



Covid-19 Pandemic, 2020 Financial Performance and Strategy of Panti Waluyo Hospital Surakarta

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Abstract

Background: The annual report of Panti Waluyo Hospital Surakarta in 2020 shows a deficit by disturbances in cash flow. The financial information is assessed and classified for performance based on financial ratio analysis following YAKKUM Performance Indicators. Determining financial performance and strategy remains in the Healthy category during the Covid-19 pandemic in 2020 by mapping problems and establishing a management strategy for the Hospital. **Materials and method:** This research was used descriptive qualitative research with a case study approach. The data was taken from the financial statements in 2020 and interviews with the Directors. The data is processed by presenting and conclusions-making. **Results:** Mapping the problem can effectively measure the effect of the Covid-19 pandemic on financial performance in 2020. The implemented management strategy stabilized financial performance to remain in the Healthy category. **Conclusion:** Problem mapping can effectively measure the effect of the Covid-19 pandemic on the financial performance of Panti Waluyo Hospital Surakarta in 2020. In addition, the Covid-19 pandemic has fluctuated the hospital's financial performance but has improved over time. With accurate financial information and appropriate financial management strategies hospital can adapt quickly to unpredictable health conditions to maintain the hospital's cash flow balance.

Keywords: Covid-19, financial reports, financial performance, hospital

1. Introduction

The COVID-19 pandemic continues to be a major concern for the health sector and medical personnel. The healthcare sector works tirelessly to ensure its employees have the necessary support and equipment to provide proper care to patients. Plans and communications change almost every hour, which is the reason for increasing concerns about managing the cash revenue and disbursement cycle in hospitals and a shortage of equipment and human resources to properly care for patients properly (1).

In line with the development of the global Covid-19 pandemic situation, the Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK IAI) realizes that the uncertainty resulting from this pandemic can significantly affect the entity's judgment in preparing financial statements. DSAK IAI decided to publish this publication as a guide, especially for private entities, in applying Financial Accounting Standards of Entities Without Public Accountability (SAK-ETAP) to prepare their financial statements that replaced with Financial Accounting Standards of Privat Entities (SAK EP) from 2022. The SAK-ETAP provides space for entities to use their judgment to resolve accounting problems resulting from the Covid-19 pandemic. However, the possibility of using these considerations cannot be misused by the entity to ultimately produce financial statements that do not accurately represent the entity's actual financial position and performance (2).

A company's financial performance, including health organizations such as hospitals, is reflected in the financial statements prepared every year. The information presented in the financial statements contains statements of financial position, activity reports, cash flow statements and notes to financial statements, which are useful for stakeholder decision-making (3). The financial information of Panti Waluyo Hospital Surakarta in 2020 will be assessed for its performance based on financial ratio analysis by the YAKKUM Management Decision on Yakkum Performance Indicators. The level of the soundness of economic performance is classified into three categories, namely "Healthy" AAA, AA

and A; the category "Unhealthy" BBB, BB, and B; and the CCC, CC, and C "Severe" Categories (4).

Financial ratio analysis is the profitability, liquidity, activity and solvency ratio. From the analysis of these financial ratios, the financial performance of the Panti Waluyo Hospital in Surakarta can be assessed for the impact of the Covid-19 pandemic. This assessment will also be used to determine future strategies, which will be carried out by hospital management so that financial performance remains categorized as "Healthy". Because if the financial performance is "Healthy", then the cash flow and overall condition of Panti Waluyo Hospital in Surakarta will be healthy too.

The Journal of the American Hospital Association with the title Hospitals and Health Systems Face Unprecedented Financial Pressures Due to COVID-19 (5). stated that the research aimed to determine the effect of COVID-19 on patient care costs, to determine the impact of cancelled and abandoned services due to COVID-19 to hospital revenues, additional costs associated with purchasing the required personal protective equipment (PPE), and additional support costs that some hospitals provide to their workers. With locations in America and the sample American Hospital Association, the research design was carried out using analysis, and the results of the research were that the income of the Hospital and the health system in the Hospital was stable, the operating costs of the Hospital were still within a reasonable range following the predetermined budget and did not exceed the income earned, providing full support to hospital workers both employees and medical personnel to always offer health services to visitors and patients to the maximum extent possible. So that it can foster a sense of trust, comfort, safety, and a positive vibe in patients, and there are aid funds from the government related to Covid patients.

