

# Research on the Development Strategy of PDS Maternal and Child Health Hospital under the Background of New Medical Reform—Based on PEST and SWOT Model

**Chao Ke**

*Claro M. Recto Academy of Advanced Studies, Lyceum of the Philippines University, Manila, 1002, Philippines*

*Pingdingshan Maternal and Child Health Hospital, Pingdingshan, Henan, China  
chao.ke@lpunetwork.edu.ph*

**Abstract:** *In 2017, with the introduction of the new medical reform plan, public hospitals were required to fully implement the zero-price sale of drugs and cancel the income of drug addiction, which marks the end of the "medicine to support medicine" system. With the in-depth implementation of China's new medical reform policy, public hospitals such as PDS maternal and Child Health care hospitals are facing unprecedented challenges and opportunities. The purpose of this study is to explore the development strategy of PDS Maternal and Child Health Hospital under the background of new medical reform and adopt SWOT (strengths, weaknesses, opportunities, threats) and PEST (political, economic, social, technological) analysis models to conduct a comprehensive assessment of the internal and external environment of the hospital. The study found that PDS maternal and child health care hospitals should adopt a scale-expanding professional development strategy, focusing on the professional development of obstetrics and gynecology and child health care. Therefore, this paper puts forward a series of strategic measures, including optimizing service processes, strengthening personnel management, strengthening professional advantages, expanding business scale, and enhancing brand value, to cope with the fierce market competition.*

**Keywords:** *New medical reform, Development strategy, SWOT, PEST*

## 1. Introduction

In 2017, in the "New Medical Reform Plan", the state made it clear that the reform of urban public hospitals should be comprehensively promoted, and all public hospitals in the country should cancel drug markup and implement zero price difference of drugs. After the separation of medicine, the withdrawal of the hospital operation mechanism to support medicine has become a history. Under the new medical reform policy, on the premise of maintaining public welfare, public hospitals need to change their business strategy and conduct a scientific and effective analysis of the medical market if they want to remain invincible in the competition. Public hospitals must improve their medical level and find new economic growth points in operation, to seize market share with private hospitals. In the case of decreasing financial subsidies year by year and inadequate subsidies, the operation mode of hospitals can no longer rely on the revenue of drug price increases to fill the operating costs. If public hospitals want to operate healthily under the premise of ensuring public welfare, they need to find a new strategic development direction in time under the situation of new medical reform. Due to the lack of overall investment in China's health undertakings at the present stage, the doctor-patient relationship is increasingly aggravated, and the labor pay of medical staff is not proportional to the salary return, resulting in a serious brain drain in hospitals. Originally, the operation of the hospital was faced with high costs and high investment. Under the existing system, the government financial subsidies could not be implemented in time, the incentive mechanism was imperfect, and the lack of advanced diagnosis and treatment technology made the development of the hospital difficult. PDS Maternal and Child Care Hospital, as a public maternity hospital, is also facing many of the effects of the above-mentioned health care reform. Under the background of the new medical reform, how to adapt to the requirements of the medical reform, seize the opportunity, use its advantages based on maintaining public welfare, dissolve threats, adjust the development strategy in time, improve economic benefits,

and enhance the comprehensive competitiveness of the hospital is the purpose of this paper.

## **2. Analysis of the external strategic environment of PDS Maternal and Child Health Hospital based on the PEST model**

### ***2.1 Political factors***

At present, there is still a certain gap between China's health undertakings and those of developed countries in Europe and the United States. Due to the large differences in local finance and uneven investment in health, the distribution of medical resources is unbalanced, first-tier cities have advanced medical equipment and high-end talents, while the relative lack of medical resources in third-tier cities makes the problem of "difficult to see a doctor" particularly prominent. The new medical reform policy requires public hospitals to cancel drug mark-ups, relax market access conditions for private hospitals, and encourage social capital to enter the medical service market. This not only increased the supply of medical resources, alleviated the shortage of medical resources in some areas, but also broke the monopoly situation of public hospitals and introduced the market competition mechanism[1].

