond financial metrics to patient safety and satisfaction. This multifaceted approach enables a comprehensive assessment of the hospital's operational efficiency and effectiveness in meeting the needs and expectations of its stakeholders (Akinleye et al., 2019; Van, 2019).

Online reviews significantly influence perceptions of hospital performance, including benevolent aspects of care delivery. In today's digital era, these reviews shape consumer decisions in healthcare, impacting perceptions of hospitals' commitment to care practices. A negative review can harm a hospital's reputation,

deter potential patients, and raise doubts about the hospital's dedication to patient care. Social media and review sites are concerned with clinical aspects like care quality and hygiene and benevolent factors such as staff empathy, physician competence, and patient-centeredness. Hospitals must actively monitor and manage their online presence to protect their reputation and reassure the public of their persistent commitment to benevolent care practices, considering these influential reviews (Gupta & Mayank, 2016; Akbolat et al., 2019).

Table 1.1 Comparison Expenses of Suppliers and Payment to Employees and Compound Annual Growth Rate of BND Company

Year	**2021**	**2022**	**2023**
Payment to suppliers and operating expenses	827.546.198.001	858.684.803.257	722.309.387.002
Payment to employees	121.407.775.01	241.687.170.406	280.747.899.951
Operating Expenses	310.454.080.954	405.307.702.767	459.208.056.051
Profit before tax	362.711.105.813	138.690.124.408	11.578.377.362
CAGR 3 years (2023-2021)	**-98,94%**		

Notes: Number in IDR
Source: Modified from Consolidated Financial Report (2023)

Table 1.2 BND Hospital Reviews

Hospital	**Review**
A	3.5
B	3.8
C	4.1

Source: Modified from Google Review (2024)

From the issue above, hospital performance becomes crucial in enhancing the overall quality of healthcare services and addressing benevolent concerns. Amidst the demands for quality and efficient service delivery, research on hospital performance has become increasingly crucial. The role of hospitals as primary healthcare centers, particularly in managing complex medical cases, demands the development of best strategies and practices to ensure optimal patient care while upholding benevolent principles. Through a profound understanding of factors influencing hospital performance, including resource management, clinical process effectiveness, benevolent care delivery, and patient satisfaction, this research aims to provide valuable insights for decision-makers to enhance healthcare service quality in Indonesia. Thus, this research is expected to significantly improve hospital operational efficiency and effectiveness, foster a culture of benevolent care, and enhance overall patient satisfaction.

Assessing hospital performance encompasses two key dimensions: patient satisfaction and financial viability. Patient satisfaction gauges the quality of care received, encompassing aspects such as treatment adequacy, communication, and overall experience, aiming for seamless procedures and minimal grievances. (Cleven et al., 2016; Noto et al., 2021). On the other hand, financial performance evaluates a hospital's revenue generation, cost-effectiveness, and competitiveness in expenditure management, which is crucial for sustaining operations and facilitating future investments. Moreover, contemporary hospital performance paradigms emphasize the creation of 'population value,' emphasizing outcome-

oriented and community-centric approaches. This evolution necessitates hospitals to foster integration and coordination with broader healthcare ecosystems, prioritizing outcomes and population health.

Some previously studied variables have been researched, such as factors influencing hospital performance across different dimensions. Cleven et al. (2016) examined the effects of process orientation, operational efficiency, workforce conditions, and clinical quality on hospital performance, focusing on patient satisfaction and financial performance. Upadhyay et al. (2022) investigated the relationship between safety culture, electronic health record (EHR) implementation, and hospital performance, including quality and financial outcomes. Alolayyan and Alyahya (2023) explored the influence of operational flexibility, employee engagement, and management capability on hospital performance. Fahlevi et al. (2023) analyzed the effects of transformational, innovative, and strategic leadership styles and organizational identification on hospital performance. Jaber and Nashwan (2022) studied the impact of financial, quality, internal business, learning, and patient perspectives on hospital outcomes. Xiong et al. (2022) investigated the relationship between growth organization culture, person-organization fit, job satisfaction, and hospital performance. Ediansyah et al. (2022) explored the effects of digital transformation, resource integration, networking capability, and the medical tourism ecosystem on hospital performance. Chen et al. (2020) examined the influence of person-organization fit, job satisfaction, and work experience on hospital performance. Milstein et al.

