

The regional health insurance coverage incentive: a shift from opportunity to rationalization

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ABSTRACT

This research aims to develop a conceptual framework about a shift in the meaning of subsidy as a form of incentive for universal health service in government of Bekasi City in Health Card Regional Health Insurance Program - Identity Number (Jamkesda KS-NIK) which is interpreted as a opportunity to form rationalization in action with fraud risk. Qualitative data analysis methodology was in form of literature review, identification of gap among policies, evaluation of user demographic data, and the financing of Jamkesda KS-NIK in Bekasi City, compared with effective, efficient, and fair indicators. Weaknesses are in planning, implementation, coordination between system and subsystem, and the control of governance in increasing the opportunity of fraud risk. Membership target, which covers all citizens without obstacles, and the absence of limit in coverage value cause the increase of moral hazard from members, hospital, and the management which result in the regional fiscal loss. Evaluation states that policy and transformation in the organization should be capable of meeting an ideal condition. The improvement in governance accountability should be performed by referring to the pillar of good clinical governance using the indicators of consumer value performance, performance and evaluation, risk management, and professional development and management. Furthermore, by adding obstacle to criteria of membership, limitation to coverage and its value, and effort for improving control internal function, fraud risk in terms of membership and financing can be reduced.

Keywords- *health coverage, fraud, good governance, internal control, risk management.*

1. INTRODUCTION

Identity Number-based Regional Health Insurance Program (Jamkesda KS-NIK) has been established since 2017, through Regulation of Bekasi Mayor No. 27A Year 2017 concerning Guidelines for Implementing Service of Regional Health Insurance for Poor Family based on Family Card and Identity Number in Bekasi City. The difference between Jamkesda KS-NIK and previous program is related to its target/membership, expansion of membership in particular. Previously, it only covered health care cost for poor people, but it now covers all people in Bekasi City registered in the population database of Bekasi City government, including prisoners in correctional facility, neglected people, children in orphanage, and custodies of police and attorney who are proven with recommendation letter from Social Agency. Furthermore, through Regional Regulation of Bekasi City No. 9 Year 2018 concerning Regional Health Insurance and Regulation of Bekasi Mayor No. 103 Year 2018 concerning Implementation of Regional Health Insurance, membership target is slightly narrowed down with exception to Beneficiary Dues (PBI) of National Health Insurance Program (JKN) from central government and government in province and region.

It is known that National Health Insurance Program (JKN) requires all Indonesian citizens to be participants in National

Health Insurance Program as organized by Social Security Administrative Body (BPJS). For the financially capable people, they are obliged to pay contribution which has been determined. In Jamkesda KS-NIK program, all Bekasi citizens are entitled to get health service funded by the same financing source, Local Government Budget (APBD). With the financing scheme in Jamkesda KS-NIK program, membership coverage in National Health Insurance Program in Bekasi City can be obstructed since the financially capable people, who should be independent members, choose to not register since they have been covered by Jamkesda KS-NIK. Moreover, members outside Beneficiary Dues are potentially out of membership and they do not pay contribution anymore.

A program from Bekasi City government is a form of incentive for people to get health service. Based on theory of fraud triangle, Donald Cressey stated that an opportunity will be capable of bringing risk of fraud, membership in this case. Risk can appear together with free riders to get service for free. The concept of free-riding rises when the public goods are non-excludable. Encouraged by moral hazard, it creates a form of rationalization in a collective way, in terms of member and provider of health facility which forms strength in creating un-fraud culture.

2. LITERATURE REVIEW

2.1. Fraud Triangle Concept

Fraud triangle is a model which seeks to explain factors encouraging a person to take fraud action. The concept of fraud triangle was introduced for the first time by Cressey [1]. Fraud triangle of Cressey states that three elements which relate to each other make a person take fraud action, which is incentive or pressure to encourage a person to take fraud action, opportunity which allows a party to perform fraud, and capability to rationalize fraud action. It is called fraud risk when an organization easily experience fraud done by the individuals who can combine these three aspects. Fraud risk can come from internal and external sources in the organization; it is one of many risk types managed by the organization [1].

