International Journal of Science and Research (IJSR)
ISSN (Online): 2319-7064
Index Copernicus Value (2016): 79.57 | Impact Factor (2015): 6.391

# Strategic Planning Based on Financial and Risk Performance on BPJS Kesehatan

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**Abstract:** ***Social Security Administrator for Health, as known as BPJS Kesehatan, is a publicy agency established to implement the social security program. The health insurance provided by BPJS Kesehatan is in the form health protection for participants to get health care benefits. It is provided to every person who has paid fees or whose contributions are paid by the government.As a non-profit company, BPJS Kesehatan is challenged to maintain its financial status. According to its financial report from 2014-2016, BPJS Kesehatan meets many obstacles to keep the company on track based on its vision. The purpose of this study is to describe the financial status of BPJS Kesehatan.***

**Keywords:** financial risk, strategic management

## 1. Introduction

Illness is an unavoidable risk. The World Health Organization says that healthy is a perfect balance, both physical, mental and social, not only free from disease and weakness. In other words, illness is a sign that people are unhealthy and can disrupt balance. Khoiriyati [13] said that people are increasingly aware that health is not consumptive but investment. This has led to increased demand for better quality health services from certain segments of society.

Law of the Republic of Indonesia Number 36 Year 2009 on Health says that health is a human right. Health also means a healthy state both physically, mentally and spiritually as well as socially that enables everyone to live socially and economically. The law also explains that the government is responsible for planning, organizing, organizing, fostering and supervising the implementation of equitable and affordable public health efforts.

To enforce the law, the government established a social security program which is implemented by the Social Security Administering Agency (BPJS). This social security is a form of social protection to ensure that all people are able to fulfill their basic basic needs. In practice, BPJS serves as a tool to divert a risk, either health risk or occupational risk. BPJS itself is divided into 2 namely BPJS Kesehatan and BPJS Employment. This study discusses how the financial performance of BPJS Kesehatan.

Operational activities of BPJS Kesehatan is no different from the insurance in general. BPJS Kesehatan provides a National Health Insurance program (JKN) as a form of health care for the community. Yunianto [6] said that the insurance business is a form of agreement between a party with other parties in the form of coverage. In addition to BPJS Kesehatan, there are also some insurance companies that are commercial.

National Health Insurance is organized under the law No. 24 of 2011 on the Social Security Assurance Agency (BPJS). As of January 1, 2014, BPJS Kesehatan began to organize social health insurance for all Indonesian people who are able or unable. The National Social Security System aims to provide guarantees for the fulfillment of the basic needs of a decent life for each participant or member of his family. The principles of the implementation of BPJS are mutual cooperation, mandatory membership, contribution based on wage earning percentage, non-profit and trustworthy management. Description of the number of Participants BPJS Kesehatan from 2014 to 2016 can be seen in Figure 1.

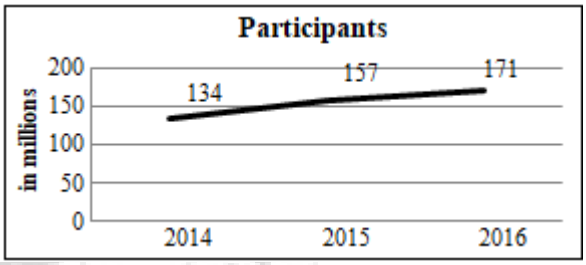


**Figure 1:** Number of Participants BPJS Kesehatan

From 2014 to 2015, BPJS Kesehatan recorded a growth of 23 million participants or about 9% of the total population of Indonesia. While from 2015 until 2016, BPJS Kesehatan recorded the growth of participants of 14 million people or about 5% of the total population of Indonesia. Until 2016, the number of participants BPJS Kesehatan recorded 171 million people, or about 70% of the total population of Indonesia. BPJS Kesehatan targets on January 1, 2019, the entire population of Indonesia has been recorded as a participant. Capital structure BPJS Kesehatan consists of contributions by participants or Social Security Fund (DJS) and funds owned by BPJS Kesehatan as a corporation. BPJS Kesehatan has the authority to manage DJS to provide as much benefit to its participants. The management will surely be supervised by the Financial Services Authority (OJK), and whether or not BPJS Kesehatan finance refers to OJK regulation. Financial Services Authority Regulation No. 5 / POJK.05 / 2013 states that financial health is such as liquidity aspect, solvency, risk based capital, reserve adequacy, asset balance and liabilities. The main activity of BPJS Kesehatan is to organize health insurance through DJS program. Below is a summary of BPJS Kesehatan Social Security activity report from 2014 to 2016.


