

Research on the Financial Management Problems of Private Hospitals from the Perspective of Public Services

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Abstract

With the development of society, people's demand for medical services is increasing. In order to support the reform of the health care system and encourage the development of private medical institutions, the state provides tax incentives, and private medical institutions are rapidly rising. Private hospitals have met the market demand, alleviated the problems of difficult access and poor service in public hospitals, and provided more choices for people to seek medical treatment. However, private hospitals aiming at profitability have low credibility, the medical team and technical level are different from public hospitals, and the economic strength is also weak. In order to develop the market, private hospitals focus on publicity and purchase large-scale equipment, resulting in accelerated capital outflow and increased operating pressure. After the reform of the new health care policy, the low return rate of accounts receivable and the increase of bad debt loss further aggravate the operating pressure of private hospitals. Therefore, an effective financial management system and the quality of professional staff are crucial for private hospitals. This paper will analyze the problems of private hospitals in financial management awareness, information management level, fixed assets control, accounts receivable return rate and budget execution from the perspective of financial management and put forward countermeasures and suggestions.

Keywords

Private Hospitals; Financial Management; Problems.

1. Introduction

With the rapid development of the economy and society, the demand for medical care continues to grow, and public hospitals are under tremendous pressure. Since 2003, the state has encouraged private capital to enter the medical market through various preferential policies, and private hospitals have flourished as a result, effectively alleviating the pressure on public hospitals, improving the level of medical services, and solving the problems of "difficult access to medical care, difficult to see a doctor". Currently, private hospitals are mostly specialized hospitals, operating independently, actively promoting medical innovation, and contributing to the treatment of stubborn diseases. They also provide differentiated services according to the needs of different patients, rationalize the allocation of medical resources, and benefit the countryside.

However, private hospitals, as profit-making institutions, do not enjoy government subsidies, generally smaller in scale, more backward management mode, relying on the director of personal decision-making, easy to lead to short-term behavior, affecting the long-term development of hospitals. In addition, private hospitals have difficulties in recruiting talents, low quality of medical care, but not low fees, resulting in poor credibility and low follow-up rate. In order to survive the fierce competition, private hospitals will increase investment in market operations, hire doctors with high salaries, purchase new equipment, and further increase financial pressure. High accounts receivable, low payback rate, reduced liquidity and

weakened revenue capacity. At the same time, private hospitals have imperfect budget management, and their internal management cannot be effectively controlled, and their sustainable development faces challenges. And financial management has the principle of systematic, risk trade-off principle, in the pursuit of profits at the same time, but also can take into account the maximization of the interests of stakeholders. Therefore, private hospitals should strengthen financial management, balance the interests and achieve win-win situation. This paper takes private hospitals and their financial management as the research object, discusses their development and the existing financial management problems, and puts forward corresponding countermeasures, aiming to promote the stable, healthy and sustainable development of private hospitals.

2. Basic Theory of Financial Management

2.1. Meaning of Financial Management

Financial management refers to the management of the acquisition of assets (investment), the financing of capital (financing) and cash flow (working capital), as well as the distribution of profits under certain overall objectives. Financial management is an integral part of enterprise management, it is according to the financial laws and regulations, in accordance with the principles of financial management, the organization of enterprise financial activities, financial relations of an economic management work. It mainly includes financing, investment, operation, cost, income and distribution management, which involves budgeting and planning, decision-making and control, financial analysis and other links.

2.2. Principles of Financial Management

The principles of financial management are the behavioral norms and action guidelines for private hospitals to carry out financial management activities, which help financial management work and achieve financial management goals.

2.2.1. Systematic Principle

Financial management is a subsystem of the private hospital management system, which itself is composed of subsystems such as fundraising management, investment management, operation management and distribution management. Adhering to the principle of systematicity in financial management is the starting point for the proceeds of financial management work.

2.2.2. Cash Balance Principle

Financial management is to implement the cash system, rather than the accrual system, objectively required in the financial management activities to achieve cash income and cash expenditure in quantity and time to achieve dynamic balance, that is, cash balance. The balance of cash receipts and expenditures of private hospitals at each point in time is necessary to maintain their capital movement.

2.2.3. Principle of Cost, Benefit, Risk Trade-offs

In the process of financial management, decision makers need to comprehensively consider and weigh the cost of the project, the expected benefits and the risks associated with it. Therefore, costs, revenues and risks are always interrelated and constrained. This principle emphasizes that when making financial decisions, we should not only focus on maximizing revenues, but also give full consideration to the costs and potential risks to be borne, so as to ensure the comprehensiveness and reasonableness of the decisions.

2.2.4. Principle of Coordination of Interests

The financial management process is also a process of coordinating the interests of all parties, including shareholders, creditors, operators, employees, internal departments, investee

companies, the government, the public and other interests of the main body of the financial relationship. The success or failure of the coordination of interests is directly related to the degree of realization of financial management objectives.

