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# **HEALTH SECTOR FINANCING PROJECT**

Ministry of Health  
Republic of Indonesia

## **CONSULTANT REPORT SERIES**



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A USAID-Sponsored Project in Collaboration with  
The International Science and Technology Institute, Inc.

ORGANIZATIONAL STRUCTURE AND PLACEMENT FOR COORDINATING MECHANISM FOR  
SOCIAL FINANCING/HEALTH INSURANCE PROGRAM AND  
SOCIAL FINANCING/HEALTH INSURANCE LAW

# 1

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## A. BACKGROUND FOR THE CONSULTATION

For several years USAID has been assisting the Ministry of Health of the Government of Indonesia in its efforts to expand child survival services throughout the country. The major thrust of the Ministry of Health/USAID efforts has been to find ways of improving the efficiency of health service delivery programs in the country and to increase the recovery of finances within those programs over what is presently available. As a result of these two efforts, increasing organizational efficiency and developing increased financial resources, it has been hoped that scarce funds that are now lost through inefficient organizational systems or through inappropriate financing systems, can be recaptured and redirected towards child survival programs. A major Ministry of Health project, the Health Sector Financing project, has been developed with the assistance of USAID to carry out these dual objectives.

This major new effort, the Health Sector Financing project, officially started in the summer of 1988, has four major components, as follows: (a) the development of socially financed health insurance programs in both the public and private sectors; (b) the improvement of the management and the organizational operations in government hospitals throughout the country; (c) improved efficiency and improved use of financial resources in the procurement, distribution, and use of drugs and pharmaceuticals; and (d) the development of health policy analysis capacity within the Ministry of Health.

The present consultation deals with the first component of the Health Sector Financing project, the development of socially financed health insurance programs in both the public and the private sectors. The consultant, Dr. Paul R. Torrens, is a Professor in Health Services Administration at the School of Public Health, University of California, Los Angeles. He has worked on short-term consulting assignments related to the development of the Health Sector Financing project for the past three years, during the course of which he has made eight trips to Indonesia. As a result of those trips and as the result of having many Indonesian Ministry of Health personnel visiting in Los Angeles for short or long term assignments, either as graduate students or as special visiting fellows, he has become thoroughly familiar with most of the important issues relating to the Health Sector Financing project.

During the course of this two week consultation, (25 July to 6 August, 1988), Dr. Torrens was asked to focus his attention on two specific areas/subjects: (a) the placement of the coordinating unit for health insurance within the governmental structure of the Republic of Indonesia, as well as its basic method of operation and activities; and (b) the drafting of the national legislation that will put into effect the national program of socially financed health insurance efforts throughout the country.

## B. METHOD FOR THE CONSULTATION

Dr. Torrens' work was coordinated by Dr. Rizali Noor, Director of the Project Implementation Office for Social Financing. In addition he worked with two groups of Ministry of Health officials. The first group consisted of Dr. Hasan Anoez, Mr. Chudri Burhanudin, and the staff of the Bureau of Organization within the Ministry of Health; the subject of the work here was the question of the proper organizational placement within the governmental structure for the coordinating unit for health insurance. The second set of consultation efforts were provided to Mrs. Emma Suratman who is the Head of the Bureau of Public Relations and Law within the Ministry of Health, together with her staff; the purposes of these consultations were to provide information and technical assistance to Mrs. Suratman and her staff, who were responsible for drawing up the outline for the legislation that would create the national health insurance program.

In addition to the major efforts concentrated on these two groups, Dr. Torrens also met with leaders in the Ministry of Manpower to talk about their particular health insurance program for employed workers; the Ministry of Manpower and its leaders have played a major part in the development of health insurance for workers and continue to be a major supporter of the broader national health insurance effort. Dr. Torrens also conducted a full-day seminar on health insurance organization and legislation in the United States, attended by approximately 50 leaders of the Ministry of Health and of various national health-related organizations, associations, and institutions. Dr. Torrens also met frequently with members of the Health Sector Financing project staff within the Ministry of Health to discuss various aspects of the project and its progress.

### C. ACTIVITIES AND OUTCOMES OF THE CONSULTATION

In the first term of the consultation, Dr. Torrens worked with Mrs. Emma Suratman and the staff of the Bureau of Public Relations and Law; a consultant provided technical opinions and advice on specific matters related to the draft DUKM law. A draft of this law had already been put together during previous consultations and since Mrs. Suratman and her staff had had an opportunity to review the previous draft, the consultation now focused on answering specific questions that the staff had with regard to various aspects of the draft law. Mrs. Suratman and her staff members had obviously given considerable thought to the first draft and to various issues that it raised, and so their questions with regard to the next draft of the law were very specific and focused. No major issues or difficulties were raised during the consultation with Mrs. Suratman and the staff of the Bureau of Public Relations and Law and they felt confident that the final draft of the law, together with the academic paper which will provide the background for the law to the legislative members who must pass it, can be completed in a month or two. Their questions were more technical and limited and were not major questions of policy or direction, so this aspect of the consultation went quite easily.