(2015) investigated the impact of electronic health record (EHR) adoption on hospital outcomes, including process adherence, patient satisfaction, and efficiency. Wardhani et al. (2019) explored the relationship between hospital characteristics, hospital accreditation, and various aspects of hospital performance. Lastly, Shortell et al. (2021) studied the impact of hospital adoption of Lean principles on Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) scores.

Table 1.3 Previous Studies of Hospital Performance

Author	Research Type	Variables	Outcome
Cleven et al., 2016	Quantitative	-Process orientation (IV) -Operational Efficiency -Workforce Conditions -Clinical Quality	Hospital Performance (patient satisfaction & financial performance)
Upadhyay et al., 2018.	Quantitative	-Safety culture (IV) -EHR implementation (IV)	Hospital Performance (quality performance & financial performance)
Alolayyan & Alyahya, 2023.	Quantitative	-Operational Flexibility (IV) -Employee Engagement -Management Capability	Hospital Performance
Fahlevi et al., 2023	Quantitative	-Transformational Leadership (IV) -Innovative Leadership (IV) -Strategic Style Leadership (IV) -Organizational Identification	Hospital Performance
Jaber & Nashwan, 2022.	Quantitative	-Financial perspective (IV) -Quality perspective (IV) -Internal business perspective (IV) -Learning perspective (IV) -Patient perspective (IV)	Hospital Outcome
Xiong et al., 2022.	Quantitative	-Growth organization culture (IV) -Person-organization fit -Job satisfaction	Hospital Performance
Ediansyah et al., 2022.	Quantitative	-Digital Transformation (IV) -Resource Integration (IV) -Networking Capability -Medical Tourism Ecosystem	Hospital Performance

Author	Research Type	Variables	Outcome
Chen et al., 2020.	Quantitative	- Person-organization fit (IV) - Job satisfaction - Work experience (MV)	Hospital Performance
Milstein et al, 2015	Quantitative	EHR Adoption (IV)	Hospital outcomes (process adherence, patient satisfaction, efficiency)
Wardhani et al., 2019	Quantitative	- Hospital characteristics - Hospital accreditation	Hospital performance (BOR, TOI, AVLOS, GMR, NMR)
Shortell, et al. 2021	Quantitative	-Hospital adoption of Lean	HCAHPS

IV: Independent Variables; MV: Moderating Variables
Source: Own development from previous studies (2024)

The basis theory of this study is from Donabedian's Structure-Process-Outcome (SPO) model (Donabedian, 1982; 1988; 2002), which offers a comprehensive framework for assessing healthcare quality and understanding its relationship with hospital performance. In this model, the structure of a hospital, encompassing its resources, facilities, and staffing, influences the processes involved in care delivery, such as clinical protocols, communication among healthcare professionals, and patient interactions. These processes, in turn, directly impact care outcomes, including patient satisfaction, clinical effectiveness, and financial performance. Hospitals prioritizing evidence-based practices, interdisciplinary collaboration, and patient-centered communication will likely achieve better outcomes, reflecting the cumulative impact of their structure and care processes. Therefore, aligning the hospital's structure and processes with best practices and patient needs is essential for optimizing outcomes and enhancing overall hospital performance.

Other theories, such as the Healthcare Service Quality theory (Babakus & Mangold, 1992) and Resource-Based Value (RBV) theory, are also included. The Healthcare Service Quality theory emphasizes the importance of service quality dimensions, including tangibility, reliability, responsiveness, assurance, and empathy, in evaluating patient satisfaction and perceived quality of care. On the other hand, the RBV theory focuses on the internal resources and capabilities of an organization, suggesting that leveraging unique resources and capabilities can lead to competitive advantage and superior performance.