2.3. Objectives of Financial Management

2.3.1. Profit Maximization

Profit maximization means that private hospitals aim to maximize profits. The advantage is that by pursuing profit maximization, hospitals can continuously accumulate funds for R&D and innovation, expanding reproduction and so on. The disadvantage is that it does not take into account the relationship between the time of profit realization and the value of money, ignores the problem of risk, and may lead to short-term behavior.

2.3.2. Shareholder Wealth Maximization

Shareholder wealth maximization refers to the financial management of private hospitals to achieve the goal of maximizing shareholder wealth. Its advantage is that shareholders are more sensitive to risk and will consider the risk issue, which can avoid short-term behavior, and it is easy to quantify and easy to assess for listed companies. Its disadvantage is that it does not take into account the interests of other stakeholders, only emphasizes the interests of shareholders, and is only applicable to listed companies, and this goal is mostly influenced by external uncontrollable factors.

2.3.3. Value Maximization

Value maximization refers to the management behavior of private hospitals to achieve the goal of maximizing the overall value. Its advantage is to consider the risk and the time value of money, to overcome the pursuit of short-term benefits, taking into account the long-term stable development of the hospital and sustained profitability, using value instead of price, to avoid the interference of external factors. The disadvantage is that enterprise value is a relatively abstract concept and difficult to quantify.

2.3.4. Stakeholders' Interests Maximization

This goal emphasizes that financial management should focus on all parties related to the interests of the hospital, including creditors, employees, suppliers, customers and the government. Its advantage is a better balance between the interests of all parties, helping to reduce conflicts of interest and promote social harmony and stability. Private hospitals should take this goal as the direction of development, contribute to the value of win-win cooperation among stakeholders, form a virtuous cycle of development, and promote the long-term and stable development of private hospitals.

3. Analysis of the Problems of Financial Management of Private Hospitals

In the wave of the times, private hospitals have become an important part of China's medical system after two decades of development. Nowadays, the aging of society has intensified, the needs of the medical market is not limited to saving lives, private hospitals should boldly take advantage of their own management advantages to develop and innovate, but also to face up to the existence of their own financial management problems:

3.1. Poor Awareness of Financial Management

At present, most of the managers of private hospitals are engaged in medical work, they have rich clinical experience and knowledge in medicine, but they are relatively lacking in business management. Some managers do not even know how to read financial statements and do not have enough awareness of the importance of financial management in hospitals. Many managers believe that the finance department is only responsible for payroll and expense reimbursement, and some small and medium-sized private hospitals have not even set up a

finance department. When carrying out hospital management, the leadership mainly focuses on healthcare management and the development of new medical technologies, and lacks an understanding of the operating costs of hospital funds and the efficiency of capital utilization. In order to improve the medical level and medical services, the management sometimes blindly purchases all kinds of new medical equipments without considering the actual development of the hospital, which not only increases the running cost of the hospital, but also may lead to the waste of resources. In addition, some private hospitals are developed and expanded from private clinics, the use of family management mode, accounting staff do not even have accounting qualifications, the lack of mechanism constraints, the side of the private hospitals are not reasonable financial job settings, personnel from top to bottom financial management awareness is not strong.

3.2. Information Technology Management Lags Behind

With the rapid development and wide application of information technology, the total amount of information data has shown massive growth, and financial management informatization has become an important means to improve the efficiency and quality of financial management in various industries. However, some private hospitals are slow in the process of hospital informatization due to insufficient investment in information technology infrastructure construction, resulting in backward hardware equipment. Secondly, due to the high complexity of hospital financial information, private hospitals are difficult to unify the caliber of information, resulting in serious information silos. The information between different departments can not be interconnected, making it difficult for hospitals to obtain comprehensive and accurate data support in decision-making, management and other aspects. At the same time, some private hospitals do not carry out timely tracking collection and management of financial information, resulting in the lack of authenticity and integrity of financial information. Finally, private hospitals are also deficient in the training and introduction of information technology talents. The lack of professional informatization talents makes it difficult for hospitals to get effective technical support and guidance in the process of informatization construction. And the internal staff of the hospital's awareness and attention to information technology is also insufficient, lack of initiative to learn and apply information technology enthusiasm.

