
Original Research Article

Research on budget performance management in public hospitals

Huilin Li

Guangdong University of Science & Technology, Dongguan City, Guangdong Province, 523000, China

Abstract: Budget performance management is crucial for enhancing the efficiency and equity of public hospitals in China. This study examines the challenges and strategies associated with budget performance management in public hospitals, highlighting issues such as unscientific budget formulation, unclear performance targets, and inadequate application of results. These problems are exacerbated by ongoing reforms in medical insurance payment systems and rising demands for high-quality development. The research underscores the need to integrate performance evaluation into budget decision-making, emphasizing the shift from resource allocation to outcome-oriented management. It identifies institutional gaps, an unbalanced indicator system, and weak data governance as key barriers. Recommendations include establishing a closed-loop performance management process, strengthening the link between evaluation results and resource allocation, and promoting informatization using big data and AI.

Keywords: budget performance management; public hospitals; resource allocation

1. Introduction

In recent years, with the deepening of China's fiscal reform, budget performance management has emerged as a key mechanism for enhancing the efficiency of public fund utilization and has become a core component of modern public sector governance. As the main providers within China's public healthcare system, public hospitals' budget management directly affects the efficiency of medical resource allocation and the realization of social equity. However, in practice, public hospitals commonly face issues such as unscientific budget formulation, unclear performance targets, formalistic performance evaluations, and insufficient application of results, leading to inefficiencies between fiscal inputs and healthcare outputs. Particularly against the backdrop of ongoing reforms in medical insurance payment systems, the promotion of hierarchical medical care, and increasingly stringent requirements for high-quality development of public hospitals, these shortcomings in budget performance management have become a critical constraint on sustainable development.

A thorough investigation into the connotation, current status, challenges, and improvement strategies of budget performance management in public hospitals, and the exploration of management models suited to China's healthcare system, holds significant theoretical and practical value. On one hand, it helps establish a scientific fiscal governance framework for hospitals, shifting the focus of public fund management from "resource allocation" to "performance-oriented outcomes." On the other hand, it provides robust support for enhancing internal governance capacity and promoting the high-quality development of public hospitals.

2. Literature review

Public hospitals are vital institutions in China, responsible for providing welfare-oriented medical services and receiving substantial government funding annually. The effective allocation and utilization of this funding are crucial for ensuring the delivery of quality healthcare services to the population. Budget performance evaluation serves as a critical tool for assessing how efficiently resources are utilized and how effectively hospital operations are managed^[1]. Traditionally, budget performance evaluation in public hospitals has focused primarily on economic indicators, such as expenditure and revenue. However, there is a growing recognition of the need

to incorporate outcome measures, including patient satisfaction, health outcomes, and quality indicators, into the evaluation process^[2]. This broader perspective provides a more comprehensive assessment of public hospital budget performance, reflecting not only financial efficiency but also the quality and effectiveness of healthcare delivery^[3].

Given China's unique circumstances, characterized by high medical costs and limited healthcare access, public hospitals play a critical role in addressing these challenges and prioritizing public welfare^[4]. China's unique circumstances dictate that public hospitals primarily bear the responsibility of addressing the issues of high medical costs and limited access to healthcare for the general population, with an emphasis on public welfare^[5]. Therefore, there is an urgent need to establish a robust budget performance assessment mechanism tailored to the specific context of Chinese public hospitals. There is a need to explore suitable budget performance assessment agencies and indicator systems, aimed at establishing a budget performance assessment mechanism to enhance the level of budget performance management in healthcare institutions while balancing their social and economic impact^[6]. The implementation of performance evaluation management requires a well-developed institutional framework, with organizational systems, indicator structures, and evaluation processes forming a closed loop^[7].