While these theories provide a robust framework for assessing healthcare quality and performance, they often do not explicitly include benevolence (Akbolat et al., 2019), which refers to prioritizing patient welfare. Integrating benevolence into these frameworks enhances the understanding of how hospitals can foster a compassionate and patient-centered care environment. Emphasizing benevolence aligns healthcare practices with medical ethics, leading to improved patient outcomes and increased trust. By combining operational efficiency with compassion and empathy, hospitals can achieve operational benevolence, optimizing care to be both effective and empathetic. This integration enhances patient satisfaction and overall hospital performance, evidenced by better outcomes and increased satisfaction rates.

Physician Leadership (Menaker et al., 2008), Clinical Pathway Implementation (Li et al., 2022), Promotion of patient safety (Oldland et al., 2021), e-medical record utilization (Yu & Qian, 2018), and Performance-based evaluation

(Petiijohn et al., 2001) are all variables independent of hospital performance. These factors encompass various aspects of healthcare delivery and organizational management that contribute to hospitals' overall effectiveness, efficiency, and quality of care, known as the Structure of Donabedian Theory. As independent variables, they can directly influence hospital performance outcomes, such as patient satisfaction, clinical outcomes, and financial indicators. Therefore, understanding and optimizing these variables are essential for enhancing hospital performance and ensuring the delivery of high-quality healthcare services.

Professional commitment as a moderating factor has shown that it is crucial to hospital performance among healthcare professionals, especially nurses. Organizational commitment, which includes affective attachment and loyalty to the organization, is closely linked to professional competency (Karami et al., 2017). Nurses' perception of ethical climate and organizational commitment has been highlighted as essential for enhancing employees' commitment (Borhani et al., 2013). Professional commitment is a critical factor in ensuring quality patient care and maintaining the integrity of the healthcare system. Professional commitment among healthcare professionals, particularly nurses, influences various aspects of hospital performance, including patient safety, job satisfaction, and organizational outcomes.

Nevertheless, previous research that integrates elements that emerge from efficiency and benevolence is still scarce. This study uses hospital operational efficiency and benevolence to predict hospital performance (HP) in the private

hospital context. The assumption underlying this study is that the interplay between efficiency and benevolence must achieved first to deliver quality of care. This approach is expected to fill the gap and contribute new insights to hospital management. Furthermore, this research also explored organizational and work environments as antecedents of Hospital Operational Efficiency (HOE) and Hospital Operational Benevolence (HOB), which have the potential for intervention. In addition, professional commitment is a moderating factor that is seen to contribute to hospital performance.

The proposed research model suggests hospital operational efficiency and operational benevolence as independent variables, with hospital performance as the dependent variable and professional commitment as the moderating factor. This conceptual framework will be empirically tested using data collected from healthcare workers in private hospitals in April 2024. The significance of this investigation stems from the crucial role private hospitals play in self-funding, making effective management imperative to avoid financial losses. Balancing cost reduction with quality maintenance is essential, especially considering the paramount importance of benevolence in patient care. Ultimately, the focus lies on enhancing hospital performance. The study is conducted within three private hospitals in a corporation. The data will be calculated in multivariate using the partial least squares-structural equation modeling (PLS-SEM).

1.2 Research Question

The research question is formulated based on research variables in the context of hospital performance in type C chain hospitals, as follows:

1. Does physician leadership have a positive and significant influence on hospital operational efficiency?
2. Does physician leadership have a positive and significant influence on hospital operational benevolence?
3. Does clinical pathway implementation have a positive and significant influence on hospital operational efficiency?
4. Does clinical pathway implementation have a positive and significant influence on hospital operational benevolence?
5. Does the promotion of patient safety have a positive and significant influence on hospital operational efficiency?
6. Does the promotion of patient safety have a positive and significant influence on hospital operational benevolence?
7. Does e-medical record utilization have a positive and significant influence on hospital operational efficiency?
8. Does e-medical record utilization have a positive and significant influence on hospital operational benevolence?
9. Does performance-based evaluation have a positive and significant influence on hospital operational efficiency?

