

Advanced Material

This Advanced Material contains a pre-seen case study provided to students prior to the exam date. Students should familiarise themselves with the Advanced Material before they sit the exam. The Advanced Material provides key information and forms the basis of the requirements set out in the exam day materials.

Students should carry out research into the sector and apply learning from the workbooks.

Exam: Strategic Case Study

Exam Sitting: March 2025

The Republic of Sartru

Nestled in southeast Asia, Sartru is a nation of contrasts, blending a strong traditional culture with rapid modernisation.

Sartru is geographically diverse. Its 200,000 square kilometres includes mountainous regions in the north, with fertile lowland plains and an extensive coastline along the southeastern border. The nation enjoys a tropical climate with a distinct monsoon season, bringing heavy rains that nourish its agricultural heartlands. Its location on major trade routes in Asia has long shaped Sartru's economy and cultural exchanges.

Sartru has a population of approximately 51.7 million, mostly concentrated in large cities and the coastal regions. Over 70% of the population resides in the southern half of the country, particularly in and around the capital city, Vesan, and the major port city of Drata.

The population is relatively young, with a median age of 31 years. However, the proportion of the population aged 65 and over has grown from 6% in 2000 to 9.5% in the 2024 census.

Sartru's economy

Sartru's currency is the Sartrian pound (£).

Sartru is a country with moderate growth, stable employment, and manageable inflation, as illustrated in these current indicators:

- The Bank of Sartru's base rate is 4%
- The headline inflation rate (the Consumer Price Index) is 2.5%
- Unemployment is low at 2.3%
- Gross Domestic Product (GDP) per capita is approximately £14,000, making it wealthier than emerging economies like Vietnam, but not as wealthy as countries like South Korea.

Sartru's economy is a mix of agriculture, manufacturing and services. Historically agricultural, the country remains one of the largest producers of rice in Asia, producing a surplus that is exported to neighbouring countries. It also exports a variety of other products, including coffee, seafood and tropical fruits.

Over the past 30 years, Sartru's economic activity has diversified significantly. Manufacturing now accounts for nearly 25% of its GDP, with a strong presence in electronics, textiles, and automobile components. Much of this activity is concentrated in export-oriented industrial zones.

The services sector, including finance, information technology and tourism, is an emerging force in the economy, comprising nearly 15% of GDP. Vesan, with its technology parks and financial district, has ambitions to become the "Silicon Valley of Asia." The President and her government are particularly enthusiastic about growing the services aspect of the economy, seeing it as a potential source of wealth for the country.

Despite this economic success, income inequality persists, particularly between urban and rural areas, prompting the government to launch numerous rural development initiatives in the last 20 years.

Government structure

Sartru is a constitutional republic with a strong presidential system. The current President was first elected in 2016, and her current 5-year term of office expires in 2026. The President holds considerable executive power and appoints cabinet ministers to head the ministries, including finance, education, health and defence.

There is a unicameral National Assembly, with representatives elected from constituencies across the country using proportional representation.

Subnational government is structured with regional governments for each of the country's 19 regions. Each regional government is responsible for key services, including healthcare, education and highways, and is led by an elected governor. The governor is assisted by the commissioners they appoint to take responsibility for each of the various service programmes.

Below the regional level of government are city and district councils, which are led by democratically-elected councillors. These councils are responsible for local public services including housing, waste collection and disposal, planning and local transport.

The Sartru Medical Service

The Sartru Medical Service (SMS) is a nationwide healthcare network providing universal access to medical services for all Sartru's citizens. The SMS was created on 1 July 1999, and is based on the UK's National Health Service, adapted to Sartru's needs and resources.

The Ministry of Health oversees the SMS at national level, setting policies, quality standards, and budget allocations. Each of the 19 regional governments has a health commissioner who chairs its Regional Care Board (RCB). The RCBs are responsible for ensuring the provision of primary and secondary healthcare across the regions.

Primary healthcare refers to the first point of contact for individuals seeking medical care. It includes services provided by general practitioners (GPs), family doctors, community nurses and other health workers.

Secondary healthcare refers to the specialised medical care typically provided by hospitals or specialists following a referral from a primary healthcare provider.

The RCBs oversee healthcare commissioning, determining the services that local hospitals must provide and allocating funding based on patient needs and performance targets.

At the regional level, healthcare facilities include general hospitals and clinics, equipped to deliver a wide range of services from emergency care to routine medical treatments. Regional health offices manage these facilities and collaborate with the healthcare providers in their region to address specific regional health needs, tailoring services to the population's demographic and economic profile.

