

CHAPTER 1

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1.1. Background of The Research

Business globalization escalate competitive environment to become faster and aggressive, including in the health service provider business in Indonesia. Easy access on information and emerging low price airline make health service provider in Indonesia not only have to compete with other health service provider but also has to compete with overseas hospital or clinics. Each of the hospitals and clinics are competing to get patients/customers by offering newest medical equipment at competitive price. This phenomenon had been suggested in several studies that price competition is beginning to become more important, but that competition among hospitals is still largely based upon service mix (MacArthur and Stranahan, 1998:294).

Health service provider business in Indonesia, especially private hospital, is a complex unique business. It combines several business types, such as hotel (accommodation for inpatients), retail business (pharmacy), diagnostic services (pathology laboratory, radiology, etc.), consultation services (doctors, nutritionists) and rental services (operating theatre, instruments and equipments). Some hospitals even provide food for visitors in their café/canteen. Some of those services require big investments, especially in the equipments related to current high pace developing technology. However, while still profit oriented, its main objective is patient safety. Hospital should make a wise choice in choosing the right technology involved in their equipments to maintain their competitive advantage by achieving both objectives.

Considering limited specialist availability, it will be very difficult for a hospital to have all specialists dedicated to work on a hospital. For this reason, specialists more act as consultants or visiting doctors and not as hospital's employee which in turn make doctor's fee determined by the visiting doctors and hospital only collecting fees on doctor's behalf.

It will be very expensive and not feasible to provide latest technology in all service areas considering the market demand. MacArthur and Stranahan (1998:284) noted "*unlike most industries, increased investment in new technology in health care sector is usually associated with increased rather than decreased operating costs*". A hospital should choose specialty to differentiate themselves among others as a strategy to build their competitive advantage. Every specialty requires specific services from radiology, pathology, pharmacy, outpatient clinics and inpatients services at a different proportion. Once a specialty had been chosen, hospital should invest on equipments which will generate best returns. MacArthur and Stranahan's study results suggest that "*hospital managers should ensure significant increase in overhead support cost is considered in all decision to expand the breadth and depth of hospital services*" (1998:306). New medical technology facilitated the expansion of the number of services (service breadth) as well as increases the scope and costs (service depth) of existing hospital services but at the same time will increase overhead support costs. Like any other service industry, hospital is faced with ever increasing high cost of operations, personnel and technology (Agnihotri et al, 2005:48).

In many cases, being the first to have new technology equipment will give advantage to the hospital, as they can get referrals from specialist as well as other

healthcare provider. To choose best return investment, hospital will need report profit center report for several major operating departments as well as revenue proportion for each specialist case.

Current accounting information system in “Private” Hospital has not able to provide profit center report. Profit center report is being done manually due to lack of departmental report settings in the system. Data mining is only being done based on total hospital revenue for each patient admitted. On this research, a profit center repots will be developed from current accounting information system as tools to choose the area to be developed to support strategic planning.

1.2. Statement of the Problem

Based on the background described above, the research problem is stated as follow: “How to develop a profit center report from current accounting information system to choose the best area to be developed to support “Private” Hospital strategic plan?”

1.3. Research objectives

To develop profit center report from the current accounting information system to support management of “Private” Hospital in the strategy implementation by providing information as a basic to choose the best area to be developed.

1.4. Research Significance

a. For the writer

To broaden perception and idea expression as well as apply knowledge about broad topic area of management information system, narrower topic area of accounting information system and strategy to build competitive advantage that had been taught while attending the classes at Masters of Management Program of Widya Mandala Catholic University Surabaya.

b. For the company

To give benefit to business community, finance practitioner especially related to “Private” Hospital finance department in preparing profit center report to support strategy implementation.