By contrast, the consultation with regard to the placement of the coordinating unit for health insurance within the governmental structure in Indonesia raised some very significant questions about the appropriate structure for that coordinating unit, as well as significant questions about the actual functions of that unit. Even though it had previously been felt that most of the issues related to organizational placement and function had been discussed thoroughly and had been agreed upon, it rapidly became quite clear that there are still some significant issues and questions related to these two aspects of the project. Indeed, there was no clear agreement reached among the various personnel dealing with these issues during the time of Dr. Torrens' consultation and also no clear understanding of what the next step would be to settle the issue. It seems clear that the dual questions of the organizational placement for the coordinating body for health insurance and of the functions for that body, once established, still need to be discussed in great detail, and that significant administrative decisions need to be made if the entire social finance component of the project is to continue at all. A discussion of the issues raised and a commentary on the conceptual questions involved is given in the next section of this report.

### D. IMPORTANT ISSUES AND CONCEPTUAL QUESTIONS RAISED DURING THE CONSULTATION

The major issues and questions raised during the consultation related to the dual question of placement of the coordinating body for health insurance within the governmental structure in Indonesia and the actual role and function of that unit.

By way of background, it will be recalled that one of the initial decisions that was made with regard to the social financing of health care in Indonesia in the future was that it would involve both public and private sector insurance programs. This decision was made on the dual grounds that the government of Indonesia is simply unable at the present time to take on the total organization and financing of health insurance for the entire country, and more important, the government itself believes that such an

effort should not solely be a governmental effort; there is a strong principle at work that says that major social efforts of this kind should engage the energies and commitment of both the public sector and the private sector.

In light of this decision (i.e., not to go with a single government-sponsored and operated national health insurance program), the next alternative was to have multiple health insurance programs in both the public and the private sectors. Given this decision to involve both public and private sector insurance programs (and many of them), it became clear that there was a need for some unit within the government to have the authority to regulate and coordinate all of these multiple public and private efforts. Without this central regulation and coordination function, the health insurance effort would simply become a chaotic mixture of unsupervised, poorly integrated, and perhaps, conflicting insurance programs of various kinds. For that reason, it was determined that there needed to be a unit within the government to supervise and regulate each of the health insurance programs that would participate in the national program effort.

On further discussion of the form and placement of this coordinating unit for health insurance, it became clear that several important principles had to be considered in the development of this coordinating unit. First of all, all of the various participating governmental ministries and agencies, as well as the various private sector organizations, had to be involved in some fashion in the direction of the coordinating unit for health insurance. The reasoning was that if the coordinating unit did not have the full support and participation of all of the various interests and organizations and groups that would be affected by the activities of the coordinating unit, they would not cooperate with the work of that unit and might eventually prevent it from being effective at all. It was felt that a very important principle that needed to be observed was the involvement of those groups most affected by the national health insurance program in the policy making and direction of the coordinating unit for health insurance. This would mean that the coordinating unit itself would have to operate under a board or a committee of some sort that would give it its general operating directions and policies; this board or committee would include representatives of those major factions most affected by the law and by the national health insurance program.

The second major principle that needed to be involved in the design and function of the coordinating unit for health insurance was the necessity of placing the actual operations of that unit and whatever staff it might have under the direct operating supervision of the Minister of Health. The thinking here was that health insurance in Indonesia will eventually be a major force affecting the health status and health programs of the country. It was felt to be simply unthinkable that such a major influence on the health of the people of the country and on the health programs of the country should not come under the direct supervision and authority of the Minister of Health. If the national health insurance effort and the work of the coordinating unit for health insurance were not placed under the direct authority of the Minister of Health, this would place the Minister of Health in the most awkward position of not being able to influence one of the major forces for health in the country.

As a result of previous discussions earlier in 1988 and in 1987, it was generally agreed that a mechanism should be developed which embodied both principles. That is, the work of the coordinating unit for health insurance would be carried out under the general supervision of a board or committee that would have broad and wide representation on it and which would be chaired or directed by the Minister of Health. The actual work of the coordinating unit would be carried out within the structure of the Ministry of Health and would be coordinated by staff assigned by the Ministry of Health.

At the beginning of this consultation, discussions started along the lines of the placement of the coordinating unit and its board in some position outside the Ministry of Health, so that the various other ministries could feel that they were fully participating in the effort. With the Minister of Health as the chairman of the health insurance coordinating unit, and with the operating staff actually made up of Ministry of Health personnel, it was felt that sufficient control and supervision of the operations would be in the hands of the Minister of Health, for the purposes discussed above.

During the course of the consultation, however, a strong opinion was voiced by staff of the Bureau of Organization that the entire operation should be placed within the Ministry of Health since it had recently been clearly expressed that the national health insurance effort would be carried out as part of the national health plan and, therefore, be under the direct supervision of the Minister of Health. Even though previous seminars and discussion sessions had seemingly made clear the need for broad cooperation, participation, and involvement by many ministries and organizations, the staff opinion at this time continued to be that the operation should be entirely within the Ministry of Health itself, both committee structure and operation. Opinion was expressed that the board for the health insurance coordinating unit should merely be advisory to the Minister of Health and should not function as a policy-making body under his general chairmanship. At the end of the consultation, the suggestion was made that the coordinating board should be established under the general authority of the Coordinating Minister for Social Welfare, whose general range of authority includes programs on education, social welfare, religious affairs, and family planning. The chairman of this coordinating board for health insurance would be the Minister of Health, and the entire board would report to the Coordinating Minister for Social Welfare. The all too technical functions of the coordinating unit for health insurance would be carried out by staff from the Minister of Health's office, the Office of the Secretary General, or the Office of the Director of the Bureau of Planning, depending upon the size and complexity of the coordinating unit's activities.