However, while enjoying policy support, public hospitals are also facing unprecedented challenges. On the one hand, public hospitals need to maintain normal operation and public welfare under the condition of insufficient financial subsidies. On the other hand, after the cancellation of drug addiction, the original profit model of hospitals has been impacted, and it is urgent to explore new economic growth points to improve the quality and competitiveness of medical services[2]. With the entry of private capital, the medical market presents a diversified pattern, and public hospitals must adapt to the new environment, and improve the technical level and service quality, to cope with the competitive pressure of private hospitals.

### ***2.2 Economic factors***

The medical market has fully entered the era of a market economy, and the healthy development of hospitals cannot be separated from capital support. At present, the main sources of funding for public hospitals include business income, financial subsidies, and bank loans. Due to insufficient local financial subsidies, many hospitals have taken out large amounts of loans to improve the medical environment, resulting in high debt ratios. After the new medical reform, the compensation mechanism of the hospital has undergone fundamental changes, and the government guides the hospital to appropriately increase the examination fee, treatment fee, and operation fee through data calculation and market adjustment pricing, to make up for the loss after the cancellation of drug mark-ups. However, hospitals face high material consumption, staff salaries, and other fixed expenses in providing routine medical services. In addition, under the existing medical security system, hospitals also need to advance the medical expenses of medical insurance patients, and the settlement cycle of special medical insurance funds is long, which further aggravates the difficulty of capital turnover. Although the new medical reform policy has adjusted the compensation mechanism, under the multiple pressures of insufficient financial subsidies, medical insurance advances, and bank liabilities, the cash flow of hospitals is still tight, the operating pressure is huge, and the economic benefits are not good[3].

### ***2.3 Social factors***

Medical and health services are an important part of China's social welfare undertakings, but the distribution of medical resources is extremely uneven because of the different financial investments in each province and city. First - and second-tier cities are dominated by large general hospitals, which have advanced medical equipment and high-level expert teams, attracting a large number of patients, resulting in a shortage of expert numbers and a serious phenomenon of "difficult to see a doctor". In contrast, the third - and fourth-tier cities are mostly small and medium-sized hospitals, and the medical technology and equipment are relatively backward, which makes it difficult to effectively treat patients with difficult and complex diseases, forcing them to be referred to big city hospitals, further increasing the burden of big hospitals and increasing the economic pressure on patients. In addition, medical costs remain high, and some patients cannot obtain timely and effective treatment due to high costs. These conditions have led to the social problem of "difficult and expensive medical treatment".

## 2.4 Technological factors

The level of medical technology determines the future industry status of medical institutions. Nowadays, China's medical level has moved towards the direction of precision medicine, and the future large-scale public hospitals run by the province mainly provide emergency and severe diseases, difficult disease diagnosis and treatment, and specialist medical services. Therefore, to meet the opportunities and challenges of the future, the hospital must master advanced technology, and continue to carry out new technologies and new projects. At present, medical technology has developed by leaps and bounds, and some new inventions and creations have brought about a transformative impact on medical and health care. For example, the imaging diagnostic technology represented by capsule endoscopy, 3D printing living tissue technology, artificial nano-artery vascular system, human genome engineering, and other high-tech technologies has brought great changes in the entire medical industry. With the development of high and new technology, not only the hospital's ability to cure various diseases has been improved, but also a new economic growth point has been brought to the hospital. To master the core technology, the hospital has trained a large number of high-tech talents. While the disciplinary ability has been continuously strengthened, it has also obtained a win-win situation of economic benefits and talents.

## 3. Competitive environment Analysis of PDS maternal and Child Health Hospital based on the SWOT model

### 3.1. Strengths analysis

PDS Maternal and Child Health Care Hospital is located in Pingdingshan city center, close to the train station and bus station, convenient transportation. The hospital's obstetrics gynecology and pediatrics are key disciplines in the city, delivering about 7,000 newborns every year, taking on two-fifths of the reproductive medical services in the Pingdingshan area, and ranking among the forefront of the city's professional level and technical strength. The hospital cooperates with higher medical schools and has a core team of physicians, including more than 20 gynecology and pediatrics experts, with rich clinical experience and scientific research capabilities. The hospital is also responsible for the handling and consultation of difficult cases in the city and surrounding areas and guides lower-level maternal and child health institutions. As a government public health institution with a long history, PDS Maternal and Child Health Care Hospital enjoys a high reputation and popularity among the public.