Pressure or incentive is a reflection of motivation of a person in performing fraud. Individuals with financial problem have a possibility to not solve their problems through the existing legitimation, so they will try taking an illegal action. Pressure in general can cover finance and non-finance, such as lifestyle, economic demand, and so on. Financial problem is a form of encouragement to have material goods, while non-financial pressure can cause an action to hide poor performance because of the job demand to get a good result. Opportunity is a condition which allows fraud. Fraud perpetrators believe that their activities will not be detected. Opportunity can occur because of weak internal control, supervision management which is less good, and/or through position use. A failure to stipulate adequate procedure for detecting fraud activities also improves fraud opportunity. An opportunity to have control is the most influential factor in fraud triangle. Organization needs to build process, procedure, and control.

Rationalization becomes the largest factor for the first time a person takes fraud action, in which perpetrators seek justification on what they did; even they feel that what they did is right, without breaking any law. They see themselves as individuals who are honest in capturing the imbalance in environment. As a consequence, the fraud perpetrators will justify their crime in a perspective which can be acceptable.

2.2. Asymmetric Information and Moral Hazard

Classic theory of authority from Max Weber [2] identifies three major groups which interact in a country, holder of power, its servant (bureaucracy), and people population. The asymmetric information model is used to understand a contract in private sector, but this model can appear in public sector too, as a result of problem in bureaucracy with several indicators of efficiency, size, and budget. In this case, asymmetric information appears in interaction between holder of power and people population with risk in policy implementation.

Problem appears when the principal cannot directly believe that agent always acts in principal interest. In that condition, the principal is seldom exploitable by agent on choice of action. Competitive mechanism may not happen when there is asymmetric information. It comes from a decision made by agent which is not in accordance with the contract. When yield and use of information are controlled by agent, the principal is in weak position.

In an interaction between the principal as holder of power and agent as its servant, as in asymmetric model, it reveals risk for the principal in making contract with agent or institution as policy executor [2]. This condition shows that they cannot implement their own policy without support from other people, no matter how big their power is. It is not certain that implementation of the policy which demands maximum efficiency can occur, due to trap and deviation. Administration inefficiency is assessed as an inability, while arbitrariness is considered a failure in operational implementation and market relation. Jan gives an example of auction/tender which involves "inner party" in providing public service, which brings moral hazard. This condition occurs when there is a behavioural change from one of the provider partners on a contract which has been carried out. The occurring change is opportunism after contract made by agent to shows its real nature by making it a principal. In order to avoid opportunism, some actions can be made, such as risk monitoring, risk-sharing between the principal and agent, and punishment to omit negligence from agent.

2.3. Collective Fraud Creation

Meaning of "collective fraud" describes a form of action taken by individuals, or in small group, for common interest or its unit interest [3] in form of wrong action taken by members and performed by some perpetrators with long-term relationship through planning [4] and connection among organizational units [5] and connection with government [6] established through subordination relation from top-down process. In that condition, "a system driven non-fraud" is established from system encouragement, a culture by bureaucracy from generation to generation, and known to be performed together [7].

Social construction process through network communication among individuals will form contact and information mechanism, which will form belief, assumption, and behaviour which are the same in the network. As stated by Sutherland [8], behaviour/action to perform fraud is learned from interaction of personnel in an organization.

Comprehensively, definition above is interpreted that corruption is a form of thought framework of principal-agent problem. Basis of thought for principal-agent problem is strength of action which leads to agent relation and makes agent act not in accordance with principal interest [9]. This condition covers a situation in which one or more perpetrators (individual or organization) become agent which is trusted an authority to act. Idea to act should be in the best context for people. However, the principal without complete information does not often supervise and control agent in a

perfect way, which leads in agent risk to act based on their own interest, compared with their main interest.