Glenn Melnick & Susan Maerki, with the research title The Financial Impact of Covid-19 on California Hospitals, in the journal California Health Care Foundation in June 2020, stated that their research aims to determine the impact of COVID-19 on hospital finances in California (6). With locations in California and a sample of

California Hospitals, with the case study method, the result is a decrease in the percentage of inpatients and outpatients of not more than 25% per month. There is no decrease in patients visiting the ER. Every Hospital in California must implement the relaxation of the Shelter-in place (SIP) for outpatients so that they feel comfortable and safe when visiting the Hospital to check themselves. The SIP trial was conducted for two months to see an increase in patient visits.

Kaufman, Hall & Associates, in July 2020, also conducted a study entitled The Effect of COVID-19 on Hospital Financial Health (7). The study aimed to determine the effect of COVID-19 on the Hospital's financial health. The study site was in the United States, with a sample of several hospitals, and the study design used case study analysis. The main results of their studies were hospital margins were stable and continued to move in a positive direction, and more and more patients were still willing to return in 3 to 6 months. Hospital expenditure management must also be done wisely, prioritizing operational costs so expenditures do not increase significantly, especially non-labour costs.

2. Materials and Methods

This research uses descriptive qualitative research with a case study approach. Case study research aims to study the background of the problem intensively, the situation and position of an event that is currently taking place, and the interactions between certain social units. In addition, this study includes an in-depth study of certain social divisions, and the research results provide a broad and in-depth overview of certain social units. The subjects studied were relatively limited, but some variables and focuses had general dimensions. Based on these limitations, it can be understood that the rules of this case study include: 1) the research targets are people, events, settings and documents; 2) some of these targets are studied in depth as a totality following the intended context to understand the various relationships that exist between the variables.

This research was conducted at Panti Waluyo Hospital, Surakarta for \pm 3 months. The occurrence that is the case in this study is the effect of the COVID-19 pandemic on the financial performance of Panti Waluyo Hospital Surakarta

in 2020. This study aims to measure the impact of the Covid-19 pandemic on the financial performance rating of Panti Waluyo Hospital Surakarta in 2020 by mapping the problems and determining the management strategy of the Panti Waluyo Hospital in Surakarta so that financial performance remains in the Healthy category during the Covid-19 pandemic. The cash flow and accrual need calculation are important parts of hospital financial management strategy as a basis for hospital decision-making to maintain the financial performance due to dynamic changes during the Covid-19 pandemic.

Research subject

a. Population limitation

- 1) Financial report of Panti Waluyo Surakarta Hospital in 2020
- 2) Financial report of Panti Waluyo Hospital Surakarta in the first semester of 2021
- 3) Interview with the Board of Directors of Panti Waluyo Hospital, Surakarta

b. Sample size

- 1) Financial report of Panti Waluyo Hospital Surakarta from January 1, 2020, to December 31, 2020
- 2) Financial report of Panti Waluyo Hospital Surakarta from January 1, 2021, to June 30, 2021
- 3) Interview with the Director, Deputy Director of Finance and General Affairs, and Deputy Director of Services at Panti Waluyo Hospital Surakarta

c. Sampling method

- 1) Financial Statements are downloaded from the Accounting Information System of Panti Waluyo Hospital Surakarta and have been approved by the Director of Panti Waluyo Hospital Surakarta.
- 2) Interviews with schemes and scenarios prepared by researchers.

The variables in this study are financial statements, financial analysis, financial performance, financial schemes, and financial scenarios. Utarini (2020) explains that qualitative research does not use the term dependent or independent variable because this research rarely

controls or manipulates independent variables or the research context (8).

The researcher applied for a research permit from the Board of Directors and the Head of Finance and Accounting at Panti Waluyo Hospital Surakarta. The respondent's consent in conducting research is submitted through informed consent (without coercion). The researcher guarantees the confidentiality, rights or obligations of the research subject, which is the main ethics explained to the topic that this research is research solely for study purposes and does not have a particular conflict of interest (conflict of interest).

Inclusion criteria are general characteristics of research subjects in the target and affordable populations. The inclusion criteria in this study were the Panti Waluyo Hospital Surakarta directors who were willing to be research subjects.

The exclusion criteria were that some of the subjects who met the inclusion criteria had to be

excluded from the study for several reasons, so that they were not included in the inclusion criteria. Exclusion criteria in this study were the subject refused to participate and coincided at the time of the study; the issue was sick (9). The researcher has applied for a research permit to the Ethics Committee of the Faculty of Medicine, UGM and approved it on July 14, 2021.