### 3.2. Weaknesses analysis

Table 1: Distribution of human resources in PDS maternal and child health hospital.

| size of the entire staff | 846                       | Regular employee | 351                              | Contract employee               | 482 |
|--------------------------|---------------------------|------------------|----------------------------------|---------------------------------|-----|
| Position structure       | Medical practitioner      | 206              | Title structure                  | Senior title                    | 10  |
|                          | Nurse practitioner        | 388              |                                  | Associate senior title          | 23  |
|                          | pharmacist                | 34               |                                  | Intermediate professional title | 48  |
|                          | Inspection technician     | 47               |                                  | Junior title                    | 56  |
|                          | Imaging technician        | 14               | age structure                    | Under 30 years old              | 128 |
|                          | Other medical technicians | 15               |                                  | 30-45 years old                 | 416 |
|                          |                           |                  |                                  | 45-60 years old                 | 267 |
|                          | manager                   | 64               |                                  | Over 60 years old               | 20  |
|                          | logistical personnel      | 46               | educational background structure | Learned scholar                 | 0   |
|                          | Other technical personnel | 27               |                                  | master                          | 21  |
|                          |                           |                  |                                  | Undergraduate course            | 368 |
|                          |                           |                  |                                  | Junior college                  | 427 |

PDS Maternal and Child Health Care Center covers an area of 21,360 square meters, with a construction area of 39,485 square meters, including 16,850 square meters of clinical business room. The hospital has 1 outpatient complex building and 2 inpatient ward buildings, which occupy a limited area, the internal environment is outdated, and the infrastructure is relatively backward. The human resource structure is shown in Table 1. The hospital has 368 people with bachelor's degrees (43% of the total staff) and 21 people with master's degrees (2.5%). There are 81 people with intermediate technical titles or above (10%), 33 people with associate senior technical titles or above (4%), and the overall proportion of personnel with high education and high professional titles is low, and the structure of

human resources is not reasonable.

As can be seen from Table 2, the government financial subsidy of PDS Maternal and Child Health Care Hospital decreased from 8926,500 yuan in 2021 to 6513,600 yuan in 2023, and the bank loan increased from 15 million yuan to 20 million yuan during the same period, and the asset-liability ratio increased from 49.02% to 56.06%, an increase of 7.04%. In the case of the reduction of financial subsidies, hospitals have increased bank loans to maintain development, increasing the asset-liability ratio.

*Table 2: Financial statements of PDS Maternal and Child Health Care Hospital for 2021-2023.*

| year                                     | 2021    | 2022    | 2023    |
|--|---------|---------|---------|
| Patient visits                           | 280053  | 310313  | 336665  |
| Outpatient and emergency visits          | 5237    | 7158    | 7025    |
| Number of discharged patients            | 13358   | 13958   | 16146   |
| Total medical income (ten thousand yuan) | 10162.8 | 11348.2 | 13002.7 |
| Financial subsidy (ten thousand yuan)    | 892.65  | 749.54  | 651.36  |
| Bank loan (ten thousand yuan)            | 1500    | 1900    | 2400    |
| Asset-liability ratio                    | 49.02%  | 54.79%  | 56.06%  |

PDS Maternal and Child Health Hospital has the following problems: patients' satisfaction with the overall service level of the hospital is not high, and the medical staff lacks service awareness; Hospital management thought conservative, and lacks modern governance ideas and strategic management consciousness; Hospital publicity management level is low, external publicity activities are few, lack of publicity and marketing awareness. In contrast, private hospitals attract patients through heavy advertising.