In fraud triangle as stated by Donald Cressey, a causative factor in a person to perform fraud is individual factor, general factor in form of weakness in internal control which provides opportunity, and rationalization factor with capability [10].

Concept of Differential Association theory from Edwin Sutherland results in conclusion that there is relation in strong group level in organizing and weakening organization to make rationalization of fraud and cause individual to have high probability to learn fraud [11]. According to Sutherland, deviation is a consequence of skill or mastery on an attitude or action which is learned from the deviating norms.

Model which is used the most frequently to describe understanding of corruption cause is CDMA equation model [12]. This model describes that corruption is caused by effect of discession of authority, monopoly to make use of the bargaining position, and low accountability due to lack of response, responsibility, control, transparency, and weak information access. This weak condition is supported by interaction among several parties, which make this fraud performed in group at last.

Perrson [13] stated difference in opinion about researches which base corruption on principal-agent theory. It is stated that conceptualization from systemic corruption is a collective action to reveal characteristic which is highly different from principal-agent theory. Concept of collective action theory comes from a book entitled *The Logic of Collection Action* [14] which describes observation on business units which rationally act as "free riders", caused by a cost which must be spent to lobby government for issuing policy which gives them more benefit, compared with what is accepted from a collective action. People will cooperate in group and act collectively to achieve common objective in producing public goods which are not excluded, in which the use in a person will not reduce the availability for other people to enjoy (non-rivalrous). This theory highlights relevance among individual decisions in group dynamic. According to Mancur Olson [9], collective action occurs when there is interest of all individuals in a group or the whole group; collective action is taken to achieve common objective and vice versa when group members feel that their interests do not provide or limit their contribution.

3. ANALYSIS RESULT

3.1. Opportunity Forming Process

Inventory and identification of weaknesses in planning, implementation, reporting, and controlling stages in Jamkesda KS-NIK program will result in a map/classification of weakness in policy and governance (managerial-technical) levels. This mapping/classification is required as reference for follow-up, in a level where weakness condition occurs and should be improved. At policy level, these weaknesses can be grouped into three

components, namely financing, service, and membership. These are tested with three criteria, namely, effectiveness, efficiency, and fairness by referring to theory, regulation, and the best practice. Effective, efficient, and fair criteria are described below in testing three aspects for health insurance.

Table 1: Effective, Efficient, and Fair Criteria

Aspect	Criteria		
	<i>Effective</i>	<i>Efficient</i>	<i>Fair</i>
Funding	Used for funding poor people or those who are in need	Cost spent for adjusting capability of budget based on standard	Supported by independent contribution from participants and contribution paid by government for the poor
	Used for funding target beneficiaries	Used for funding service as needed	Instrument of income redistribution
Service	Accepted by target beneficiaries, poor people	Service is accepted in accordance with the required service	Service is non-discriminative, objective, and independent
Membership	Followed by members who are entitled (eligibility of members is met)	Members of health insurance are poor people who are in need and pay contribution	All poor people and other people who pay contribution become members and get covered

These three criteria are used as standards to assess policy implementation for health insurance. Weaknesses in implementation of Health Insurance Program (Jamkesda KS-NIK) is based on comparison of theory, regulation, and the best practice to be assessed in meeting effective, efficient, and fair criteria as shown in table below.

Table 2: Realization of Criteria Implementation

Aspect	Criteria		
	<i>Effective</i>	<i>Efficient</i>	<i>Fair</i>
Funding	Effective, since the financing has covered poor people and target beneficiaries	Inefficient, since the cost exceeds resource/financing capability	Unfair, since financially capable people do not pay contribution, but they still get benefit, contrary to the mutual cooperation principle and redistribution effort

Aspect	Criteria		
	<i>Effective</i>	<i>Efficient</i>	<i>Fair</i>
Service	Effective, since the service covers poor people	Inefficient, since financially capable people also receive service; Risky and inefficient, since the hospital serves patient without adequate control	Unfair, since the financially capable people potentially reduce the rights of service for poor people
Membership	Effective, since membership has covered all poor people	Inefficient, since financially capable people also become members without paying contribution	Unfair, since financially capable people become participants, so it reduces the right of poor people

Based on the assessment, it is known that these three aspects (financing, service, and membership as the main aspect of UHC) have been effective, but they are not yet efficient and fair. Incentive from Bekasi City government provides higher opportunity to free riders, viewed from the perspective of fairness. In terms of service, all citizens, without differentiating their economic status, can be members, accept health service for free without charged contribution.

