

# The Dilemma of Efficiency and Quality: Organizational Strategies of Public Hospitals in the Era of National Health Insurance

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## ABSTRACT

The implementation of the National Health Insurance (JKN) through the INA-CBGs payment scheme has posed significant challenges for public hospitals in Indonesia in balancing cost efficiency and service quality. The mismatch between claim tariffs and the actual cost of care, along with increasing demands for quality accreditation, has created complex structural and managerial pressures. This study aims to analyze the organizational strategies of public hospitals in responding to the efficiency-quality dilemma in the JKN era. This study adopts a qualitative-descriptive approach based on phenomenology. Data were collected through in-depth interviews, non-participant observation, and document analysis involving hospital directors, heads of quality units, heads of finance divisions, and senior healthcare professionals.

Thematic analysis was conducted to identify patterns of organizational strategies in responding to the limitations of a fixed-payment system. The findings reveal that the success of hospitals in addressing the efficiency-quality dilemma is strongly influenced by the flexibility of organizational structures, integration of quality management systems, and transformational leadership styles. Hospitals that adopt value-based efficiency strategies, decentralize managerial functions, and embed a culture of quality tend to be more adaptive to external pressures. This study underscores the importance of a holistic organizational approach to ensure the sustainability of public healthcare services in the increasingly challenging context of JKN policy.



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## 1. INTRODUCTION

The National Health Insurance System (JKN), implemented since 2014 through the Social Security Administration Agency for Health (BPJS Kesehatan), has significantly transformed the hospital financing and management models in Indonesia. This program is intended to realize equitable and affordable healthcare services for all citizens. However, in practice, public hospitals are facing structural and operational dilemmas—balancing the demand for cost efficiency with the obligation to maintain service quality. This challenge has become more prominent with the implementation of the case-mix-based payment system under the Indonesian Case-Based Groups (INA-CBGs) scheme, which does not fully reflect the complexity of cases and the clinical needs of patients. Preliminary observations indicate that JKN services account for over 70% of the total patient load in public hospitals (BPJS Kesehatan, 2023), yet INA-CBGs tariffs are often lower than the actual cost of services, particularly for referral cases and chronic diseases (Wardani et al., 2023).

Recent discussions have emphasized that hospitals focusing solely on efficiency without improving their quality management systems tend to experience a decline in service quality and a loss of public trust (Prabowo & Sunariman, 2021). Meanwhile, Sudana & Emanuel (2020) affirm that adaptive and integrative organizational strategies are essential to maintaining quality amidst the financial limitations of the JKN tariff structure. Previous research has evaluated the technical aspects of the INA-CBGs system and the financial performance of hospitals. However, few studies have comprehensively mapped how organizational structures, internal quality systems, and leadership interact in responding to the regulatory and financial pressures of the JKN scheme.

Over the past two years, several critical issues have emerged at both national and international levels. First, delays in BPJS claim reimbursements continue to affect hospital liquidity (Tarigan & Lestari, 2022). Second, the demand for hospital accreditation by LAM-KPRS with high-quality service standards has added structural burdens amidst limited human resources and budget constraints. Third, global trends point to the digital transformation of hospitals and the adoption of value-based healthcare approaches, requiring hospital systems to be more adaptive and collaborative. These conditions highlight the urgency of strengthening organizational strategies in public hospitals, especially in the post-pandemic era and amidst increasingly complex health economic challenges.

This study is essential as it provides a phenomenological and strategic organizational perspective on the issues faced by public hospitals in Indonesia. The available data relevant to this topic include service quality indicators (such as Bed Occupancy Rate [BOR], Length of Stay [LOS], and patient satisfaction), hospital financial data, BPJS claim reports, as well as internal organizational structures and hospital policies. From a policy perspective, the most relevant regulations include the Ministry of Health Regulation No. 3 of 2023 concerning JKN-based healthcare service management and BPJS Health regulations related to tariffs and the claims system.

Based on the issues outlined above, this study aims to thoroughly analyze the organizational strategies of public hospitals in addressing the dilemma between efficiency and quality of service in the JKN era. This research is original in that it not only addresses the technical challenges of the JKN system but also explores how various internal organizational dimensions interact to shape adaptive strategies. The scientific novelty of this article lies in its application of contingency theory and open systems theory to evaluate the resilience of public hospital organizations—an area that has not been widely discussed in Indonesian health management literature.

## Research

### 1. Theoretical Benefits

This study contributes to the development of public organization theory, particularly in the context of healthcare service institutions. By applying open systems theory, contingency theory, and lean management, this research enriches the scientific literature on the relationship between organizational structure, quality systems, and adaptive strategies under the pressure of fixed payment policies such as INA-CBGs.

### 2. Practical Benefits

Practically, the findings of this study can serve as a reference for public hospital management in developing responsive and efficient organizational strategies. These findings offer insights into the importance of organizational structure adjustment, the strengthening of quality control units, and the application of transformational leadership to maintain service quality amid budget constraints.

