

# Research on Public Hospital Management Based on the Integration of Business and Finance Strategies

Tian Xia<sup>1</sup>

<sup>1</sup>The First Affiliated Hospital of Wenzhou Medical University, Wenzhou, 325000, China

**Abstract:** With the continuous promotion of medical system reform, public hospitals are facing an increasingly complex market environment and management challenges. As an innovative management approach, business-finance integration closely combines business operations and financial management, encouraging financial staff to gain a deeper understanding of hospital operations. This integration is of great significance for improving the management level of public hospitals, optimizing resource allocation, and enhancing service quality. This paper explores the application of business-finance integration in public hospital management, analyzes its significance, the current status of its implementation, and existing challenges. It also proposes targeted solutions to address these challenges, with the aim of providing a useful reference for public hospitals striving for sustainable development.

**Keywords:** business-finance integration; public hospitals; management applications

## 1. Introduction

As a key component of China's healthcare system, public hospitals play a vital role in safeguarding people's health. With the deepening of healthcare reform, market competition has become increasingly fierce, and the demands on management have grown. On the one hand, hospitals need to continuously improve the quality of medical services and expand business areas to meet the growing medical needs of patients. On the other hand, how to achieve refined management, optimize resource allocation and effectively control costs with limited resources has become a major challenge for hospitals.

In this complex environment, the traditional management model has gradually revealed its limitations. The separation between business and financial management has, to some extent, limited the further development of public hospitals. The business sector often focuses primarily on medical services, while the financial sector is mainly concerned with financial accounting. This lack of effective synergy between the two areas leads to problems such as information asymmetry and a lack of data to support decision-making.

In response to these challenges, the concept of business-finance integration has emerged as an innovative management model. This approach breaks down the barriers between business and finance, promotes the deep integration of the two, makes financial management throughout the whole process of hospital business activities, and provides new ideas and methods for the management of public hospitals.

## 2. Background of the application of business-finance integration in public hospitals

In recent years, a series of policy documents have been issued to establish a solid framework for promoting business-finance integration in public hospitals. In 2020, the National Health Commission of the People's Republic of China, together with the National Administration of Traditional Chinese Medicine, jointly issued the 'Guiding Opinions on Strengthening the Operation and Management of Public Hospitals.' This document emphasized the importance of vigorously promoting the in-depth integration of core business activities with the hospital's operational and management functions. It also called for the incorporation of modern management concepts, methods, and technologies across all aspects, levels, and links of hospital operation and management.

In terms of the special policies for the operation and management of public hospitals, the National Health Commission of the People's Republic of China and the National Administration of Traditional Chinese Medicine, in their "Notice on the Continuous Activities of the Year of Economic Management

of Public Medical Institutions in 2024-2025", have called for the continuous strengthening of the construction of the operation management system centred on the integration of business and finance. The circular requires public hospitals to promote the development of operational and management informatization, build an integrated information platform, and enhance the interconnection and sharing of business and financial data, aiming to achieve dual improvements in the refinement of operations and management, as well as in efficiency and effectiveness.

Policies related to the reform of the medical insurance payment system, such as the introduction of the Diagnosis-Related Group (DRG) payment system, have placed stricter demands on the cost control and financial management of public hospitals<sup>[1]</sup>. Public hospitals need to accurately account for the cost of disease types, optimize the diagnosis and treatment process, and rationally allocate medical resources through the integration of business and finance, in order to adapt to the changes in the health insurance payment method, and achieve the balanced development of the utilization efficiency of medical insurance funds and the hospital's own operational efficiency.

These policies have created a favourable environment for the integration of business and finance in public hospitals, and have encouraged public hospitals to actively explore the ways and modes of integrating business and finance that are suitable for their own development.

### **3. The importance of business-finance integration in public hospital management**

#### ***3.1. Improving the science of hospital decision-making***

As an innovative management concept, the integration of business activities and financial management is closely integrated to ensure that the finance department can provide more accurate and comprehensive information support to hospital management, thereby enabling more informed, scientific decision-making<sup>[2]</sup>. The finance department can obtain more reliable business and financial data through in-depth understanding of the business process and detailed analysis. Through comprehensive analysis of this data, the finance department can gain a deeper insight into the overall operation of the hospital, cost structure, revenue sources and other aspects. These analyses provide management with a solid basis for strategic planning, operational decisions, performance evaluation, etc., and lay a solid foundation for hospital decision-making.

#### ***3.2. Improving the quality and efficiency of hospital management***

While the finance department fully performs its management function, the business department also strengthens its communication and cooperation with the finance department, actively participates in financial management, and jointly improves the quality and efficiency of hospital management. In the cooperation between the finance department and the business department, the finance department provides professional financial knowledge and data analysis capabilities, and the business department applies medical expertise and in-depth understanding of patient needs, and is able to provide feedback to the finance department on the actual situation and needs of business activities. By working together, relationships and processes that affect efficiency and effectiveness can be identified in a timely manner, and significant improvements in work efficiency can be achieved through business process optimization. This interdepartmental cooperation model ensures the solid development and effective implementation of hospital management, and guarantees the quality and efficiency of management.