3. Results

The level of achievement of the financial performance assessment indicators for the 1st semester of 2020 is 33.5. During COVID-19 pandemic, the high burden in Panti Waluyo Hospital is due to the construction of isolation rooms for Covid-19 patients. On the other hand, the Hospital can pay off short-term debt with cash and cash equivalents or with current assets, as illustrated in Table 1.

Table 1. 2020 1st semester Financial report analysis

No	Indicator	Achievements	Score
1.	Return On Equity	-28.04%	0.0
2.	Return On Investment	-25.64%	1.0
3.	Cash Ratio	245.96%	5.0
4.	Current Ratio	376.54%	5.0
5.	Collection Periods	36 days	5.0
6.	Inventory Turnover	21 days	5.0
7.	Total Asset Turn Over (TATO)	36.03%	5.0
8.	Ratio of Total Equity to Total Assets	79.66%	7.5
		Total score	33.5

The level of achievement of the financial performance assessment indicator in the 2nd semester of 2020 is 34.0 and is included in the "Unhealthy" BB category; there is an increase in the value of 0.5 from the 1st semester. The activity report is a deficit, but there is a significant increase in activity, from the Return On Equity

(ROE) value in the 1st semester of -28.04% to -2.75% in the 2nd semester. Expenses are still higher than income due to filing claims for services for Covid-19 patients in November and December 2020 have not been disbursed by the Indonesian Ministry of Health, as illustrated in Table 2.

Table 2. 2020 2nd semester Financial report analysis

No	Indicator	Achievements	Score
1.	Return On Equity	-2.75%	0.0
2.	Return On Investment	1.03%	2.0
3.	Cash Ratio	49.86%	5.0
4.	Current Ratio	356.96%	5.0
5.	Collection Periods	81 days	4.5
6.	Inventory Turnover	11 days	5.0
7.	Total Asset Turn Over (TATO)	64.04%	5.0
8.	The ratio of Total Equity to Total Assets	76.79%	7.5
Total score			35.0

The achievement level of the financial performance assessment indicator in semester 1 of 2021 is 53.0 and is included in the "Healthy" category A. The submission of claims for Covid-19

patient services in November and December 2020 was disbursed by the Indonesian Ministry of Health in March 2021, as illustrated in Table 3.

Table 3. 2021 1st semester Financial report analysis

No	Indicator	Achievements	Score
1.	Return On Equity	7.47%	10.0
2.	Return On Investment	12.81%	10.5
3.	Cash Ratio	337.55%	5.0
4.	Current Ratio	510.93%	5.0
5.	Collection Periods	30 days	5.0
6.	Inventory Turnover	Eight days	5.0
7.	Total Asset Turn Over (TATO)	79.29%	5.0
8.	The ratio of Total Equity to Total Assets	79.01%	7.5
Total score			53.0

4. Discussion

The level of achievement of the financial performance assessment indicators for the 1st semester of 2020 is 33.5 and is included in the "Unhealthy" BB category. It is because the Hospital cannot generate a surplus from its own capital and investment. The activity report is a deficit because expenses are greater than revenues. Hospitals and health systems around the world have intensified various strategies in financial management to face the challenges of the Covid-19 pandemic. Treatment for COVID-19 has made extraordinary demand for certain therapeutic equipment and supplies as the infection has disturbed supply chains, expanding the costs that hospitals confront to treat COVID-19

patients that incredibly alter the hospital's financial performance (10,11). The high burden in Panti Waluyo Hospital is due to the construction of isolation rooms for Covid-19 patients. On the other hand, the Hospital can pay off short-term debt with cash and cash equivalents or with current assets. The conditions for the 1st semester of 2020, which are shown as assessment interpretations, are as follows:

- a. Cash schemes and scenarios
 - 1) With the marketing of hospital products, health service activities are expected to increase significantly so that there will be cash inflows from patient financing. The cash flow

statement shows a positive net cash inflow and a high cash-bank balance. The Hospital is on time to pay salaries, obligations to suppliers, and due debts. From the cash flow statement, it can also be ascertained that the Hospital's minimal operations are running well (12).