3.2. Demographic Data Evaluation and Rationalization

Opportunity can immediately get reaction from several parties. From demographic scope, Table 3 shows enthusiasm of people in visiting health facility. In private hospital as supervised by Health Department, 31,327 patients visited hospital in 2017; there was a drastic increase in which it reached 904,212 patients in 2018. The similar condition also occurred in Regional Public Hospital of Bekasi City, in which initial data in 2017 show that 26,784 patients visited hospital, then it increased sharply up to 156,506 patients.

Incentive which is provided on a large scale through a shift from initial target (poor citizens at first) to all citizens of Bekasi City is a proof of shift toward rationalization. Some citizens decide to take their rights in the provided health service, though they also have other health insurances, such as private insurance and Social Security Administrative Body. In a decision which is made, there is an advanced effect, namely additional members who do not pay contribution of Social Security Administrative Body. In 2019, Bekasi City government added another requirement, in form of referral obligation. Every patient who seeks treatment must ask for referral to Health Department and Public Health Centre to get their health service. In 2019, the patients in private hospital through Health Department decreased into 94,919.

The next rationalization occurred in Regional Public Hospital of Bekasi City. As a state hospital, it is not possible

to reject patients considering the humanity aspect. After implementing referral system, citizens (who can directly visit private hospital before) switch to Regional Public Hospital of Bekasi City. As a consequence, in 2019, Regional Public Hospital of Bekasi City accepted 161,931 patients, higher than in 2018.

Table 3: Patient Visit

Description/Year	2017	2018	2019*
HEALTH DEPARTMENT			
Hospitalization	11.906	59.333	13.067
Outpatient	19,421	844.879	81.852
Total	31.327	904.212	94.919
REGIONAL PUBLIC HOSPITAL (RSUD-CAM)			
Hospitalization	4.847	14.876	19.912
Outpatient	21.937	141.630	142.019
Total	26.784	156.506	161.931

* For period ending June 2019

Patients who are increasingly enthusiastic increase the realization of the regional spending for providing health service. Comprehensively, spending from Health Department and Regional Public Hospital of Bekasi City increased from IDR 113,887,160,154 in 2017 to IDR 501,625,360,014.

Table 4: The Spending Realization

Year	Health Department	Regional Public Hospital	Number
2017	91,442,247,982	22,444,912,672	113.887.160.654,-
2018	298,183,063,084	95,959,821,494	394,142,884,578
2019	359,731,712,926	141,893,647,088	501,625,360,014

Realization of spending for health service can disturb fiscal policy of Bekasi City government. However, rationalization by citizen and health facility has potency of fraud risk. Fraud risk is initiated by weak system planning, continued by governance and control which are weak too, and encouragement of rationalization which increases risk potency.

Based on the researched patient sample, there is an anomaly, namely the inconsistency between identity number and Family Card inputted during patient registration, compared with population database in Department of Population and Civil Registration of Bekasi City. Regardless of human error while inputting data, the anomaly can indicate fraud risk. A rationalization in which Bekasi City citizens will be served for free makes other citizens outside Bekasi City try using the health service. Some efforts to be Bekasi City citizens

are the change of domicile as stated in a letter without physical displacement, or manipulation of population data using Identity Number of other people. That data manipulation is possibly done by certain person in hospital to make "demand" of patient visit for reimbursement for Bekasi City government. To anticipate the risk potency, effort for minimizing risk is returned to the internal control of Bekasi City government.