The second major set of issues and questions focused around the actual functions of the coordinating unit for health insurance, wherever it might eventually be located. Here, there was not so much a difference of opinion about what those functions should be, but rather uncertainty as to the actual method of carrying out those functions and the staff that would be necessary to accomplish them.

The functions of the health insurance coordinating unit have generally been described as follows: (a) establish minimum standards for the approval/certification/accreditation of health insurance programs that wish to participate in the national effort; (b) make those standards readily available to various organizations, companies, and associations that wish to establish health insurance programs and have those health insurance programs qualify for the national effort; (c) receive applications for approval/accreditation/certification of individual health insurance programs, review the applications as appropriate, and issue (or deny) such approval/certification/accreditation to the individual applicants; (d) monitor the performance of the initially-accredited/certified/approved health insurance programs to ensure their continuous operation at acceptable standards; (e) receive and investigate complaints from the general public served by individual health insurance programs, about the conduct of those programs and their service of the public; (f) re-approve/re-accredit/re-certify individual programs at clearly determined intervals as appropriate; (g) gather information about the operation of health insurance programs in the country and serve as a general clearinghouse for information about health insurance within the country; (h) sponsor research and demonstration projects to develop new models of health insurance and new programs of coverage as appropriate; (i) provide technical assistance to individual organizations wishing to develop health insurance programs.

The functions for the coordinating unit seem quite clear, but the manner of carrying out these functions was less clear to the staff of the Bureau of Organization, as was the degree of detail for the functions themselves and whether these functions should be carried out centrally for the entire country or through sub-offices in each of the provinces.

In the ensuing discussion concerning the central coordinating unit and its functions, it seemed to become clear that there were two ways to approach a question. The first way would be to carry out extensive studies throughout the country and discussions of all aspects of the functions of the coordinating unit and proceed with the establishment of that unit and its functions only after very detailed and perhaps time-consuming analysis has been carried out. The other approach suggested that a coordinating unit be established in simple form as quickly as possible, so that it can begin to function immediately and establish

the presence of the Ministry of Health (and of the Minister himself) as the controlling force with regard to all health insurance developments in the country. The matter of urgency to get started and the urgency of establishing the predominance of the Minister of Health in the field of health insurance in Indonesia was felt to be extremely important. Under this strategy, the unit would be established with a small staff and, as the functions and tasks became clearer, would expand as quickly as the functions were delineated and clarified. In this strategy, the coordinating unit would be a small office, probably attached either to the Minister of Health's office, to the Secretary General's office, or to the Bureau of Planning, and would grow within two years to be a bureau of its own and probably within five years to be a sub-directorate or perhaps a directorate of its own.

There was considerable difference of opinion about the appropriate strategy to be followed, with good reason on both sides. On the one hand, the present restrictions on the growth inside of the government ministries and offices means that it is difficult to establish new units and to staff them with newly-appointed personnel. In effect, every time any new unit is proposed or established, an old unit must be reduced or shrink in size to make way for the newcomer. Given these constraints, the longer-term development strategy is more appropriate.

On the other hand, there is great need to establish the coordinating unit for health insurance at the present time for two strong reasons: (a) health insurance is developing very rapidly in Indonesia at the present time and if a coordinating/supervising/regulating process is not established very soon, the field of health insurance will have possibly developed beyond the potential control of such a coordinating unit; (b) for these reasons and for other reasons as well, it is extremely important for the Minister of Health to make his presence felt very strongly with regard to health insurance as soon as possible, so that as health insurance develops in Indonesia, it is clear to everyone that the Minister of Health will be in charge of supervising and directing those developments.

By the end of the consultation, it seemed clear that there was general agreement about the need of the various functions and tasks to be carried out, but there seemed to be no agreement about the details of how these tasks would be carried out and what the pace of organizational development would be.

#### **E. APPROPRIATE FOLLOW-UP ACTIVITIES TO BE CARRIED OUT IN THE NEAR FUTURE**

As a result of this consultation, it is clear that there are several important issues to be resolved, several steps that need to be taken if the health insurance program is to go ahead strongly and actively. First of all, it is clear that the Minister of Health himself and/or the Secretary General must be very visibly and obviously identified as being in charge of the development of health insurance within Indonesia and of the coordinating/regulating bodies, as soon as possible. Second, the coordinating unit must be established as quickly as possible, simply in order to bring it into existence and to get it operating so that a focus of information and expertise can be developed to help guide and direct the development of health insurance in the country before the opportunity to play a major influential role in the development of health insurance is lost.