- 2) Cash inflows are obtained from donations from donors or government subsidies. The cash flow report shows a cash donation for Covid-19 PPE, thus making it easier for hospitals to procure PPE.
- b. Accounts receivable schemes and scenarios
- 1) There is an MCC between the Hospital and the guarantor of paying patient fees so that the Hospital has regular customers. 106 PKS are already running, and there is a collaboration with the Surakarta City Health Office to serve Covid-19 patients with the Indonesian Ministry of Health guarantee.
 - 2) Receivables must be managed properly because they have a high level of liquidity. Financial statement analysis shows a good Collection Period (CP) of 36 days, from the standard 60 days.
- c. Inventory schemes and scenarios
- 1) Standardize inventory items by paying attention to the required quality and specifications at the most efficient cost possible. There is a drug formulary in pharmacy installations and standardization of supplies in logistics warehouses, with quality and cost control.
 - 2) Procurement procedures, partner selection, systems and procedures for requisitioning goods so that the right goods are available when needed. Approach Operating Standard for procurement, partner

selection, and demand for goods has been implemented.

The level of achievement of the financial performance assessment indicator in the 2nd semester of 2020 is 34.0 and is included in the "Unhealthy" BB category; there is an increase in the value of 0.5 from the 1st semester. This is because the Hospital cannot generate a surplus from its capital and can generate plenty from investment. The activity report is a deficit, but there is a significant increase in activity, from the Return On Equity (ROE) value in the 1st semester of -28.04% to -2.75% in the 2nd semester. Expenses are still higher than income due to filing claims for services for Covid-19 patients in November and December 2020 have not been disbursed by the Indonesian Ministry of Health.

The financial scheme in the 1st semester has been going well, namely increasing income by serving Covid-19 patients, as evidenced by the Return On Investment (ROI) indicator with a positive achievement of 1.03%, whereas previously in the 1st semester, the achievement was negative at -25.64%. The financial scenario in the 1st semester has also been running and continues to be monitored by the hospital management. The conditions for the 2nd semester of 2020 which are shown as assessment interpretations are as follows:

- a. Cash schemes and scenarios
 - 1) With the marketing of hospital products, it is expected that health service activities will increase significantly, so that there will be cash inflows from patient financing. Patient services have increased, but most of them are still receivables (shown in the performance report). From the cash flow statement it can be ascertained that the Hospital's minimal operations are running well.
 - 2) Cash inflows are obtained from donations from donors or government subsidies. From the cash flow report, there are donations of money for Covid-19 PPE and the

construction of the Covid-19 room to ease the burden on the Hospital.

b. Accounts receivable schemes and scenarios

- 1) Maximizing the volume of service activities will be more efficient because it will get a lower unit cost. Patient service has been maximized, so the activity report shows a better net income than the 1st semester.
- 2) Receivables must be managed properly because they have a high level of liquidity. The value of receivables in the performance report showed a significant increase because the Ministry of Health had not disbursed claims for services for Covid-19 patients in November and December 2020.

c. Inventory schemes and scenarios

- 1) Standardize inventory items by paying attention to the required quality and specifications at the most efficient cost possible. With good quality and cost control, compared to the 1st semester, the cash flow report shows a decrease in drug payments which is quite efficient.
- 2) Optimal inventory level management and control. Analysis of the financial statements shows a good Inventory Turnover (PP) of 11 days, from the standard set of 30 days.

The achievement level of the financial performance assessment indicator in semester 1 of 2021 is 53.0 and is included in the "Healthy" category A. This is because the Hospital can generate a surplus from its own capital and investment. The activity report becomes a surplus because revenues are greater than expenses. The submission of claims for Covid-19 patient services in November and December 2020 was disbursed by the Indonesian Ministry of Health in March 2021.

The financial scheme in semesters 1 and 2 of 2020 has been going well. Panti Waluyo

Hospital Surakarta continues to serve Covid-19 and general outpatient and inpatient patients. The number of patients served has also increased significantly. The conditions for semester 1 of 2021, which are shown as assessment interpretations, are as follows:

a. Cash schemes and scenarios

- 1) With the marketing of hospital products, it is expected that health service activities will increase significantly so that there will be cash inflows from patient financing. Improved patient care. From the cash flow statement, the positive value of net cash inflow & cash-bank balance increased. The Hospital is on time to pay salaries, obligations to suppliers, and due debts.
- 2) The existence of cash inflows obtained from loans. The loan was from YAKKUM for hospital operations in February 2021 due to delayed payment of claims from the Ministry of Health. The Hospital repaid the loan in April 2021 because of a claim payment from the Ministry of Health.