3.3. Fixed Assets Management Chaos

Fixed assets is an important material basis for hospital medical services, hospitals as a heavy asset industry, the initial investment, fixed assets accounted for a high proportion and variety. However, the current fixed asset management system of private hospitals is too general and vague, and lacks pertinence and operability. First of all, the procurement approval system is not strict. Private hospitals often lack scientific procurement planning and market research, procurement decisions are usually made by a small number of people, lack of democracy and transparency, there is the purchase of different machines but have the same function of fixed assets and price confusion and other problems, resulting in a serious waste of resources. Secondly, there is often a lack of collaboration and communication between hospital departments in fixed asset management. In the process of the use of related machinery and equipment, there are departments sharing, borrowing equipment, the lack of fixed assets of the actual manager, easy to cause duplication of accounts or omission of the problem of bookkeeping, for the subsequent management and inventory brings difficulties. Finally, the relevant managers do not pay enough attention to the fixed asset disposal process. Private hospitals often lack a standardized asset disposal process and approval mechanism. Some sections or personnel dispose of assets privately, leading to loss of assets and discrepancies between accounts and facts.

3.4. Low Return Rate of Accounts Receivable

The implementation of private hospital health insurance designated institutions has reduced the pressure of people's medical treatment, shortened the gap between private hospitals and public hospitals, and made it more convenient for people to settle their medical bills, so that in the outpatient and inpatient revenues of private hospitals, the health insurance revenues occupy an absolute share. The settlement of medical insurance fund involves a number of links, including hospital audit, review, reconciliation, etc., the process is cumbersome and time-consuming, which results in a situation where private hospitals have a large debit amount of accounts receivable and little actual monetary fund income. Whether medical insurance payments can be settled properly directly affects the survival and development of private hospitals. In 2019, the National Health Insurance Bureau launched a national pilot of DRG payment, which combines the point method, total budget, and payment according to the value of disease categories, with the aim of fine-tuning the management, expanding the scope of disease categories, and controlling the risk of the fund. However, for private hospitals, there are problems such as non-standardized single disease management, low disease score, untimely cost control of patient hospitalization, and overspending of the total budget of health insurance, which leads to long payment period and low payment amount of health insurance DRG, increased operation cost, big discount of the main business income of the private hospitals, much bad debt loss, and false increase of the profit, which seriously hinders the development of the private hospitals.

3.5. Poor Implementation of Comprehensive Budget

Comprehensive budget management is the use of budgets for the allocation, assessment and control of various financial and non-financial resources of departments and units within the enterprise, so as to effectively organize and coordinate the production and operation activities of the enterprise and complete the established business objectives. The comprehensive budget management of private hospitals includes the business budget of the initial and follow-up visits, the way to the hospital, the profitability of each department, the performance ability of the marketing department; the budget management of the manpower cost, the procurement cost of Chinese and Western medicines, the maintenance and repair cost of large fixed assets; and the sales cost of marketing promotion activities, the daily operating costs of the management department, and the financial handling costs. The implementation of budget management helps to clarify the strategic objectives of private hospitals, standardize business processes and save costs. However, some private hospitals are backward in management, lack of communication between departments and sections, and have a perfunctory attitude toward the development of comprehensive budgets. Budget targets are often set high and detached from reality, reducing everyone's motivation to work. On the other hand, the execution of budget management is poor in all departments of private hospitals. The financial department does not play a practical role in budget supervision, and the departments and sections do not incorporate the budget objectives into their daily work, resulting in budget management being in vain and not playing a substantial role.

4. Countermeasures to Strengthen the Financial Management of Private Hospitals

4.1. Establish Modern Financial Management Concept

Most of the financial management problems in private hospitals are due to incomplete financial cognition and low attention to financial management. To solve this problem, the first thing to do is to start from the management, the management should recognize the importance of financial management in the operation of the hospital, as a key factor in the sustainable and healthy

development of the hospital. For example, regular financial knowledge training for hospital financial staff, so that they understand the basic principles of financial management and operational methods; through internal training, external lectures and other ways to enhance the staff's knowledge of financial management and attention to form a good financial management atmosphere. In addition, from the departmental point of view, encourage the development of departmental financial data analysis meeting, analyze the profitability of each department, analyze the cost of each department whether the expenditure is reasonable, whether the future quarter needs to be further controlled, analyze and summarize the shortcomings of the previous quarter, for the follow-up planning. Private hospitals are closely related to the development of various departments and financial management, but also reflected in the consumption of consumables, the Department of Finance and Procurement Department can also regularly carry out analysis of the cost of consumables, to promote communication between departments and cultivate a sense of excellence, and gradually set up a modern concept of financial management of private hospitals.

4.2. Improve the Financial Information Management Platform

Private hospitals should pay attention to the application of financial information practice, the first task is to build and optimize the financial information management platform. This requires hospitals to quickly and comprehensively collect financial information, ensure the unity of the source of information, and ensure the accuracy and completeness of the information entered. At the same time, the hospital needs to strictly audit the authenticity of financial information, through careful screening, in-depth analysis and scientific management tools, the use of advanced modeling technology to build financial information analysis model, thereby enhancing the application of financial information value. In addition, based on the financial information revealed by the financial situation, private hospitals should clearly set the critical value of the risk warning, so as to optimize the risk management mechanism, timely detection and response to potential financial risks, and effectively reduce the level of risk. Hospitals should be committed to the effective identification and prevention and control of risk, to provide a solid guarantee for their sound operation. Finally, private hospitals also need to closely integrate the internal control system with information technology construction in order to achieve the established goals of internal control. Through this combination, the hospital can provide management with more accurate, more targeted financial information support to help management make more informed decisions.