### **3.3. Opportunities analysis**

PDS Maternal and Child Health Care Hospital faces multiple development opportunities: the reform of the national medical and health system increases the investment in medical and health care, the government supports the development of obstetrics, and increases the financial investment in the critical care network for pregnant and pregnant women and the infrastructure of maternal and child specialized hospitals, which brings development opportunities for the hospital. With the full implementation of the second child policy, hospitals will usher in a pregnancy and birth peak, and the demand for medical services such as pre-pregnancy physical examination, obstetrics and gynecology, and infant care will increase. As the only hospital in Pingdingshan City to offer free prenatal screening, PDS Maternal and Child Health Care Hospital has attracted a large number of patients, and the provincial government's financial allocation has not only provided financial support but also promoted the hospital's improvement in genetic diagnosis and ultrasound technology [4]. In addition, with the enhancement of public health awareness, more people take the initiative to seek health services such as physical examination, which brings new business opportunities for the development of hospitals.

### **3.4. Threats analysis**

PDS Maternal and Child Health Care Hospital faces the following challenges: With the reform of the medical system and the entry of social capital into the medical market, private hospitals have developed rapidly, and competition has intensified, threatening the market share of hospitals. The unsound medical regulations lead to the intensification of contradictions between doctors and patients, and the increase of patients' requirements for medical technology and service level, which is easy to cause disputes. The new medical reform cancels the drug addition income and adjusts the price of medical services, affecting hospital income. The implementation of the multi-point practice policy makes private hospitals attract talents with higher salaries and threatens the brain drain of hospitals. The hierarchical diagnosis and treatment system requires common diseases to be diagnosed and treated at the grass-roots level, which leads to a decrease in the number of out-patients in hospitals and further affects the income of hospitals.

The SWOT matrix analysis of PDS Maternal and Child Health Hospital is shown in Table 3, combined with the external and internal environment of the hospital, the hospital should mainly adopt SO strategy under the background of new medical reform, that is, the expansion of the scale of professional development strategy. Since the hospital has the specialty advantage of maternal and child health care, it should make full use of the policy opportunities such as the two-child policy and the government's support for the development of obstetrics, and take the lead in adjusting the strategic

direction and carrying out the strategic layout under the new medical reform situation. In combination with the hospital's professional advantages, focus on the development of superior disciplines, further increase the construction of women and children's specialties, and take the road of expanding professional development. Give full play to the advantages of professional disciplines and talents, and comprehensively improve the scientific research and innovation ability of the hospital. Through continuous research and development of new medical projects, to open up the medical market. Further improve the medical level and service quality of medical staff, and create a satisfactory medical experience for patients.

Table 3: SWOT analysis matrix of PDS Maternal and Child Health Hospital.

|  |   |   |
|--|---|---|
| Strengths<br>and Weaknesses<br><br>Opportunities<br>and Threats  | Strengths (S)   | Weaknesses(W)   |
|  | <ol style="list-style-type: none"> <li>1. Location advantage</li> <li>2. Professional advantages of obstetrics and gynecology and pediatrics</li> <li>3. Human resource advantage</li> <li>4. Medical technology and quality advantage</li> <li>5. Hospital brand advantage</li> </ol>  | <ol style="list-style-type: none"> <li>1. Small building area</li> <li>2. The structure of human resources is unreasonable</li> <li>3. High assets and liabilities</li> <li>4. Lack of service awareness</li> <li>5. Lack of competitive awareness</li> <li>6. Lack of publicity and marketing awareness</li> </ol>   |
| Opportunities (O)  | Strengths Opportunity Strategy (SO)   | Weaknesses Opportunity Strategy (WO)  |
| <ol style="list-style-type: none"> <li>1. Medical policy support for obstetric development</li> <li>2. Relaxation of the second child policy</li> <li>3. Increased medical needs</li> <li>4. Increased public awareness of healthcare</li> </ol>   | Make full use of the opportunity of family planning policy changes and government support for the development of obstetrics, in the new medical reform situation, combined with professional advantages, focus on the development of superior disciplines, and increase the construction of women and children's specialties. Improve scientific research capabilities, research and develop new technologies, and constantly open up the medical market. Improve the level and quality of medical treatment. | Accelerate the construction of infrastructure, improve the medical environment, and improve the quality of service. Combined with the new medical reform situation, innovation mechanisms and systems, improve economic efficiency. We will reform the personnel system, strengthen the development of high-end personnel, and raise the level of scientific research. Enhance marketing ability, promote brand, and expand market share. |
| Threats(T)   | Strengths Threat Strategy (ST)  | Weaknesses Threat Strategy (WT)   |
| <ol style="list-style-type: none"> <li>1. Increase of competitors</li> <li>2. Increasing contradictions between doctors and patients</li> <li>3. The new medical reform policy restricts the profit space of hospitals</li> <li>4. The multi-point practice policy of registered physicians and the high salary of private hospitals attract talents, resulting in the loss of core talents</li> <li>5. Reduction in outpatient visits due to hierarchical care</li> </ol> | <p>Strengthen financial management and cost control, constantly improve medical level and service quality, and improve patient satisfaction. Improve the salary system to prevent brain drain.</p> <p>Using technology and brand advantages, with the surrounding city and county maternal and child health hospitals into the industry Business cooperation</p>  | Improve the medical environment, improve service quality, and reduce doctor-patient disputes. Reform the personnel and salary system and strengthen the introduction of talent. Close departments with serious losses and less market share to save hospital operating costs. We will actively change the structure of medical income and reduce the proportion of drugs and devices and medical insurance income in total income         |