#### ***3.3. Strengthening risk prevention capabilities***

The integration of business and finance is of great significance in establishing a sound risk prevention mechanism and enhancing the risk prevention capabilities of public hospitals. In the current complex and changing market environment, public hospitals face various risk challenges<sup>[3]</sup>. At present, many hospitals are in the stage of expansion and development, which requires large amounts of capital investment and resource allocation, exposing them to both financial and operational risks. Additionally, hospitals must contend with fierce market competition. By implementing business-finance integration, the financial sector can gain a comprehensive understanding of hospital operations. Through cost management, budget accounting, and other management methods, potential risks can be detected early, and effective risk prevention measures can be proposed, thus preventing reckless expansion and ensuring the hospital's smooth operation.

#### **4. Current status of business-finance integration in public hospital management**

##### ***4.1. Backward knowledge of the concept of business-finance integration***

At present, the concept of business-finance integration has not been effectively promoted in public hospitals. Many public hospitals face the issue of "focus on business, light on management." Some management and business departments lack sufficient understanding of the importance of business-finance integration<sup>[4]</sup>, resulting in the concept being underdeveloped. In practice, these departments tend to prioritize the expansion of medical services and often overlook the need to implement business-finance integration.

Moreover, some individuals have a limited understanding of financial work, viewing financial management as simply bookkeeping, accounting, and reporting. They fail to recognize the close relationship between financial and business activities. This narrow perspective results in a lack of communication and collaboration between the business and finance sectors, hindering the integration of the two and making it difficult to promote effective collaboration.

In addition, many public hospitals have failed to publicize the integration of business and finance at the hospital level, and most staff have not realized its importance and value. As a result, business departments do not consider it an important management method. The lack of widespread awareness and attention further hinders the promotion of business and finance integration.

##### ***4.2. Inconsistency in the objectives of business-finance integration***

In the operation and management of public hospitals, the integration of business and finance faces the problem of inconsistent objectives. Due to the different functional positioning of the business department and the finance department, there are obvious differences in the direction and focus of their work. The business department pursues the improvement of medical quality and the expansion of medical business, and to achieve this goal, the business department often hopes to introduce more advanced equipment and technology to improve the capacity and level of medical services. On the other hand, the finance department pays more attention to financial indicators and data, focusing on rational resource allocation and risk management, and controlling hospital costs to ensure the hospital's financial health and sustainable development. As a result, the finance department may resist some business departments' requests for equipment purchases or project funding.

This inconsistency of objectives not only affects the efficiency of working synergies within the hospital, but can also lead to irrational allocation of resources. The business department may over-apply for resources to improve the quality of medical services, while the finance department may limit the use of resources to safeguard financial security. At the same time, this situation also tends to cause conflicts and communication barriers between departments, which further hinders the smooth promotion of business-finance integration.

##### ***4.3. Low level of information technology***

The integration of business and finance must be supported by advanced information technology. However, due to limitations in funding, policies, and other factors, the current level of information technology construction in public hospitals still needs to be improved. In recent years, most public hospitals have established financial management systems that meet the daily operational needs of finance. However, with the growing demand for financial management, the original information systems have gradually revealed deficiencies, making it difficult to adapt to new work requirements. The lack of a unified standard for information systems across different departments, along with the difficulty of effective data integration, hampers the connection between business and financial systems. As a result, data cannot be shared in real time, significantly impacting the effectiveness of business-finance integration. The financial sector is unable to accurately and promptly track the progress of business activities, while the business sector struggles to access the necessary financial data, thus hindering the overall integration process.

In addition, the hospital lacks sufficient funds to support the information department to introduce advanced equipment, software and professionals, which makes it difficult to achieve significant improvement in the level of information construction and fails to provide information and data support for the integration of business and finance. This not only limits the improvement of the financial management level of public hospitals, making it difficult to give full play to its due effectiveness, but

also increases the probability of financial risks in public hospitals.

#### ***4.4. Lack of relevant personnel***

The implementation of business and financial integration requires a skilled and versatile workforce that understands both business and finance. However, most public hospitals are currently facing challenges in this regard. Public hospitals do not have enough training for financial personnel. The training of financial personnel in public hospitals is not strong enough, the training system is not perfect, and the financial personnel lack the opportunity to rotate in the business department. This makes it difficult for them to gain an in-depth understanding of business processes and the difficult pain points involved, and to make accurate judgments and decisions in financial management.

The integration of business and finance is difficult and complex, most financial staff focus on accounting, leaving them little time and energy to learn about the integration. Successful business-finance integration requires professionals who are skilled in business knowledge, financial management, data analysis, and more. This demands a broader vision and stronger comprehensive abilities. However, due to the constraints of their roles, financial personnel often find it difficult to move beyond traditional work modes, limiting their ability to provide strong support for hospital management. Furthermore, many public hospitals fail to recognize the importance of recruiting composite financial talents, which further restricts the development of business-finance integration.

