

# An Analysis of Performance Management Reform in Public Hospitals Based on Orientation Mechanism

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**Abstract:** The public welfare attributes of public hospitals have been criticized, and the performance management of hospitals has also been questioned. Is our public hospitals "sick"? How to "treat" profit-only "symptoms" so that public hospitals can return to the mission of public welfare? This also starts with performance appraisal. This article analyzes the essence of performance management, deconstructs the system and process of performance management, and discusses the reform of performance management in public hospital management from three aspects: establishing a hospital performance management system, introducing a balanced score card, and formulating a hierarchical organizational performance management system. This enables public hospitals to weaken their profit-seeking motives, highlight the public welfare nature of public hospitals, and meet the requirements of residents' medical services. At the same time, this also preserves the operating efficiency and economic efficiency indicators of public hospitals, organically combines service quality with efficient operation, and maximizes social well-being.

**Keywords:** Public Hospital, Orientation Mechanism, Performance Management Balanced Scorecard

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## 1. Introduction

Public hospitals [1] (hereafter referred to as hospitals) refer to hospitals run by the government and included in the financial budget management. It is a public service and social service organization. The operation and management of the hospital takes into account both economic and social benefits. The main purpose of economic benefits is to maintain the needs of the normal operation of the hospital and make up for the current situation of insufficient public medical investment [2]. At present, many hospitals have tried to introduce common corporate performance management methods into hospital management to improve their internal operation management, reduce operating costs and increase operating efficiency, in order to provide society with high-quality and low-cost medical services. Promoting hospital performance management is the only way to strengthen the refined management of public hospitals and improve the efficiency and public welfare of public hospitals [3]. The so-called hospital performance management refers to the process of forming the desired benefits and output of the hospital

through the continuous open communication process and standardized management in order to achieve the hospital's business strategic goals, and to promote the team and individuals to make behaviors that are conducive to the achievement of the goals [4]. Performance appraisal advocates the overall consideration of "public welfare" and "enthusiasm", and a reasonable determination of the performance appraisal system [5].

However, health care reform was not successful. The problems of difficult and expensive medical visits have become increasingly prominent. Violent incidents caused by conflicts between doctors and patients have been reported in the newspapers from time to time, and public opinion questioned whether our hospital was "sick"? More articles directly refer to the hospital's performance management system, claiming that excessive inspections and over-prescribing are the evil results of performance appraisal, and advocates that only abandoning performance management can return to the mission of saving lives and helping the wounded. Therefore, the standardization, modernization and scientificization of the internal

management model is the only way for the development of the hospital [6].

In fact, performance management is only a means of organization and management, and should not be responsible for the root of all evil. Academic research shows that the appraisal system is the "director" of employee enthusiasm and a link connecting organizational goals and personal goals. Scientifically setting performance indicators (KPI) can effectively integrate people's enthusiasm and form a synergy for the pursuit of organizational goals. To solve the problem of excessive pursuit of economic benefits in public hospitals, it is possible to guide the altruistic behavior of doctors through the adjustment of evaluation indicators, thereby building a harmonious doctor-patient relationship and returning to the mission of serving the people. This article starts from the essence of performance management, analyzes the situation of hospital performance management, and proposes solutions for the reform of hospital performance management.

## 2. Overview of Performance Appraisal in Public Hospitals

At present, the performance management of domestic hospitals in China is in the exploratory stage. Compared with the more mature performance management system in the corporate world, there is a big gap in the performance management of hospitals. Since The Third Plenary Session of the Eighteenth Central Committee of the Party, China has issued a series of documents, such as the performance evaluation of public medical and health institutions, and the performance evaluation of tertiary public hospitals. These documents emphasize that the evaluation of hospitals should give top priority to social benefits and change the traditional performance appraisal method of "revenue minus expenditure" linked to performance [7].

From the design of performance appraisal indicators in most hospitals, problems such as the lack of systemicity of the performance indicator system and the imbalance of performance of different types of posts in the hospital have become more and more obvious [8]. There are mainly the following three problems: first, the selection of indicators is unscientific [9]. When designing indicators, most hospitals lack the assessment of medical service quality and service level, but focus on the assessment of the medical organization structure and process. Second, the indicator design lacks quantitative indicators. Generally, qualitative assessment indicators are used. In the assessment, hospital managers and related colleagues score based on impressions. The lack of fairness and objectivity affects the harmonious working relationship of hospital employees. Third, the weight of the design of performance indicators is not scientific enough to highlight the focus of medical service work. Therefore, when designing indicators in the future, it is necessary to determine the specific indicators and weights of related medical services through the expert discussion

method. In this way, the indicators effectively guide the direction of the hospital staff's work and improve the quality and effectiveness of medical services.

## 3. The Path of Performance Management in Public Hospitals

### 3.1. Establish a Hospital Performance Management System

The purpose of establishing a hospital's performance management culture and performance management system is to promote the scientific and standardized management by establishing a target responsibility system, strengthening hierarchical performance management, and accelerating the establishment of a modern hospital management system and rationalizing the personnel and financial, material, technology, information, and management structure to improve hospital operation efficiency [10]. In addition, strengthen performance communication, develop employee potential and improve work performance through continuous two-way communication and process management, so as to achieve key performance indicators at all levels and promote employee career development, thereby improving overall performance and leading the realization of hospital operating goals.

#### 3.1.1. Organizational Structure and Division of Responsibilities

- 1) Performance Management Committee [11]. The Performance Management Committee is the decision-making body of performance management work, and the first responsible person and promoter of performance management work of the institute. The general composition of the performance management committee is: chairman-dean, members-deputy dean and other hospital-level management personnel.