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**Table 1:** Social Security Fund activity report

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Income | | | |
| Premium | 39.631.878 | 52.691.113 | 67.044.011 |
| Investment | 731.632 | 111.041 | 118.596 |
| Contribution from BPJS Kesehatan | - | 1.071.070 | - |
| Grant from BPJS Kesehatan | - | 1.540.000 | 6.827.891 |
| Others | 62.326 | 116.839 | 65.453 |
| Total income | 41.513.821 | 55.537.617 | 74.107.337 |
| Expense | | | |
| Health insurance | 42.658.702 | 57.109.295 | 67.247.884 |
| Technical reserves | (579.507) | 3.437.821 | 2.140.071 |
| Operational | 2.476.992 | 2.554 | 3.362.662 |
| Investment | 134.872 | 27.457 | 14.018 |
| Allowances for impairment of receivables | 121.137 | 710.272 | 854.212 |
| Others | 10.590 | 10.290 | 18.115 |
| Total expense | 44.822.966 | 61.297.689 | 73.899.962 |
| Profit (Loss) | (3.309.145) | (5.760.072) | 207.375 |

The DJS activity report in Table 1 indicates an oversupply of 3.3 trillion in revenue in 2014 and 2015 of 5.7 trillion, and a 207.3 billion surplus in 2016. The report indicates that BPJS Kesehatan's performance in managing DJS is still not maximal. This is certainly also the impact to the government, because one source of funding BPJS Kesehatan comes from the government. This indicates that BPJS Kesehatan needs to make improvements related to the company's strategy to BPJS Kesehatan can maintain financial sustainabilitasnya. Sofyanto [14] says that the risks that exist in health insurance are usually expenditures for the cost of health maintenance or recovery.

Deficit on DJS certainly affect the profitability of BPJS Health. Although BPJS Kesehatan is a legal entity that is a non-profit based center, it does not mean that BPJS Kesehatan only relies on the Government to support the JKN program. Financial sustainability at BPJS Kesehatan is desirable, so BPJS Kesehatan does not burden the government. Sangali [12] said that the financial performance of an enterprise is an indicator to measure the level of efficiency of companies in generating profits. Sihombing [5] said the higher the level of profitability will be the higher level of internal cash flow of the company that can be used for expansion activities.

The government also has an important role in influencing the performance of BPJS Kesehatan. Arsih [2] said that if the government has not been able to control the rate of population growth, then the need for health facilities and health insurance costs from year to year will increase rapidly, and will burden the budget provided by the government. Siregar [3] says the insurance industry has a very complex challenge. These challenges not only come from insurances such as human resources, limited capital, and decreased productivity, but also from outside the company such as the increasing demands of customers, the restriction and pressure of the government and the increasingly dramatic technological developments. Bajari [1] said the Government needs to implement public health services that are economical, efficient, effective and accountable to the entire community.

## 2. Formulation of the Problem

BPJS Kesehatan is one of the organizers of National Social Security that is responsible to the President and serves to provide health protection for the community. The main source of funds BPJS Kesehatan obtained from revenue contribution by participants and funds from the Government. BPJS Kesehatan as a non-profit organization, is required to maintain the financial health of the company. Based on the above, the problem formulation in this research is "How is the financial performance of BPJS Kesehatan?". Based on the problems formulated above, the objectives to be achieved authors in this study include is "Analyze financial ratios on BPJS Kesehatan as a benchmark of financial performance". The scope of the research problem will be limited only to the factors affecting the financial performance of BPJS Kesehatan. Healthy whether or not BPJS Kesehatan's financial assessment refers to government regulated regulations, or generally accepted provisions

**Types and Sources of Research Data**

The data used in this research are primary and secondary data. The primary data collection techniques used are:

1) Interview (in depth interview) with internal BPJS Kesehatan party totaling 5 people to confirm about the findings related to the financial performance of BPJS Kesehatan
2) Focus Group Discussion (FGD) with BPJS Kesehatan internal party to confirm related formulation of strategy related to performance, or financial risk to BPJS Kesehatan
3) Questionnaire used to provide an assessment of the findings related to the performance and financial risks and priority strategies related to the problem.