### **5. The application of business-finance integration in the financial work of the hospital countermeasures**

#### ***5.1. Establishing the concept of integrated management of business and finance***

To ensure the successful implementation of business-finance integration in public hospitals, strong support from hospital management is essential. Hospital leadership must move away from the traditional mindset of "focus on business, light on management" and actively embrace the concept of business-finance integration. They should fully recognize its critical value. In the hospital's strategic planning and decision-making processes, business activities and financial management should be closely integrated, providing a solid foundation for long-term development. At the same time, practical and effective measures must be taken to support and facilitate the smooth integration of business and finance.

Operational staff also need to stay updated on the finance department's operations and the concept of business-finance integration. Hospitals can organize thematic lectures, seminars, and other activities to accurately convey the concept of business and financial integration, as well as its importance and implementation, to business staff and management. This will lay a solid foundation for their future participation in the management of business-finance integration and contribute to the achievement of organizational objectives. In addition, hospitals can also fully stimulate the enthusiasm of employees to participate in the integration of business and finance through incentive measures such as resource tilt and performance reward, guide employees to actively participate in the management of the integration of business and finance, and actively explore the specific practice path of the integration of business and finance in public hospitals.

#### ***5.2. Ensure the harmonization of operational and financial objectives***

In the operation and management of public hospitals, ensuring the consistency of business objectives and financial objectives is the core element to achieve the integration of business and finance. The integration of business and finance can not only provide comprehensive data support for business departments, but also effectively improve the level of financial management, making both departments benefit from it. Therefore, in order to ensure the consistency of business and financial objectives and avoid unnecessary misunderstandings between departments, public hospitals should focus on the following tactics:

First, public hospitals need to establish an effective communication mechanism tailored to their specific needs. Through regular inter-departmental meetings and other forms of communication channels, the two departments jointly discuss and formulate plans that meet business and financial needs, maintain efficient communication between the financial department and the business department, and lay a solid foundation for the subsequent integration of business and finance.

Second, public hospitals need to define the role positioning of business departments and financial departments in the integration work. Give full play to the leading role of financial departments, go deep into front-line business departments, use financial data to promote the development of business department activities, and provide strong support for business departments in combination with business-finance integration.

### ***5.3. Improve the information technology construction level***

To ensure the smooth implementation of business-finance integration in public hospitals, efforts must be made to enhance the level of informatization construction and strive to build a complete information system. The National Health Commission of the People's Republic of China has issued guidelines for the development of information technology systems in public hospitals, which has significantly boosted the construction of information technology in the operation and management of public hospitals.

Firstly, public hospitals should increase capital investment and talent allocation for informatization construction and establish a highly efficient information sharing platform. This platform can break the current situation of information silos, effectively integrate various resources, comprehensively integrate the originally independent financial systems, material systems, human resources systems and various business systems, provide high efficiency and convenience for business-finance integration, ensure smoother information exchange between business departments and financial departments, and thus effectively promote collaborative cooperation between the two sides.

Secondly, public hospitals should place a high priority on the standardization of data within the information platform. By converting and storing data in accordance with unified and standardized criteria, and unifying the specifications of all data, the consistency and accuracy of the data can be improved, which facilitates the verification and integration of data.

### ***5.4. Building a Complex Talent Team for Business-Finance Integration***

In the process of promoting the implementation of business-finance integration, public hospitals rely heavily on compound talents who understand both business operations and financial knowledge. Therefore, hospitals need to strengthen the construction of teams of compound talents for business-finance integration.

The primary task is to emphasize the cultivation of internal talents. Hospitals should combine their own actual conditions, business requirements and the development direction of business-finance integration to construct a comprehensive training system. On this basis, hospitals ought to formulate elaborate training plans and programs, select talents with outstanding comprehensive and learning abilities, establish business-finance integration work teams, and concentrate resources for comprehensive and systematic training to deeply explore the potential of internal talents in the hospital, thus laying a solid talent foundation for the business-finance integration work.

Moreover, public hospitals should also actively utilize recruitment and talent introduction mechanisms to rapidly enhance the strength of their business-finance integration teams. During the talent acquisition process, hospitals should formulate clear plans and give priority to recruiting talents with dual professional backgrounds in finance and healthcare. Meanwhile, hospitals should conduct strict screening and comprehensively evaluate applicants from multiple dimensions to ensure that the introduced talents can strongly support the smooth implementation and promotion of business-finance integration work.

## **6. Conclusion**

The integration of business and finance is an inevitable trend in the management of public hospitals, which is of great significance for enhancing hospital management and achieving sustainable development. At present, there are still some problems and deficiencies in the business-finance integration of public hospitals. It is necessary to further raise ideological awareness, strengthen informatization construction, cultivate compound talents, and continuously promote the in-depth development of business-finance integration.

In the future development, public hospitals should continuously explore and innovate methods and approaches for business-finance integration, give full play to the advantages of business-finance

integration, provide patients with higher-quality, more efficient and more convenient medical services, and make greater contributions to the development of China's medical and health services.

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