Primary care is mainly delivered by GPs and community health workers based in primary healthcare centres. To overcome access issues for people in remote areas of the country, the SMS has invested heavily in mobile clinics and the staff and telecommunications technology needed for the remote delivery of healthcare services, including remote/mobile consultation and diagnosis ("telemedicine").

All cities and larger towns have at least one general hospital offering elective care. Elective care refers to medical procedures and treatments that are scheduled in advance because they are not urgently required by the patient.

These cities and towns will also have at least one hospital with an Emergency Department (ED). An ED is a specialised medical unit that provides immediate care and treatment for patients with urgent, severe, or imminently life-threatening conditions and injuries. Emergency ambulances deliver patients to the nearest ED, but it is also possible for citizens to arrive at the ED via their own forms of transport and ask to see a doctor.

Some specialist healthcare services are located only in specialised hospitals and research institutions in the country's larger cities.

Hospital governance arrangements in Sartru

Every public hospital in Sartru is required to adopt a standardised governance framework issued by the Ministry of Health. This framework requires the following components:

Board of Directors	To oversee strategic direction, financial management, and compliance with national healthcare standards. The hospital's Chief Executive and Finance Director must be members of the Board but cannot be the chairperson. The Board's Chairperson is appointed independently by the Minister of Health.
Chief Executive	Appointed by and accountable to the Board to manage the hospital's day-to-day operations. The Chief Executive reports to the Board on essential performance indicators, such as patient outcomes, financial performance, and patient satisfaction.
Clinical Governance Committee	Dedicated to patient safety, clinical quality, and the continual enhancement of care standards. Members include the hospital's senior medical staff, its Director of Nursing, and quality control experts.
Audit and Risk Committee	Provides independent oversight on financial reporting, internal controls, and risk management. To maintain objectivity, a majority of its members must be

	independent of hospital management. These are people with financial skills and experience, who are recruited externally. The Committee is supported by the hospital's Head of Internal Audit. The Finance Director and external auditor are expected to attend all meetings but are not voting members of the committee.
Patient and Community Advisory Council	To ensure that patient interests and community health needs are represented. Composed of patient representatives, community leaders, and healthcare advocates.
Ethics Committee	To uphold ethical standards, ensure compliance with healthcare laws and assist in addressing ethical issues that arise in patient care. Membership includes doctors, nurses, lawyers, social workers, and representatives from faith-based organisations.

Financing the SMS

The Ministry of Health has earmarked an expenditure budget of £34.2 billion for the SMS in 2025/26. This is almost 15% of the total government annual spending of £231.7 billion. The public sector financial year in Sartru starts on 1 April.

The SMS budget has grown by 900% in nominal terms since the service was created. In real terms, and after taking into account the growth in population, the government spends more than twice as much per capita on the SMS as it did in 1999.

The core government funding for the SMS comes from general taxation. There are no funds hypothecated for healthcare spending.

The core government funding is shared between the RCBs on the basis of each region's healthcare needs. This is done using statistical measures of the demand for cardiac care, cancer treatment, mental health support, and so on. The RCBs, however, do not allocate their funds to each hospital as direct grants. Instead, they oversee a market arrangement whereby they purchase healthcare services from the primary care centres and hospitals using contracts. In broad terms, RCBs allocate their funding on a performance basis as follows:

- primary care centres are each funded on the number of registered patients they have
- hospitals are funded using block contracts that are based on estimated volumes for each of the specialties they offer. The reason for this is to introduce competition, on price and performance, amongst the hospitals.

A mixed market exists within Sartru's healthcare system. There are some private sector healthcare providers who have contracts with RCBs, often to provide non-urgent services (such as cataract surgery and joint replacements) that help to control the length of SMS waiting lists. This "contracted-out" healthcare accounts for around 20% of annual SMS spending on elective hospital care.

Population growth and the pressures of public expectations about healthcare drive the SMS to increase its budget faster than inflation. The government must balance this against all the other spending pressures it has, and the potential for tax increases, and is finding it very difficult to increase the core SMS funding fast enough.

The government wants to relieve some of this financial pressure by investing in technology and digital services to improve productivity and efficiency. However, this alone is not expected to be sufficient to meet the demand for growth in the SMS budget, and the government is looking at alternative funding arrangements.

Three alternative funding options have had some coverage in the national media and the national government is expected to soon confirm the introduction of one or more of these options. The options are:

A health insurance levy

The government could establish a "National Health Levy" where individuals pay an additional percentage of their income specifically earmarked for SMS funding. This contribution would vary based on income, with exemptions or reduced rates for low-income earners and pensioners.