b. Accounts receivable schemes and scenarios

- 1) Maximizing the volume of service activities will be more efficient because it gets a lower unit cost. Patient services have been maximized so that net income is reported as surplus activity.
- 2) Receivables must be managed properly because they have a high level of liquidity. Due to the delayed payment of claims from the Ministry of Health, the cash flow was disrupted at the beginning of the year. In March 2021, cash flow began to return to normal because the Ministry of Health paid claims.

c. Inventory schemes and scenarios

- 1) Optimal inventory level management and control. Financial

statement analysis shows a better Inventory Turnover (PP), which is eight days, from the standard set of 30 days.

- 2) Procurement procedures, partner selection, systems and procedures for requisitioning goods so that the right goods are available when needed. Method Operating Standard for procurement, partner selection, and demand for goods has been implemented. It is also monitored and evaluated regularly.

From the results of this study, the Covid-19 pandemic positively affected the financial performance rating of Panti Waluyo Hospital Surakarta in 2020. Establishing financial schemes and scenarios must be carried out so that economic performance is still categorized as "Healthy" during the Covid-19 pandemic. From the analysis of these two things, the Hospital can respond to the changes that occur, understand the picture of the movement of financial accounts, and make better decisions by hospital management.

The financial scheme and scenario of Panti Waluyo Hospital Surakarta so that financial performance remains categorized as "Healthy" during the Covid-19 pandemic are as follows:

a. Cash schemes and scenarios

- 1) With the marketing of hospital products, it is expected that health service activities will increase significantly so that there will be cash inflows from patient financing. With a healthy cash flow, the Hospital is on time to pay salaries, obligations to suppliers, and due debts. Minimum operation of the Hospital can also be ensured to run well.
- 2) There is an inflow of cash obtained from loans. The loan was from YAKKUM for hospital operations in February 2021 due to delayed payment of claims from the Ministry

of Health. The Hospital repaid the loan in April 2021 because of a claim payment from the Ministry of Health.

- 3) Cash inflows are obtained from donations from donors or government subsidies. The cash flow report shows a cash donation for Covid-19 PPE, thus making it easier for hospitals to procure PPE. There is also a donation of money for constructing the Covid-19 room to ease the burden on the Hospital in renovating the space.

b. Accounts receivable schemes and scenarios

- 1) There is an MCC between the Hospital and the guarantor of paying patient fees so that the Hospital has regular customers. 106 PKS are already running, and there are collaborations with the Surakarta City Health Office to serve Covid-19 patients with the Indonesian Ministry of Health guarantee.
- 2) Maximizing the volume of service activities will be more efficient because it will get a lower unit cost. Patient services have been maximized with a higher income value than the burden. This value is contained in the activity report, which shows a better net income and a significant increase in Semester 1 of 2021.
- 3) Receivables must be managed properly because they have a high level of liquidity. Only one step, with payment from the guarantor, the receivables can be turned into cash.

c. Inventory schemes and scenarios

- 1) Standardization of inventory items by paying attention to the quality and specifications required at the most efficient cost possible. There is a drug formulary in pharmacy installations and standardization of

supplies in logistics warehouses, with quality and cost control.

- 2) Optimal inventory level management and control. Too much will cause inefficiency because of the large number of funds embedded in inventory and the possibility of goods being damaged or expired. If it is too little, it can interfere with the smooth operation of the service. Financial statement analysis shows a healthy inventory turnover each semester from a set standard of 30 days.

Procurement procedures, partner selection, systems and procedures for requisitioning goods so that the right goods are available when needed. Procedure Operating Standard for procurement, partner selection, and demand for goods has been implemented. It is also monitored and evaluated regularly.

5. Conclusion

Problem mapping can effectively measure the effect of the Covid-19 pandemic on the financial performance of Panti Waluyo Hospital Surakarta in 2020. In addition, the Covid-19 pandemic has fluctuated the hospital's financial performance but has improved over time. Institutions, specifically hospitals, require accurate financial information and appropriate financial management strategies to adapt quickly to unpredictable health conditions to maintain a balance in hospital cash flow. This step is one of the strategies so that the hospital's financial performance remains in a healthy condition.

6. Conflict of interests

The researcher declares that there is no conflict of interest in the research, authorization and/or publication of this article.

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