**4. Guarantee the implementation of the development strategy of PDS Maternal and Child Health care Hospital**

**4.1. Optimize medical process and improve service quality**

Under the new medical reform policy, the competition in the medical market is fierce. The concept of patients' treatment has gradually shifted to the pursuit of high-quality medical services, and hospitals need to change their development concepts, improve service models, provide high-quality medical services, implement the concept of "patient-centered", optimize medical procedures, and enhance patients' sense of identity and happiness.

**4.2. Innovate talent management and reform the personnel system**

To maintain sustainable development and enhance core competitiveness, hospitals need to establish a strategy of giving priority to the development of talents and improve the selection and employment mechanism. Facing the trend of multi-point practice of doctors, hospitals should prevent the loss of high-end talents, optimize the structure of human resources, introduce and train high-end talents, establish a reasonable talent echelon, and do a good job in talent reserve.

#### **4.3. Strengthen professional advantages and develop key disciplines**

Hospitals should take obstetrics gynecology and pediatrics as key disciplines, strengthen professional advantages, and give priority to development. Invest more in specialist equipment to provide a seamless service chain, from pre-marital health care to post-natal follow-up. At the same time, gives full play to the advantages of childcare technology, sets up children's intelligence testing and other services, improves the ability to diagnose and treat acute and severe diseases and difficult diseases, and promotes the overall improvement of medical teaching and scientific research.

#### **4.4. Build hospital brand and strengthen marketing management**

In the 21st century, hospital management should focus on patient satisfaction and hospital popularity. Public hospitals should strengthen brand building and marketing capabilities, establish a good public image, combine health care and clinical services, provide chain seamless services, establish a brand image in the hearts of patients with superb medical technology and quality services, build characteristic brands, and enhance market competitiveness.

### **5. Conclusions**

As the country deepens the reform of the medical and health system, hospitals are facing great competitive pressure and rare development opportunities. At present, the competition among hospitals has developed from equipment competition to technology competition and service competition and is developing into strategic competition. If a hospital wants to maintain its survival and development under the current political environment and market environment, it must apply the modern enterprise strategic management theory to formulate a reasonable development strategy for the hospital, and through the implementation and control of the development strategy, the hospital's strategic objectives can be realized. Through the research on the development strategy of PDS Maternal and Child Health Hospital, it is helpful for the hospital to recognize its development direction, find out its internal strengths and weaknesses, external threats and opportunities, and implement corresponding strategic management strategies according to its strengths and weaknesses and changes in the environment, to clarify the development direction of the hospital. In the context of the new medical reform, timely adjust the development strategy of hospitals, overcome the blindness of decision-making, and take the lead in seizing and laying out the medical market.

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