

## Multiple Funding Flows for Maternal and Neonatal Health Services in Indonesia

A Legal and Regulatory Review

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### Introduction

Improving maternal and neonatal health (MNH) outcomes is a national priority for Indonesia, but maternal and neonatal mortality rates remain high (MOH, 2015). In 2018, the Government of Indonesia formed a Strategic Health Purchasing Technical Working Group to address failures in MNH service delivery and provide recommendations to reform health financing and purchasing under Indonesia's national health insurance scheme (Jaminan Kesehatan Nasional, or JKN). The technical working group provides recommendations to the Ministry of Health and the administrator of JKN, Badan Penyelenggara Jaminan Sosial-Kesehatan (BPJS-K).

This brief, produced by the U.S. Agency for International Development-funded Health Policy Plus (HP+) project, summarizes a landscaping review of the legal and regulatory context for MNH financing and purchasing in Indonesia, which informed the Strategic Health Purchasing Technical Working Group's policy recommendations.

### Background on Strategic Purchasing and Multiple Funding Flows

Strategic purchasing of health services is one approach to influence the efficiency and quality of health service delivery. Health service purchasing is considered to be “strategic” when purchasers actively buy a mix of health services from providers in a way that encourages efficient and effective service delivery. As such, strategic purchasing requires

### Box 1. What is a Funding Flow?

A funding flow is “any transfer of funds from a purchaser to a healthcare provider that is characterized by a distinct combination of arrangements, including services purchased, population group covered, provider payment mechanism, provider payment rate, accountability mechanism, and any other contractual arrangement” (Mbau et al., 2018, p.1).

developing a coherent set of incentives across funding streams that motivate providers to efficiently deliver a high-quality benefits package that aligns with health system objectives (WHO, 2017).

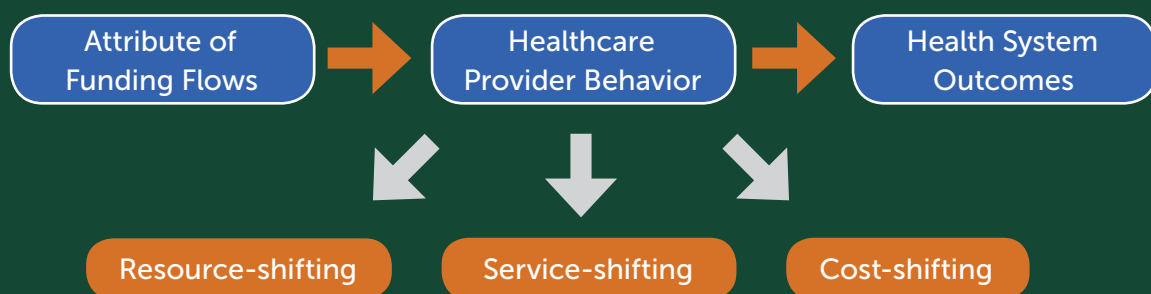
It is important to take a holistic view of a health system and health financing arrangements when assessing strategic purchasing policy levers (WHO, 2017). Although strategic purchasing is usually discussed in the context of a single purchaser or payment mechanism, in many countries, providers are required to engage multiple purchasers and funding flows that employ different payment mechanisms and are governed by different laws and regulations (see Box 1). Mixed provider payment systems, or “multiple funding flows,” can have contradictory or complementary effects on provider behavior, ultimately influencing health outcomes (see Box 2). Understanding the legal and regulatory framework underpinning the use of health funding flows by providers is necessary—both to map the complex web of incentives that providers face and to inform health financing and purchasing system adjustments.

## Box 2. How Do Multiple Funding Flows Influence Provider Behavior?

Funding flow attributes that influence provider behavior may vary in terms of:

- **Contribution** of funding flow to total provider income
- **Adequacy or sufficiency** to cover the cost of services purchased
- Level of managerial **flexibility and autonomy** to use funds
- **Predictability** in terms of timing and amount of funds to be disbursed
- **Complexity or burden** of accountability
- **Performance** requirements

Based on these various attributes, providers may respond by: (a) shifting resources to serve specific patient groups that generate greater or more desirable payments (resource-shifting), (b) reducing service delivery to those who pay less (service-shifting), and/or (c) shifting the cost of inadequate payment to patients via user fees (cost-shifting). Unintended consequences related to conflicting or unclear incentives across all funding flows can impact quality of care and health outcomes.