Charging for healthcare services

A founding principle of the SMS is that patients should be able to access the service free of charge. This means that hospitals generally cannot charge for the healthcare services that fall within the scope of the publicly funded SMS. They can,

and do, provide ancillary services such as cafes and car parking that patients, staff and visitors must pay for.

However, the national debate has suggested that SMS-funded hospitals could be permitted to charge for some or all the following healthcare services:

- Non-emergency healthcare provided to non-residents and overseas visitors (unless they are residents of countries with reciprocal healthcare agreements with Sartru)
- Non-essential services such as cosmetic procedures, that are not medically necessary.
- Non-clinical services such as private rooms and extra amenities for patients who choose to pay for enhanced comfort while in hospital.

Means-tested co-payments for elective and non-essential services

Another way of charging for healthcare services could be asking patients to pay part of the cost of the care they receive. This would be aimed at services such as some elective surgeries and certain diagnostic procedures, but not at emergency medicine or the major treatments. The services that are within the scope of such a regime would involve a means-tested co-payment for those who can afford it. This would mean that government funding (via the RCB) would meet the full cost of treatment only for patients on low incomes. The amount paid by other patients would be on a scale related to their means.

There is also potential for small co-payments (such as £5) to be made by patients for each visit they make to a GP and for a similar charge to apply for each medication prescribed by a doctor for a patient.

Kawagochi Royal Hospital

Kawagochi is a city in the region of Fujun. Kawagochi Royal Hospital (KRH) is the only public sector hospital in Kawagochi. It serves the population of the city (about 190,000 people) and those living in the surrounding towns and villages (about 75,000).

KRH has 410 beds and an operating budget for 2024/25 of £193.265 million. It has 3,600 staff including 60 consultants and around 500 nurses.

On average, KRH deals with about 1,000 people every day. This includes people who are admitted to the hospital for treatment, the people attending outpatient clinics and the people who attend the ED. On any given day, around 43% of patients staying in the hospital (i.e. in a bed) are aged 65 years and over.

The most recent inspection by the Sartru Healthcare Quality Commission (SHQC) in 2023 gave KRH an overall rating of *Good*. In most of the dimensions of the SHQC's assessment KRH was assessed as grades A or B. The SHQC uses a 4-point scale, from A to D, where A means high performance against national and international standards, B means sound performance with many examples of good practice, C means meets minimum standards, and D means performance does not meet minimum standards.

The weakest aspects of the 2023 SHQC assessment related to KRH's estates and facilities. Some of the buildings were not fit for purpose. Also, whilst the medical care given to patients is very highly regarded, there are many wider aspects of the way that the hospital interacts with patients and their visitors that could be improved. Patients and visitors frequently complain about reception areas, lack of clear signage, lack of parking spaces, and limited access via public transport, as few bus routes have stops close to the hospital.

The outpatients' building

In March 2024, KRH's outpatient building was found to have been constructed with sub-standard materials. The building was immediately deemed to be unsafe and had to be closed. The Fujun RCB allocated some additional, one-off funding to KRH in 2023/24 to assist with the immediate costs of making the building safe. This money came from underspending elsewhere in Fujun RCB's budget for 2023/24.

During 2024/25, outpatient services (or as many as possible) have been delivered at several locations within 5km of KRH. The locations being used include various clinics and private hospital locations, which KRH must pay for.

The closure of the building happened after KRH's governors had approved their operating budget for 2024/25 (which was prepared using incremental budgeting). There has been no extra funding from Fujun RCB, and the outpatients' service is forecast to overspend its 2024/25 budget by almost £400,000 by the end of the financial year (see table 1).

Table 1: Outpatients 2024/25 approved budget and latest forecast outturn

	2024/25 Approved Operating Budget	2024/25 Latest Forecast Outturn
	(£)	(£)
Employee Costs		
Salaries and wages	1,537,800	1,506,000
Benefits and pensions	233,500	224,800
Training expenses	19,700	18,300
Premises Costs		
Rent	0	481,000
Room hire	0	8,100
Energy	51,300	41,200
Cleaning and waste disposal	61,400	4,600
Repairs and maintenance	25,000	0
Transport Costs		
Vehicle hire	0	54,300
Staff travel reimbursements	0	22,600
Supplies and Services		
IT and communications	50,000	50,000
Security contract	32,000	0
Medical supplies	145,000	149,100
Capital Charges		
Depreciation	181,500	181,500
Finance leases	44,600	37,700
Total Operating Expenses	2,381,800	2,779,200

KRH's management is hopeful that Fujun RCB will again be willing to make an extra revenue grant contribution to KRH at the end of the financial year to cover the 2024/25 budget overspend, but no promises have been made to do so.