3. Problems in budget performance management of public hospitals

3.1. Macro level: Insufficient policies and top-level design

At the macro level, the top-level design of budget performance management in public hospitals remains inadequate, and the policy and institutional framework exhibits certain lag and fragmentation. In recent years, departments such as the Ministry of Finance and the National Health Commission have issued documents including the Opinions on the Comprehensive Implementation of Budget Performance Management, the Financial System for Medical Institutions, and the Operational Manual for Public Hospital Performance Assessment, emphasizing the integration of performance concepts throughout the budgeting process. However, in practice, issues such as poor policy coordination, inconsistent standards, and underdeveloped supervision mechanisms remain prominent.

3.2. Meso level: Departmental coordination and resource allocation issues

At the meso level, budget performance management in public hospitals is constrained by complex internal organizational structures, poor inter-departmental coordination, and low resource allocation efficiency. Performance management involves multiple departments—Including finance, audit, operations, human resources, and information management—But most hospitals have yet to establish systematic coordination mechanisms. Performance targets and assessments are often dominated by the finance department, with insufficient participation from operational departments, leading to performance indicators that are disconnected from clinical realities. communication during budget execution is often ineffective, with data collection channels fragmented and performance information not shared in real time, reducing the accuracy of performance monitoring and dynamic adjustments.

3.3. Micro Level: Problems in hospital and departmental execution

At the micro level, public hospitals and their subordinate departments face multiple challenges in the actual execution of budget performance management. First, the awareness of performance management is insufficient. Some hospital administrators and frontline staff still perceive performance management as merely an administrative requirement from higher authorities, lacking intrinsic motivation and a continuous improvement mindset. This results in "passive implementation" rather than proactive optimization of performance management. Second, budget preparation often lacks scientific rigor and forward-looking planning. Some hospitals still use an "incremental on base" budgeting approach, which is not linked to performance objectives, limiting flexibility and making it difficult to adapt to changes in healthcare service demand.

4. Analysis of the causes of problems in budget performance management of public hospitals

The various issues in budget performance management of public hospitals arise from both structural factors

at the institutional level and operational factors at the management and execution level. These causes can be summarized in four main aspects:

4.1. Institutional deficiencies as the fundamental cause

Currently, China's budget performance management system for public hospitals has not been fully established, and its design lacks systematic cohesion and practical operability. Gaps exist in institutional arrangements concerning the division of responsibilities, supervision mechanisms, and information sharing between finance departments and health administrative authorities, resulting in a lack of unified standards and authoritative enforcement for performance management. Moreover, most existing policy documents remain at a macro-guidance level and lack detailed implementation guidelines specific to hospital performance management, leading to a "top-heavy, bottom-cold" phenomenon where policies are issued but poorly executed at the hospital level.

4.2. Unscientific performance indicator system

In most hospitals, performance indicators are overly focused on financial metrics, neglecting core aspects such as medical quality, social benefits, and innovation capacity, and therefore failing to fully reflect the public welfare and comprehensive value of hospitals. The indicator systems often contain a high proportion of qualitative measures, few quantitative metrics, and poor data comparability, which undermines the authenticity and operability of performance evaluation results. In addition, some indicators are not dynamically updated, making them unsuitable for evolving hospital development stages and changing healthcare environments.

4.3. Insufficient data support

Effective budget performance management relies heavily on high-quality data support. However, most hospitals face significant shortcomings in IT infrastructure, data collection mechanisms, and analytical capacity. Performance data sources are scattered, and data standards are inconsistent, resulting in severe information silos. In some hospitals, operational systems are not fully integrated with financial systems, leading to delayed data updates and limiting the ability to conduct timely performance monitoring and dynamic adjustments.

4.4. Weak application of performance results

The core purpose of performance management is to use evaluation to drive improvement and promote efficiency through performance, yet most public hospitals have not established institutional mechanisms to effectively apply performance results. Evaluation outcomes are often treated merely as reporting documents and are not linked with budget allocation, staff assessment, or incentive systems. Consequently, performance results fail to exert a meaningful reward or penalty effect. In some cases, results are not incorporated into medium- and long-term strategic planning, leading to a widespread phenomenon of emphasizing assessment but neglecting application.