### 3. Benefits for Public Policy

For policymakers (the Ministry of Health, BPJS Kesehatan, and local governments), this study provides evidence-based input regarding the impact of the INA-CBGs system on hospital operations. The recommendations presented in this article can be used as a basis for revising JKN tariff regulations, designing quality-based hospital incentives, and involving hospitals in the formulation of more equitable and realistic healthcare financing policies.

## 2. LITERATURE REVIEW

### 1) The Dilemma of Efficiency and Quality in Healthcare Organizations

Efficiency and quality are often positioned as two opposing poles in the management of healthcare services. Efficiency refers to a hospital's ability to minimize the use of resources (inputs) in producing healthcare outputs (Fare et al., 2007), while quality refers to the degree to which health service standards are achieved, as expected and accepted by both patients and medical personnel (Donabedian, 1980).

In practice, hospitals are frequently confronted with the dilemma of maintaining service quality under limited budgets due to fixed-rate systems such as INA-CBGs. This leads to situations where managerial decisions must strike a balance between financial efficiency demands and the risk of declining service quality. According to Wensing et al. (2020), this tension represents a major challenge in health system reforms in many developing countries, including Indonesia.

### 2) Definition and Organizational Structure of Hospitals

According to the Regulation of the Minister of Health of the Republic of Indonesia No. 3 of 2020, a hospital is a healthcare institution that provides comprehensive individual health services, including inpatient, outpatient, and emergency care. Organizationally, a hospital consists of various interrelated units: medical services, nursing, supporting services, general management, finance, and quality assurance.

Theoretically, hospitals can be categorized as complex professional organizations (Mintzberg, 1983), because their structure

consists of highly autonomous professionals (such as doctors and nurses) and a coordination system that relies more on standards of expertise than on hierarchical authority.

In the context of public hospitals owned by the government, bureaucratic characteristics and political influence also affect strategic decision-making, as described in Moore's (1995) theory of public value. Therefore, the organizational strategies of public hospitals must balance managerial efficiency, service quality, and social legitimacy.

### 3) The National Health Insurance System and Its Impact on Hospital Management

The National Health Insurance (JKN) system, launched in 2014, aims to provide universal health coverage for all Indonesian citizens. Managed by BPJS Kesehatan, the program uses a tariff scheme based on the Indonesian Case-Based Groups (INA-CBGs), which allocates fixed payments for each diagnosis and medical procedure.

The implementation of INA-CBGs has had a significant impact on hospitals, particularly in operational cost management and resource allocation strategies. Many hospitals have experienced cash flow pressures and deficits due to mismatches between INA-CBGs tariffs and the actual cost of services, which can lead to a decline in service quality if not managed with appropriate efficiency strategies.

Moreover, delays in BPJS claim reimbursements have further increased the burden on hospitals and represent an external factor that must be anticipated in organizational strategies (Putri & Kurniawan, 2022).

## 3. METHODS

This study employed a qualitative-descriptive approach using a phenomenological method, aiming to deeply understand the subjective experiences and meaning constructions of public hospital organizational actors in facing the dilemma between cost efficiency and service quality under the National Health Insurance (JKN) system. The phenomenological method was chosen because it is suitable for exploring how individuals—in this case, hospital managers, quality unit heads, and physicians—experience, interpret,

and respond directly to the structural pressures and policies of the INA-CBGs system (Creswell, 2013).

#### 1) Research Site and Subjects

The research was conducted at a regional referral hospital, where more than 80% of patients are covered by the BPJS scheme. The research subjects were selected purposively and consisted of the following:

##### 1. Hospital Director Policy-Based Adaptive Managerial Strategy

The hospital director emphasized the importance of maintaining a balance between efficiency and quality as part of the hospital's sustainability strategy under the JKN system. They stated that the strategic approach is carried out through budget rationalization, organizational structure adjustments, and focusing on high-cost service priorities. However, they also acknowledged decision-making limitations, as public hospitals are bound by regulations from both regional and central governments.

##### 2. Head of Quality Control Unit and Service Manager Quality as a Work Culture, Not Just an Accreditation Standard

The quality control head identified major challenges in maintaining service quality under constrained operational budgets. They reported that the strategy to preserve quality includes fostering an internal culture of quality, strengthening patient safety incident reporting systems, and implementing outcome-based staff training. They rejected efficiency approaches that sacrifice patient service processes and instead promoted efficiency through process innovation.

##### 3. Head of Finance and Human Resources Division Structural Efficiency and Human Resource Optimization

From the finance and HR perspective, efficiency strategies were implemented through operational expenditure control, such as optimizing procurement of medical supplies, rescheduling work shifts, and redistributing personnel to avoid ineffective overtime. They emphasized that efficiency strategies must be data-driven—based on service utilization and unit performance metrics—rather than indiscriminate budget cuts.