While for secondary data used in this research obtained by technique:

1) Documentation, ie by collecting data financial reports BPJS Kesehatan in 2014 to 2016.
2) Other data related to this research.

Data analysis method Financial Ratio Analysis Ratio analysis is one method used to measure the performance of a company. Own financial ratios are used to measure a company's ability to manage finances and perform its obligations. Jumingan [9] said that financial performance is a description of the company's financial condition in a certain position related to the collection and distribution of funds that is usually measured by capital adequacy indicators, liquidity and profitability. Sudana [8] said that financial ratio analysis is done to know the strengths or weaknesses of the company, this information is important for the management to evaluate the performance achieved and to plan the company in the future. Syamsuddin [10] said that the comparative analysis method used to analyze financial ratios there are two namely:

1) Cross-sectional approach is a way to evaluate by comparing the ratios between one company to another similar company at the same time.
2) Time series analysis is done by comparing the financial ratios of the company from one period to another.

Ratio analysis performed in this research is time series analysis that is by comparing a ratio of a period with


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the next period. Here are the ratios used, in accordance with OJK Rule No.71 / POJK.05 / 2016 About Financial Health Insurance and Reinsurance Company.

1) Solvency ratio, ie the ratio that describes the ability of the insurer to meet the long-term liabilities of total assets owned. Measurement of this ratio is classified into 2 ratios: - Solvency margin ratio, ie a ratio that describes the ability of the insurer to pay the obligations arising from the closure of the risk.
   - The level of adequacy of funds, the ratio that describes the availability of funds in the company's operations.
2) Profitability ratios, ie ratios that measure a company's ability to gain profits from its business activities and owned capital.
   - The ratio of return on investment used to measure how much the results achieved from investments made.
   - Underwriting ratio, ie premium income minus claims expenses, commission fees and adjuster costs.
   - The ratio of claims expense, providing information on the company's ability to pay claims expense from the income earned
3) Ratio of liquidity, ability of company to fulfill its obligation
   - An asset liquidity ratio used to measure a company's ability to fulfill its obligations based on its assets
   - Investment to technical ratio is used to find out how much technical obligation formed by the insurance company is reflected in the investment
4) The ratio of technical reserves, is a ratio that measures the level of reserves required in the face of liabilities arising from the closure of risk
5) The stability ratio of the premium, which describes the effectiveness of insurance companies in managing the business, including the ability of insurance companies in marketing the product and the ability to manage the available funds to obtain higher income.
   - Premium growth is a ratio that shows how much increase in premiums in the current year compared to the previous year.
   - Retention ratio is a ratio that indicates the retention rate of firms in taking on the risks.

## 3. Result and Discussion

**Financial Ratio Analysis BPJS Kesehatan**

Ratio analysis in this study is used to assess how the financial performance of BPJS Kesehatan. According to Muhani [11], the analysis of special financial statements devotes attention to the calculation of ratios to easily evaluate the financial state of a company past, present and future. Astuti [4] said the ratio analysis is the most common way to analyze financial statements, in other words to measure the strengths and weaknesses of a company's finances can be analyzed through financial ratios expressed in terms of relative or absolute to explain a certain relationship between one factor with other factors contained in the financial statements. The ratio calculated to the indicator in identifying risks that may occur in the future. The calculation of the ratios follows the terms set by OJK.

**Solvability Ratio**

**Table 2:** Solvency margin ratio

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Paid-up capital | 10.818.395 | 10.116.093 | 10.334.737 |
| Net premiums | 39.631.878 | 51.426.322 | 67.266.452 |
| Solvency margin ratio (%) | 27.3 | 19.67 | 15.33 |

From the calculation of solvency margin ratio BPJS Kesehatan from 2014 until 2016, it can be concluded the ability of BPJS Kesehatan in fulfilling its long-term obligations are below the normal limit of 33.33%. This low ratio reflects the high risk due to the high premium revenue. Increased premium revenue signifies an increased risk of claim payments.