5. Optimization paths and policy recommendations for budget performance management in public hospitals

5.1. Improving the budget performance management system

A performance-oriented budget preparation system should be established. Budget formulation should not only consider annual financial balance but also decompose performance goals to each department and project, clarifying the efficiency-oriented use of funds. Specifically, hospitals can implement a closed-loop process of "budget performance target declaration → indicator decomposition → review and approval → execution monitoring," effectively integrating performance objectives with budget preparation and ensuring that every allocation of funds has a clear expected outcome. At the same time, a scientific mechanism for budget adjustments should be established, allowing dynamic reallocation of resources based on actual performance, thereby achieving a "value-for-money" approach. Performance evaluation systems should cover goal setting, indicator selection, assessment methods, evaluation cycles, and reward and penalty mechanisms. The design of indicators should balance financial performance, operational performance, service quality, and social benefits, following the principle of combining quantitative and qualitative measures.

5.2. Strengthening feedback and application of budget performance results

Performance evaluation results should be integrated into the budget decision-making system. Hospitals should adjust the following year's budget based on performance assessment outcomes, moderately increasing funding for departments or projects with excellent performance while reducing resources for those that fail to meet targets, thus achieving performance-driven allocation. Performance results should also be applied in internal management and incentive mechanisms. They can serve as a key basis for departmental and individual assessments, linked to staff evaluation, bonus distribution, professional promotion, and research funding allocation, forming a closed-loop management system. This approach not only motivates departments and individuals to actively improve performance but also fosters a results-oriented management culture. Additionally, performance outcomes should inform hospital-wide strategic planning and operational management, guiding optimization in medical service models, research directions, talent development, and resource allocation.

5.3. Promoting informatization and intelligent construction of budget performance management

A budget performance information platform should be established, covering all stages of budget preparation, execution, monitoring, evaluation, and feedback, enabling centralized data management and real-time monitoring. Through this platform, administrators can promptly access budget execution status, completion of performance indicators, and efficiency of fund utilization, supporting precise decision-making. Intelligent analysis and decision support should also be promoted. Using big data, artificial intelligence, and data mining technologies, hospitals can conduct in-depth analysis of historical budget execution and performance data, forecast future budget needs and performance risks, and assist administrators in scientific decision-making. Intelligent systems can automatically generate performance reports, early-warning alerts, and improvement suggestions, enhancing the efficiency and scientific rigor of performance management.

About the author

Huilin Li, School of Finance and Economics, Guangdong University of Science & Technology; Research Interests: Performance Management.

Fundings

The research is supported by: "An Empirical Study on the Impact of ESG Information Disclosure by GEM Listed Companies on Audit Reports" (Project No.: GKY-2025BSQDW-34); "Construction of an Evaluation System for Industry Education Integration in Applied Universities under the Guidance of New Quality Productivity" (Project No.: GKZLGC2025999).

References

- [1] Beer-Toth K. Local financial autonomy in theory and practice [J]. 2009.
- [2] Mauro S G, Cinquini L, Grossi G. Insights into performance-based budgeting in the public sector: a literature review and a research agenda [J]. Public Budgeting in Search for an Identity, 2020, 12(3): 7-27.
- [3] Piatti-Funkirchen M, Hadley S, Mathivet B. Alignment of Performance-Based Financing in health with the government budget [J]. 2021.
- [4] Brand T, Goetjes E, Blankart K. To seek program accreditation, innovation, or both? Examining the Interdependencies in high-reliability health care organizations [J]. Schmalenbach Journal of Business Research, 2023, 3(2): 1-22.
- [5] Lee P N-s. Public Policy and Health Care in China: The Case of Public Insurance [M]. Taylor & Francis, 2023.
- [6] Felicio T, Samagaio A, Rodrigues R. Adoption of management control systems and performance in public sector organizations [J]. Journal of Business Research, 2021, 124: 593-602.
- [7] Siverbo S, CAker M, Akesson J. Conceptualizing dysfunctional consequences of performance measurement in the public sector [J]. Public management review, 2019, 21(12): 1801-1823.