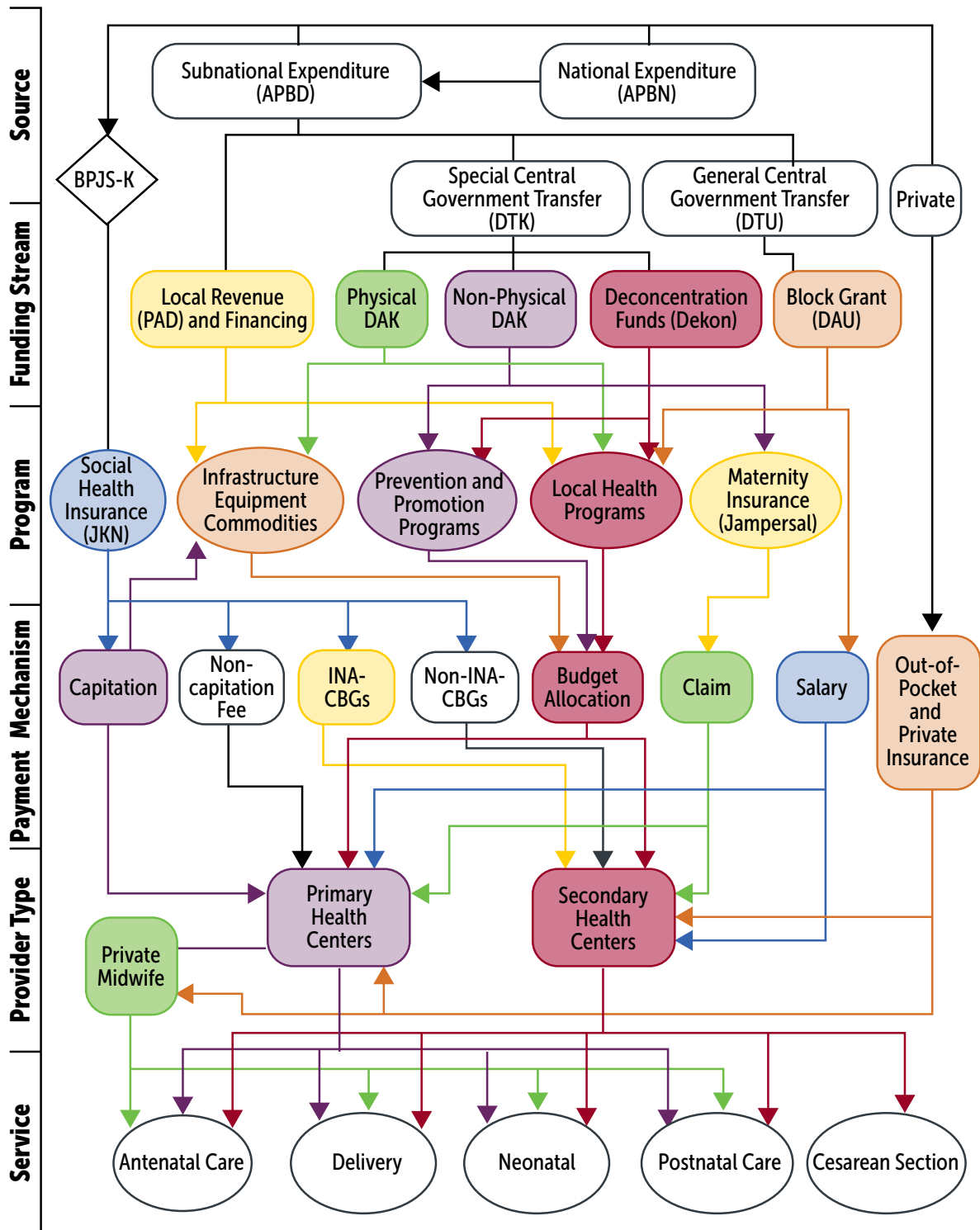
Source: Framework adapted from Mbau et al., 2018.

## Mapping of Multiple Funding Flows in Indonesia

In Indonesia, MNH services provided in public facilities are financed by many funding flows via various purchasers and payment mechanisms (see Figure 1). Funds flow from the national to subnational governments through intergovernmental fiscal transfers that are earmarked for specific health-related expenditures like infrastructure, health worker salaries, and prevention and promotion programs. Some of these fiscal transfers are recorded under national government expenditure (APBN). Local governments can additionally allocate funding for MNH programs from locally generated revenue (PAD) and local financing as part of subnational expenditure (APBD). National and subnational governments and private citizens pay premiums to BPJS-K, which administers JKN payments.