KRH management recognise that the current outpatient service arrangements are not ideal and have been considering other options. One option is to demolish the existing building and to construct a replacement outpatient building. It is estimated

that this would cost £5million and would take 24 months to complete, meaning that if this option was implemented, KRH would need to continue with the current outpatient arrangements during the construction period.

This project has not been included in KRH's draft budget for 2025/26.

The first possibility for hospitals in Sartru which need extra funds for such projects is to seek an increase in grant funding from the RCB. As far as KRH's outpatients' building replacement is concerned, Fujun RCB has been unable to include any extra grant funding within its capital programme for 2025/26 and is unwilling to make any financial commitments for later years because there will be a Presidential election in 2026.

KRH's Chief Executive, Arun Patel, has explored other ways to finance the replacement building and has concluded that the only realistic solution would be to use KRH's powers to borrow money. As set out in KRH's Financial Regulations, it can borrow money if the following conditions are met:

- Loans are maturity loans, for a maximum of 25 years, at a fixed interest rate of base rate plus 2 percentage points.
- The borrowed money is exclusively used to finance capital expenditure.
- The Finance Director reports to the hospital Board, and the Board agrees, that the repayment of the loans is sustainable.
- The RCB approves the loan **and** the capital project(s) it is intended to finance.

Another option being considered for the outpatient service by Arun Patel is a partnership with Kawagochi City Council (KCC). Some of the discussions about this possible solution have recently been leaked to the press resulting in articles like the one in Appendix 1.

Arun Patel is embarrassed about the article because, whilst the Chairperson of KRH's Board of Directors knew he was talking with KCC about the idea, the Board has not officially received any reports about it.

Charging for healthcare services

KRH's management is aware of the national debate about charging for some healthcare services. A report to the last Board meeting noted that national research

suggests that these charges might generate additional income equivalent to 1-2% of hospital annual spending, which would be a meaningful amount of income. KRH, like all hospitals in Sartru, already generates some income from non-healthcare activities, notably operating hospital shops that sell items like newspapers, magazines, snacks, confectionery, greeting cards, etc. and providing catering to staff and visitors. In KRH's case, the hospital shop and its cafés are operated under franchise arrangements. The two franchisees each pay KRH an annual fee for the right to operate inside the hospital's buildings.

The debate about healthcare charges has proved to be divisive amongst KRH's governors and senior management, including senior clinical staff. Arun Patel and the Chairperson of the Board, Hiroshi Nakamura, take every opportunity to lobby for change and are keen supporters of the proposals. The Chair of the Audit and Risk Committee, Ho Min Lee, is the most vocal opponent of the proposal, believing it is a betrayal of the founding principles of the SMS. The Finance Director, Xiaoming Wang, has so far kept their views private.

Candidate's role

The candidate is Sammy Yu, a management accountant in KRH's finance team.

Abbreviations

ED	Emergency Department
GDP	Gross Domestic Product
GP	General Practitioner
KCC	Kawagochi City Council
KRH	Kawagochi Royal Hospital
RCB	Regional Care Board
SHQC	Sartru Healthcare Quality Commission
SMS	Sartru Medical Service

Appendix 1

Article published by the *Kawagochi Telegraph* on 1 February 2025.

HOSPITAL MEETS HIGH STREET AT THE AURORA MALL

A council source has told The Telegraph that Kawagochi Royal Hospital's troubled outpatients' service is to be transferred to a 'health and wellbeing hub' within the Aurora Mall. This initiative follows Kawagochi City Council's acquisition of the mall in 2024 as a response to the number of empty shops in the city centre caused by the competition from online retailers.

The source went on to say that Hiroshi Nakamura, chairperson of the hospital's board and owner of several local residential care homes, is very excited about the plan because it is the answer to several long-running problems.

The new hub would bring a range of accessible health and wellness services to the community. Relocating outpatient services to the hub would make it easier for residents to attend appointments and access vital health services without needing to visit the hospital.

Documents seen by The Telegraph suggest there would be over 100,000 healthcare visits annually to the hub in the Aurora Mall, easing traffic and parking congestion near the Royal Hospital.

Kawagochi Leisure also plans to establish a "Feel Good Space" within the mall. This space will offer a variety of health, fitness, and wellness activities, and is expected to draw an additional 150,000 visitors per year.