10. Does performance-based evaluation have a positive and significant influence on hospital operational benevolence?
11. Does hospital operational efficiency have a positive and significant influence on hospital performance?
12. Does hospital operational benevolence have a positive and significant influence on hospital performance?
13. Does professional commitment strengthen the relationship significantly between hospital operational efficiency and hospital performance?
14. Does professional commitment strengthen the relationship significantly between hospital operational benevolence and hospital performance?

1.3 Research Objectives

This research was conducted at the type C chain hospital in Indonesia, with the following objectives:

1. To examine and analyze the positive and significant influence of physician leadership on hospital operational efficiency.
2. To examine and analyze the positive and significant influence of physician leadership on hospital operational benevolence.
3. To examine and analyze the positive and significant influence of clinical pathway implementation on hospital operational efficiency.
4. To examine and analyze the positive and significant influence of clinical pathway implementation on hospital operational benevolence.

5. To examine and analyze the positive and significant influence of the promotion of patient safety on hospital operational efficiency.
6. To examine and analyze the positive and significant influence of the promotion of patient safety on hospital operational benevolence.
7. To examine and analyze the positive and significant influence of e-medical record utilization on hospital operational efficiency.
8. To examine and analyze the positive and significant influence of e-medical record utilization on hospital operational benevolence
9. To examine and analyze the positive and significant influence of performance-based evaluation on hospital operational efficiency.
10. To examine and analyze the positive and significant influence of performance-based evaluation on hospital operational benevolence
11. To examine and analyze the positive and significant influence of hospital operational efficiency on hospital performance.
12. To examine and analyze the positive and significant influence of hospital operational benevolence on hospital performance.
13. To examine and analyze the moderating effect of professional commitment on hospital operational efficiency for hospital performance.
14. To examine and analyze the moderating effect of professional commitment on hospital operational benevolence for hospital performance.

1.4 Research Outcomes/ Implication

This quantitative research is expected to provide benefits that can be divided into two aspects: academic benefits, especially in the field of management, and practical management benefits in hospitals. Academic benefits include providing input for further research on the relationship between hospital operational efficiency and hospital operational benevolence on hospital performance with the moderating variable of professional commitment in hospitals, especially in private hospitals. This input will be obtained through testing the research model, with the dependent variable being hospital performance. This research model will be empirically tested on employees and healthcare workers in type C private hospitals in Jakarta, Bekasi, and Depok.

The practical benefits include providing input for private hospital managers, especially type C private hospitals, to consider factors that can be sustained and further enhanced to improve hospital performance. Furthermore, it seeks to identify and prioritize aspects of hospital operational efficiency, hospital operational benevolence, and professional commitment that are likely to impact the delivery of healthcare services and, subsequently, hospital performance.

1.5 Research Framework

This research is written and structured in a research format consisting of five chapters. Each chapter contains explanations according to its title. These five chapters are interconnected, creating a coherent and comprehensive academic

manuscript. The breakdown of the writing structure of this thesis is organized as follows:

CHAPTER I: INTRODUCTION

The first chapter consists of a background description of the research, an explanation of the business phenomena and research problems, and the research variables that will be used. Furthermore, it includes descriptions of the research questions, objectives, benefits, and writing structure.

CHAPTER II: LITERATURE REVIEW

The second chapter describes fundamental theories as the foundation of the research explains variables, and discusses previous studies related to the research topic. Additionally, it provides detailed explanations of hypothesis development and the conceptual framework model.

CHAPTER III: RESEARCH METHODOLOGY

The third chapter includes descriptions of the research object, research analysis unit, research type, operationalization of research variables, population and sample, sample size determination, sample selection method, data collection method, and data analysis method using PLS-SEM.

CHAPTER IV: RESEARCH RESULTS AND DISCUSSION

The fourth chapter analyzes empirical research data processing, including the profile and behavior of respondents. It is followed by analyzing descriptive research variables and inferential research analysis using the PLS-SEM method and discussing it.

CHAPTER V: CONCLUSION

The final chapter contains the research's conclusion, managerial implications drawn from the data analysis results, limitations encountered, and recommendations for further study.