Public facilities receive funds from at least six different provider payment mechanisms, including from local budget allocation and for salaries. Other payment mechanisms include those in which BPJS-K pays JKN-enrolled providers directly or through local government using capitation, non-capitation fees, Indonesian Case-Based Groups (INA-CBGs), and non-INA-CBGs. Jampersal (childbirth services guarantee) payments are made via claims submitted to the district health office. Facilities also receive private funds from out-of-pocket payments and contracted private insurers.

**Figure 1. Funding Flows from Source to Service for MNH Service Delivery (Public Providers)**



Source: Authors' review.

Acronyms: Anggaran Pendapatan dan Belanja Daerah (APBD); Anggaran Pendapatan dan Belanja Negara (APBN); Badan Pelaksana Jaminan Sosial Kesehatan (BPJS-K); Dana Transfer Khusus (DTK); Dana Transfer Umum (DTU); Pendapatan Asli Daerah (PAD); Dana Alokasi Khusus (DAK); Dana Alokasi Umum (DAU); Jaminan Persalinan (Jampersal); Jaminan Kesehatan Nasional (JKN); Indonesian Case-Based Groups (INA-CBGs).

Notes: This funding flow diagram is only applicable to public primary and secondary healthcare providers and does not include village-level financing (i.e., the Dana Desa village fund) or providers below the primary healthcare level, including *puskesmas pembantu*, *posyandu*, *polindes*, and others.

## Laws and Regulations Governing Funding Flows

Table 1 describes each funding source for public providers in more detail. It identifies the many laws and regulations that govern MNH funding flows that could potentially be targeted for health financing reform and presents the varied restrictions and/or earmarks on the use of funds. For example, within the Special Central Government Transfer, there are funds that cannot be used on physical infrastructure (DAK non-fisik), funds that can only be used for physical improvements (DAK fisik), and funds that cannot be used to cover personnel costs (BOK, which is part of DAK non-fisik). Jampersal funding, intended to cover maternity services not covered by JKN for poor women, covers delivery services for the uninsured; however, these guidelines vary by district (Teplitskaya and Dutta, 2018). To receive JKN payments for MNH services, primary health centers must submit non-capitation payment claims to BPJS-K while secondary health centers and hospitals must submit for INA-CBGs payment. JKN payments go directly to independent Badan Layanan Umum Daerah (BLUD) facilities, but non-BLUD facility payments may go to local governments before being disbursed back to the facilities through local budget allocation processes that vary according to local regulations (World Bank, 2018a).

**Table 1. Main MNH Funding Sources, Earmarks, and Regulations**

Funding Source	Description	Earmark or Restrictions*	Regulations**	
<b>Special Central Government Transfer (Dana Transfer Khusus)</b>	Non-Physical Special Activity Fund (DAK non-fisik)	Specific central grant to local government to fund operational expenditures (i.e., outreach, deliveries, and hospital accreditation)	Cannot fund construction, rehabilitation, or equipment for health facilities	UU No. 33/2004 PP No. 12/2019 Permenkes No. 3/2019
	<ul style="list-style-type: none"> <li>Maternity Social Insurance (Jampersal)</li> </ul>	Insurance funding for MNH services for pregnant women not covered by any insurance scheme	Funds approved by the Ministry of Health	Permenkes No. 3/2019
	<ul style="list-style-type: none"> <li>Health Operational Grant (BOK)</li> </ul>	Funds directed to primary healthcare centers for health promotion and prevention activities	Cannot be used to support personnel costs	Permenkes No. 3/2019
	Physical Special Activity Fund (DAK fisik)	Specific central grants (including DAK Regular, DAK Penugasan, and DAK Afirmasi) that can be used for infrastructure, equipment, and rehabilitation of healthcare facilities	Funds construction, information systems, medicines, blood transfusion units, equipment for health facilities, etc.	UU No. 33/2004 PP No. 141/2018 PP No. 12/2019 Permenkes No. 2/2019
	Deconcentration Fund (Dekon)	Central funding for non-core functions sponsored by the central government and approved at the provincial level	Funds to assist in coordination of planning, technical assistance, training, supervision, research, and monitoring	UU No. 23/2014 PP No. 7/2008 Permenkes No. 55/2018