3.3. How does rationalization occur?

Rationalization is an aspect of fraud triangle which allows the change in individual mindset. Creative, innovative effort through idea development is performed together with a justification effort for the code of conduct and guilt avoidance. Rationalization shifts mindset and reframing of the fraud definition to exclude its action without being seen. In the rationalization, some general justifications often appear, such as "other people do it", "there is nothing wrong since we do not harm other people", "I am worthy of it", or "humanity is our reason to not reject patients". This kind of perception can occur continuously without any obstacle.

Table 5: Elemen shift

ELEMENT	DIMENSION	DESCRIPTION
INCENTIVE	Description	Identity Number-based health insurance is used for free.
OPPORTUNITY	Interpretation	- Learning from interaction - Principal agent problem - Weak internal control
RATIONALIZATION	Explanation	- Creative effort - Belief shaping - Ethical justification

Entrepreneurship theory is usually used for describing a positive creativity which changes into a behaviour with fraud risk by forming belief and ethical justification when seeing opportunity. Several parties attempt to use health insurance for free as an opportunity which can be used for their interest. Several ways are done to achieve its interest without the adopted procedure. Social interaction among citizens through word of mouth encourages other citizens to attempt to be as if they are Bekasi City citizens. Using difference of perception in policy implementation for Jamkesda KS-NIK, with weak control, the opportunity can be realized. Similarly, it occurs in hospital as provider of health facility. With ethical justification as supported by internal control weakness, a demand increase is realized to be used for covering hospital operationalization.

4. CONCLUSION AND SUGGESTION

4.1. Conclusion

Problem of collective action is a form of relevance from individual decision in group dynamic, including belief and behaviour of interaction with other parties. When fraud is considered normal, it is made an argument and maintained for weakening effectiveness of organization. Based on the aspects of fraud triangle, opportunity is offered in an open way by Bekasi City government to all citizens in Bekasi City without support of planning, supervision, and internal control which are automatically complete to create basic aspect which plays important role in supporting fraud risk.

Health insurance with coverage of all citizens in Bekasi City using the financing scheme borne by local government budget (without complete planning, administration improvement, governance, and control improvement in implementation) causes some problems which can threaten sustainability. Financing becomes main factor which can threaten program sustainability, considering a wide coverage of membership, control of member eligibility which is still weak, the absence of supervision on a service provided by health facility to patient, weak verification, referral mechanism which is not yet consistently applied, and the absence of coverage limit which can be accepted by members.

Opportunity without the monitoring control increases moral hazard. Moral hazard aspect which is frequently related with this behaviour will transfer fraud risk into governance of Jamkesda KS-NIK program. In terms of membership, health service policy will be attraction of citizens outside Bekasi City in rationalizing the yield of health service through several ways, by changing their domicile to Bekasi City or manipulating identity as citizens of Bekasi City. For the citizens of Bekasi City, health service policy becomes a form of rationalization when slight discomfort in body becomes important to seek medication in hospital.

For hospital, as provider of health facility, easiness in policy as opportunity will shift into rationalization of service and humanity as one of efforts to maintain hospital operation. A process of "creating demand" is performed through promotion and service easiness; it even reaches the risk of health fraud in form of phantom billing, false reimbursement, upcoding, and unnecessary treatment.

This research also finds substitutive role of local government in implementing health insurance. Regional Health Insurance Program should be complementary to the National Health Insurance Program. This condition is not in accordance with applicable provision and Universal Health Coverage (UHC) concept as the basis of National Health Insurance Program implementation. Considering harmony with policy of central government, it is expected that program sustainability will be guaranteed.

4.2. Suggestion

Regional Health Insurance Program can be improved by reducing gaps from opportunity and rationalization and considering 1) improvement of planning, governance, and internal control, 2) expanding definition of UHC holistic coverage which is promotive, preventive, curative, and rehabilitative, 3) improving role and responsibility of regional government based on the mandate of Law, to support National Health Insurance Program, 4) sustainability and feasibility of Regional Health Insurance Program based on UHC criteria which are efficient, effective, and fair.

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