The adequacy of funds reflects the level of reserve adequacy required to meet liabilities arising from the closure of risk. The calculation of the adequacy of funds from 2014 to 2016 can be seen in Table 8.

**Table 3:** Adequacy fund ratio

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Modal sendiri | 9.651.813 | 14.651.813 | 21.479.704 |
| Total Aktiva | 12.128.765 | 12.150.125 | 12.167.652 |
| Tingkat kecukupan dana (%) | 79.58 | 120.6 | 170.65 |

Based on the calculations in Table 3, BPJS Kesehatan has a good level of fund adequacy. There is no minimum limit of this ratio. Greater value indicates a better level of funding adequacy.

**Profitability ratio**

**Table 4** Return on investment ratio

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Net income from investmet | 1.331.078 | 717.970 | 766.641 |
| Average investment | 3.381.511 | 3.942.977 | 3.912.616 |
| Return on investment ratio (%) | 35 | 18.2 | 19.6 |

Based on Table 4, BPJS Kesehatan received an investment return of 35% in 2014, 18.2% in 2015, and 19.6% in 2016. Return on investment obtained BPJS Kesehatan has decreased significantly from 2014 to 2015 and slightly increased from 2015 to 2016. The greater this ratio means the better the investment activities undertaken by the company.

The underwriting ratio is the ratio of the ratio between the underwriting rate and the premium income. Underwriting is an insurance function that is responsible for assessing the level of risk held by an insured person.

**Table 5:** Underwriting ratio

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Underwriting resul | - | - | - |
| Premium income | 40.719.862 | 52.691.113 | 67.404.011 |
| Underwriting ratio (%) | 0 | 0 | 0 |

From the calculation of the underwriting ratio of BPJS Kesehatan in Table 5, the results obtained is 0% in 2014 until 2016. BPJS Kesehatan included in the category of social insurance, as according to Law No.2 of 1992 on Insurance Business, that social insurance is insurance that is held in a shall be based on a law, with a view to providing


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basic protection for the welfare of the community. This causes BPJS Kesehatan must accept all prospective insured by ignoring all risks that can be inflicted by the prospective insured. This low ratio indicates the possibility of applying a lower than expected premium rate.

The claim load ratio is the ratio of the ratio between claims expense paid as a benefit and the opinion of the premium received. The calculation of the claim load ratio from 2014 to 2016 can be seen in Table 6.

**Table 6:** Claim expense ratio

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Claim expense | 42.658.702 | 57.109.295 | 67.247.884 |
| Premium income | 40.719.862 | 52.691.113 | 67.404.011 |
| Claim expense ratio (%) | 104.76 | 108.4 | 99.76 |

Based on the calculations in Table 6, BPJS Kesehatan claims claims of 4.76% in 2014, by 8.4% in 2015 and a surplus of 0.24% in 2016. The maximum limit of this ratio is 90% based on predetermined conditions.

**Liquidity ratio**

**Table 7:** Asset liquidity ratio

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Total obligation | 1.310.370 | 1.069.210 | 1.272.794 |
| Total equity | 12.128.765 | 12.150.125 | 12.167.152 |
| Asset liquidity ratio (%) | 10.8 | 8.8 | 10.46 |

Based on Table 7, BPJS Kesehatan has a liquidity level of 10.8% in 2014, 8.8% in 2015, and 10.46% in 2016. The value obtained indicates that BPS Kesehatan has a very good ability to pay its obligations because the value obtained is below the tolerance limit set by the Minister of Finance amounting to 66.67%.