Funding Source		Description	Earmark or Restrictions*	Regulations**
General Central Government Transfer (Dana Transfer Umum)	Block Grant (DAU)	Equity fund allocated to subnational governments to balance distribution of funds for local government needs in the context of implementing decentralization	Primarily (~75%) to pay civil servants' salaries and activities approved by district parliaments	UU No. 33/2004 UU No. 39/2008 UU No. 12/2018 PP No. 12/2019
	National Social Health Insurance (JKN)	Social health insurance scheme that funds curative and rehabilitative MNH services for enrolled members at empaneled public and private facilities	Direct transfers from BPJS-K to BLUD facilities  BPJS-K transfers to non-BLUD facilities are first verified by the district health office  60% of capitation payment is mandated for health staff supplemental payments and 40% for operational costs	Permenkes No. 21/2016  Permenkes No. 52/2016 (some clauses are revised in Permenkes No. 4/2017 and Permenkes No. 6 Tahun 2018)  Permenkes No. 51/2018  Perpres No. 82/2018 (some clauses are revised in Perpres No. 75/2019)  Perpres No. 25/2020  Joint Regulation of the Secretary General of the Ministry of Health and the Director of Health BPJS-K No. Hk. 01.08/ lli/980/2017 No. 2/2017
	Local Government Revenue (PD)	Revenue of local government collected based on local regulations	Varies by local policy	UU No. 28/2009 PP No. 12/2019  Perpres No. 82/2018 (some clauses renewed in Perpres No. 75 Tahun 2019)

Source: Authors' review; National Research Council, 2013; World Bank, 2018b.

\*Earmarks or restrictions may not be comprehensive for each funding source or regulation.

\*\*Undang-Undang (UU) means law or act. UU are applied nationally and can only be changed through amendment or a new law/act. Peraturan Menteri Kesehatan (Permenkes) is a health minister regulation and only applies to regulate the health sector. Peraturan Pemerintah (PP) means government regulation. Peraturan Presiden (Perpres) means presidential regulation. This table does not include financing for Minimum Service Standards under Permenkes No. 4/2019 and UU. No. 23/2014.

***Reforms aimed at improving strategic purchasing for MNH services must look holistically at the health financing system landscape instead of focusing on a single funding flow.*** Given the many revenue streams that fund MNH service delivery, evaluating the potential for JKN purchasing to influence provider behavior must include an evaluation of JKN's market power and corresponding strength of incentive signals. Recommendations to improve strategic purchasing may need to include reforms to the public financial management system at-large along with adjustments in the payment mechanisms of other funding flows in addition to JKN. Improving efficiency, quality, and equity of MNH service delivery will require harmonizing incentives across all revenue streams for both public and private providers in a way that improves cost-, resource-, and service-shifting.

***Simplifying the flow of funds for MNH services and increasing discretionary spending at the provider level may be important first steps toward harmonizing MNH financing.*** Local level restrictions, in addition to national earmarks on spending, add complexity to the already fragmented funding for MNH service delivery in Indonesia (World Bank, 2018b). The multiple regulations and earmarks that govern MNH funding flows make spending funds at the provider level difficult (World Bank, 2017). Evidence suggests that the lack of flexibility on how health funding can be spent may be a greater problem than insufficient budgets, impacting provider capacity to deliver high-quality services (MOH, Unpublished).

***National and subnational funding for health and MNH service delivery must be coordinated in order to ensure efficient use and sufficient allocation of funds.*** National and subnational funding sources pay for overlapping MNH services and health facility expenditures while increased national investment in health may lead to reduced investment in MNH service delivery from local governments. Given the important role of local government in financing supply-side service readiness, this reduced investment could impact MNH service quality and exacerbate geographic disparities in access to quality MNH services (World Bank, 2018a; National Research Council, 2013). National and subnational sources funding overlapping MNH services means that more efficient ways of allocating MNH funds that come from different government levels may exist.

## **Conclusion**

Multiple funding flows for MNH services from national, subnational, and private sources in Indonesia result in a complex web of requirements and incentives that interact at the provider level to influence the quality, efficiency, and equity of MNH service delivery. Further understanding provider perceptions of the various funding flows and their attributes, as well as local government prioritization and budgeting for MNH services, will provide insight into how MNH financing influences provider behavior. Equipped with this evidence, the Government of Indonesia can reform MNH financing with the objective of harmonizing incentives across all revenue streams for both public and private providers, enabling it to capitalize on the potential of public financing to improve health outcomes for mothers and newborns across Indonesia.

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