#### 4. Healthcare Personnel Representatives (Senior Doctors and Nurses) Practical Dilemmas in the Field Between Service and Financing

Healthcare professionals experienced firsthand the pressure from the efficiency-quality dilemma. They reported increased workloads due to limited staffing and inadequate incentives. Nevertheless, they strived to maintain professionalism by fostering effective inter-professional communication and finding practical solutions in the field, such as reorganizing patient flow or using medical supplies more efficiently without compromising patient safety.

##### 2) Data Collection Techniques

Data were collected using the following techniques:

1. In-depth semi-structured interviews to explore the personal experiences and perceptions of informants regarding JKN policies, hospital efficiency, and service quality challenges.
2. Non-participant observation of service workflows, the BPJS claim system, and interactions among work units in the field.
3. Document analysis, including performance reports, organizational structure charts, quality indicators (LOS, BOR, patient satisfaction), as well as SOPs and internal hospital guidelines.

## 4. RESULTS AND DISCUSSION

This study highlights the importance of organizational strategies in public hospitals for addressing the dual challenge of cost-efficiency demands and the obligation to maintain service quality within the fixed and limited funding structure of the JKN-BPJS system. The findings indicate that a hospital's success in managing this dilemma is strongly influenced by the integration of organizational structure, internal quality management systems, and adaptive leadership styles.

##### 1) Organizational Strategies for Maintaining Service Efficiency and Quality

The findings reveal that public hospitals capable of surviving and thriving under the JKN system are those that do not solely focus on cost reduction, but also undertake strategic reorganization of workflows and internal governance. Adjustments to service flow, utilization of information technology for claims



processing, and the formation of cost and quality control teams are key strategies in balancing efficiency and quality. Hospitals that focus exclusively on cutting costs often experience a decline in patient satisfaction and disruption in service continuity. Effective organizational strategies are grounded in value-based efficiency rather than mere nominal efficiency.

## 2) Structural and Managerial Challenges Caused by INA-CBGs Limitations

The fixed funding mechanism under the INA-CBGs scheme has placed considerable pressure on the managerial and structural aspects of hospitals. Key challenges include unbalanced workloads among units, limited flexibility in budget distribution, and delays in decision-making caused by overly bureaucratic organizational structures. These issues are exacerbated by the lack of autonomy in service units to carry out technical innovations or tactical policy decisions. When hospitals fail to align their internal structure with external financing conditions, a mismatch arises between operational goals and actual capacities.

## 3) The Role of Organizational Structure and Quality Management Systems

A flexible, non-hierarchical organizational structure is a critical factor in supporting adaptation to pressures from the JKN system. Hospitals with structures that enable cross-unit collaboration and rapid response to quality issues tend to be more resilient in facing budget constraints. Additionally, internal quality management systems play a central role in maintaining service standards. Integrating quality indicators such as Length of Stay (LOS), Bed Occupancy Rate (BOR), readmission rates, and patient satisfaction into regular evaluation mechanisms helps embed quality as a collective organizational orientation rather than a mere administrative burden.

## 4) Leadership Styles in Upholding Quality and Encouraging Innovation

Hospital leaders who are able to drive transformation, build collective spirit, and create space for innovation prove to be more effective in maintaining service quality amid limited resources. Transformational leadership—emphasizing inspiration, shared vision, and staff participation—can overcome resistance to change and mobilize human resources to pursue innovation. In contrast, directive or overly bureaucratic leadership styles tend to lead to organizational stagnation, especially when facing fluctuating external policies.



## 5) Policy Implications of the JKN-BPJS System on Organizational Stability

JKN policies, particularly the INA-CBGs payment system, require public hospitals to operate under financial constraints while maintaining service standards and accreditation. The findings show that hospitals lacking strong organizational strategies are at risk of financial imbalance, declining quality performance, and high rates of claim rejections. Conversely, hospitals that systematically manage both efficiency and quality are more likely to achieve organizational sustainability. Therefore, a re-evaluation of JKN policy design is needed to better align it with the operational realities of hospitals in the field.

## 5. CONCLUSION

Based on the results of the study and discussion, it can be concluded that public hospitals in the era of the National Health Insurance (JKN-BPJS) face a strategic dilemma between operational efficiency and maintaining the quality of healthcare services. Organizational strategies that succeed in maintaining this balance are determined by the flexibility of the organizational structure, the effectiveness of internal quality management systems, and transformational leadership styles that are adaptive to the fixed funding pressures under the INA-CBGs scheme.

Hospitals that are able to innovate through the digitalization of service processes, functional decentralization, and the integration of quality oversight into operational systems have proven to be more resilient in maintaining service stability and sustainability. This research contributes to reinforcing the argument that a holistic organizational approach—which encompasses structural, cultural, and managerial dimensions—is essential for navigating the complexities of the JKN system and sustaining the quality of public healthcare services over the long term.

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