

ABSTRACT

Health is one aspect that plays an important role in the success of a country's economic development. In view of that, local governments throughout Indonesia have agreed to allocate at least 15% of the entire state budget for the health sector. The amount of health spending is positively related to achievement levels of public health. This study aims to analyze the technical efficiency of health expenditures of local governments in Central Java Province in 2007-2009.

Analyses were performed using the concept of efficiency which is based on the theory of production. Measurement of the efficiency values are obtained using the analysis method Data Envelopment Analysis (DEA), where with this method the efficiency values obtained are in the form of relative value of efficiency. The research was conducted based on similar research done by Jafarov and Gunnarsson in 2008, by using local government health spending as the variable input, the ratio of the number of doctors and the ratio of the number of available beds in government hospitals as the intermediate variable output, and Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR) and Life Expectancy Figures (AHH) as the output variable. The use of intermediate output variable is intended to accommodate the indirect relationships that exist between input and output variables. The assumption used is variable returns to scale (VRTS) and model-oriented output (output-oriented).

Results showed that for the technical efficiency of the healthcare system, in general districts / cities in Central Java province have achieved perfect efficiency. As for the technical efficiency of the healthcare costs, only a small percentage of district / city that is able to achieve perfect efficiency, the majority of districts / cities in Central Java province experiencing inefficiency in healthcare costs, which means there has been wasteful spending on health, where large health expenditure is not followed by improvement in the facilities and health services needed by the community to improve the level of public health optimally.

Key words: Health, production theory, Data Envelopment Analysis, technical efficiency.