4.3. Strengthen Fixed Asset Management

Fixed assets, as an important tool for medical services, occupy an important position in the cash flow statement of private hospitals. Strengthening fixed asset management and improving the efficiency of fixed asset utilization can effectively help hospitals save costs. First of all, fixed assets should be requisitioned on demand, strict implementation of the budget plan, the approver should strictly audit the reasonableness of the purchase, the purchase of the contract check, the acceptance of fixed assets, the use of maintenance processes should be strictly in accordance with the system of standardization of the operation of the registration. Secondly, each department should implement the actual manager of fixed assets, update the fixed asset ledger in a timely manner, record the increase or decrease in the transfer of fixed assets, for idle or need to scrap fixed assets, the manager should be reported in a timely manner, step by step application, the Ministry of Finance according to the approval of the scrapping order, update the fixed asset card, complete the fixed asset inventory work on a quarterly basis, and found that the shortage of fixed assets account does not correspond to the real, the relevant manager to pursue responsibility and timely reconciliation. Finally, the logistics department makes good maintenance records, arranges qualified manufacturers to carry out maintenance

after sale, ensures the separation of duties between maintenance personnel and equipment users, and files each maintenance checklist in a timely manner.

4.4. Strengthen Accounts Receivable Management

Health insurance, as people's daily life protection, can promote the increase of private hospital's main business income, and should not become a bad debt loss in accounts receivable. First of all, private hospitals should establish a sound accounts receivable management system based on health insurance DRG payment standards, and clarify the collection process and division of responsibilities. Strengthen the communication between the financial department and clinical departments to ensure that the accounts receivable information is accurate and timely. Do a good job of regular reconciliation and inventory of payback date, payback amount, payback summary, timely detection and treatment of bad debts. Secondly, the medical insurance department of private hospitals should actively communicate with the medical insurance office to promote the optimization and simplification of the medical insurance settlement process, while striving for more policy support and resource inclination. Hospitals can also use information technology to improve the efficiency of health insurance settlement and shorten the payback cycle. Finally, in addition to paying attention to the medical insurance payback situation, private hospitals should not ignore patients' arrears. On the one hand, hospitals can introduce third-party payment platforms, credit payments and other diversified payment methods to facilitate patients' payments; on the other hand, they can actively cooperate with banks to carry out medical installment payment business to reduce patients' financial pressure.

4.5. Implement Budget Management

Budget management can effectively guide private hospitals to control operating costs, strengthen internal control, refine management, complete the strategic objectives and maximize benefits. First of all, private hospitals should establish a scientific and reasonable budget target, which is higher than the level of private hospitals have reached, but not detached from their own capacity and management level. Secondly, the development of salary performance assessment standards under budget management, the budget responsibility to each responsible body, the quantitative assessment of the performance of hospital managers, according to the results of the data analysis of the winners and losers, to stimulate the hospital staff for the development of hospitals and services continue to innovate. In addition, the wage performance assessment standards should be appropriate, to avoid the emergence of indicators developed only for the purpose of withholding high wage performance, striking the enthusiasm of medical staff and damaging the collective interests. Finally, private hospitals should clarify the budget supervision department, regular analysis and comparison of the budget, real-time feedback on the implementation of the budget to ensure that the budget and the private hospital strategic objectives and business plans in line with the operator can make timely adjustments to play the role of budget management, so that private hospitals to achieve the goal of maximizing the benefits.

5. Conclusion

As an important force in the medical industry, private hospitals have been improving themselves in a limited space and gradually winning market recognition. However, with the rapid economic development and saturation of the medical market, private hospitals are facing fierce competition. In order to maintain stable and healthy development, private hospitals must pay attention to financial management. Strengthening financial management and improving the quality of financial personnel can effectively manage funds, prevent risks and protect property security. At the same time, controlling the budget of medical insurance and improving the management of single disease can improve the return of hospital accounts receivable and

increase the cash inflow. Strengthening fixed asset management can reduce costs, rationally utilize resources and generate income for the hospital. In addition, strengthening budget management can control costs and expenses and help hospitals realize strategic goals. In conclusion, financial management needs the attention of the operator, the departments cooperate with each other, is a systematic work. Only by continuously improving the level of financial management, private hospitals can realize stable, healthy and sustainable development.

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