**Technical reserves ratio**

**Table 8:** Technical reserves ratio

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Adequacy fund | 5.297.239 | 8.735.060 | 10.875.131 |
| Net premium | 39.613.878 | 51.426.332 | 67.266.452 |
| Adequacy fund ratio (%) | 13.37 | 16.98 | 16.16 |

From Table 8, it can be concluded that BPJS Kesehatan has a good level of technical reserves of 13.37% in 2014, amounting to 16.98% by 2015, and by 16.16% in 2016. According to Government Regulation No. 87 of 2015, the maximum standard of this ratio is 25%, in a sense, the closer the value of 25%, the better the level of technical reserves.

**Premium stability ratio**

**Table 9:** Premium growth

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Increase (decrease) of net premium | - | 11.812.454 | 15.840.120 |
| Last year net premium | - | 39.613.878 | 51.426.332 |
| Premium growth ratio (%) | - | 29.81 | 30.8 |

Based on Table 9, BPJS Kesehatan recorded a steady increase in premium revenue from 2015 to 2016, at 0.99% from 2015 to 2016. For 2014, is the year of transfer of PT. ASKES, into BPJS Kesehatan. The growth rate of premium received by BPJS Kesehatan is not comparable with the increase in the number of participants from year to year where the average increase of Participants BPJS Kesehatan per year is 5%.

The self-retention ratio is a ratio that measures the company's retention rate in tackling the risks. This ratio is measured by comparing the net premium with the gross premium of BPJS Kesehatan. The calculation of this ratio can be seen in Table 15.

**Table 10:** Retention ratio

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Net premium | 39.613.878 | 51.426.332 | 67.266.452 |
| Gross premium | 40.719.862 | 52.691.113 | 67.404.011 |
| Retention rate (%) | 97.28 | 97.6 | 99.8 |

Based on Table 10, it is noted that BPJS Kesehatan has a good retention rate against the company's financial risk. The smaller the difference between the gross premium to the net premium, the better the company's ability to minimize the financial risks it faces.

The following is a summary of the ratio analysis performed. The results of this summary will be the basis for conducting Focus Group Discussion (FGD) to identify risks that can occur based on ratio analysis results. The consideration that the ratio describes the ability of BPJS Kesehatan to maintain its financial sustainability related to DJS management. The better the performance of the company, the smaller the impact and the possibility of a risk. And conversely, if the worse the performance of the company, the greater the impact and the possibility of such risks in the future.

**Table 11:** Ratio analysis

| Ratio (%) | 2014 | 2015 | 2016 | Impact |
|---|---|---|---|---|
| Solvency margin | 27.3 | 19.67 | 15.33 | ( - ) |
| Adequacy fund ratio | 79.58 | 120.6 | 170.65 | ( + ) |
| Return on investment | 35 | 18.2 | 19.6 | ( + ) |
| Underwritting | - | - | - | ( - ) |
| Claim expense | 104.76 | 108.4 | 99.76 | ( - ) |
| Asset liquidity | 10.8 | 8.8 | 10.46 | ( + ) |
| Technical reserve | 13.37 | 16.98 | 16.16 | ( - ) |
| Premium growth | - | 29.81 | 30.8 | ( - ) |
| Retention | 97.28 | 97.6 | 99.8 | ( + ) |

Through the ratio analysis that has been done, the authors assess that the financial performance of BPJS Kesehatan is still not good. The indicators are the underwriting ratio, the ratio of claims expense, the ratio of technical reserves, and the ratio of premium growth. According to Fahmi (2011) ratio analysis is used to see how far a company has implemented by using the rules of financial implementation properly and correctly. Company performance is a description of the financial condition of a company that is analyzed with the tools of financial analysis, so it can be known about either the poor financial condition of a company that reflects the performance of work within a certain period.


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## 4. Objectives and Recommendation

**Objectives**

Based on the results of the ratio analysis, it can be concluded that the financial performance of BPJS Kesehatan is still in poor condition, with indicators of some component ratios that are below the limit or exceed the specified tolerance limits.

**Recommendation**

Based on the data analysis from the research result, the suggestion that can be given for BPJS Kesehatan is the need to conduct study about adjustment of fee contribution and make adjustment of capital structure so that the implementation of JKN program can run effectively and efficiently.

While the advice for researchers who want to do further research related to this research is to adjust the strategy that has been concluded, with the provisions related to operational activities and investment BPJS Kesehatan set by the Government.

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