The responsibilities of the performance management committee mainly include: formulating, implementing and revising the target responsibility system plan, approving performance management methods; supervising the department, coordinating and solving the work suggestions put forward by the department; proposing the overall performance management requirements of the department, and issuing performance management goals; Committee members are responsible for monthly (quarterly, annual) assessments of various departments; committee chairpersons approve the performance management results of departments (persons in charge), revise problematic projects and provide guidance; make suggestions on key aspects of work, and timely Deepen and improve the hospital performance incentive system; be responsible for dynamically evaluating whether the performance plan has a positive guiding role in the development of each department and whether it is compatible with the strategic development of the hospital; accepts complaints from the department and gives the ultimate recommendation; handles other major performance events.

- 2) Personnel Section. The Personnel Section is the organizational department for performance management. Its main responsibilities include: formulating performance management methods and interpretation of relevant provisions, organizing the formulation and revision of department performance management systems, reviewing department internal performance management implementation rules, evaluation indicators and scoring standards, and being responsible for collecting and sorting out the necessary data required by each department for evaluation, and provide it to the Performance Management Committee as a basis for evaluation, responsible for the calculation and distribution of the addition and subtraction amount of performance bonuses and the total number of performance bonuses for each department in accordance with the hospital administrative regulations. The Personnel Section is also responsible for the application of performance management results, the filing and storage of assessment results.
- 3) Financial unit. This unit is responsible for calculating the operating efficiency of each department and providing it to the performance management committee as a basis for evaluation. The financial unit is also responsible for the calculation and distribution of the bonus coefficient of the department.
- 4) The functional unit is responsible for cooperating with the personnel unit to evaluate each department and provide data.

### 3.1.2. Main Factors of Performance Appraisal

- 1) Department performance commitment letter. It is an agreement signed by the performance management committee and the department in the initial evaluation period on the work objectives that the undergraduate department must achieve during the evaluation cycle.
- 2) Department performance appraisal form. It is the monthly, quarterly, and annual performance goals signed by the performance committee of the hospital and each department at the beginning of the assessment period.
- 3) Key performance indicators. It is a quantitative indicator that measures important job responsibilities. It is based on statistical data and uses statistical data as the main assessment information. Through the direct extraction or calculation of quantitative indicator information, the key performance indicators for the final quantitative results are obtained.
- 4) Important work goals. This is an important indicator for measuring important job responsibilities. It can be divided into two ways: quantitative and qualitative. These are mainly quarterly assessments. Quantitative indicators use statistical data as the main assessment information, and the pros and cons are judged through the results of data statistics; qualitative indicators are described in words and comprehensively evaluated by the leaders of the institute.

- 5) Department work style. The assessment of the work style of the departments is focused on the part of "unity and cooperation", which has two meanings: internally is the atmosphere of unity and cooperation inside the departments, and externally is the cooperation between departments. Other work style items set up by various departments according to different situations shall be comprehensively evaluated by the leaders of the institute.
- 6) Bonus points. Such indicators refer to outstanding results that have made outstanding contributions to the operation of the hospital, or established a good image for the hospital, and can only be achieved through hard work. The relevant data department provides the assessment data and submits it to the personnel department for the record, and the superior supervisor will give a comprehensive assessment opinion.
- 7) Decrease sub-indices. This type of index refers to a certain degree of adverse effects or even serious damage to the operation of the hospital, or prevarication of tasks assigned by superiors. This type of index is provided by the relevant data department and reported to the personnel department for record, and the superior supervisor will give a comprehensive evaluation opinion.

### 3.1.3. Management Content and Methods

- 1) The process of performance management. Within a certain period of time, the department will conduct comprehensive, scientific, and dynamic evaluation and evaluation of departments by formulating effective and objective evaluation standards. Then the department makes reasonable use of the assessment results to stimulate the enthusiasm and creativity of the employees, and improve the quality, ability and work performance of the employees. It can be divided into the following three links: performance indicator formulation and revision, performance appraisal, and performance feedback. According to the different objects of performance management, it can be divided into department performance management and post performance management.
- 2) Performance plan. The performance plan is the first link of the performance management process, which occurs at the beginning of the new performance period. In this stage, the performance goals of each department are formed by decomposing the strategic goals of the hospital, and the performance plans of each department are formulated according to the performance goals and job responsibilities. At this time, the manager and the managed person need to reach a consensus on the expectations of the managed person's performance. Based on the consensus, the managed person makes a commitment to their own work goals and forms a performance commitment letter.

Department performance plan formulation cycle. The department performance plan cycle is one month (quarter,

year). At the beginning of the performance management cycle, a performance plan is formulated, and at the end of the performance management cycle, the completion of the performance plan of this cycle is evaluated, and the next cycle performance plan is formulated.

Department performance plan formulation. Before the end of each year, the hospital formulates the next year's development goals based on the development strategy. According to the work goals determined by the hospital's next annual work meeting, the head of each department will determine the month (quarter, year) of each department in the next year 10 days before the beginning of the next year, based on the responsibilities of each department and the actual situation of each month (quarter, year). After the work plan and objectives of the degree are reviewed and approved by the Performance Management Committee, the "Department Performance Commitment Letter" will be signed with each department and sent to the Personnel Department for the record.

Revised performance indicators. After the hospital-level business objectives are determined, they are decomposed into the monthly or quarterly performance indicator plans for each department. The work plans and routine work plans that must be completed monthly or quarterly remain fixed. If due to changes in the environment or at least one of the hospital-level leaders or department heads believes that the objectives need to be revised, the management objectives may be revised. When there is a need to change the assessment indicators of the undergraduate room, the department head and the superior supervisor will report it. After the two parties have communicated and reached a consensus, they will be submitted to the Performance Management Committee for approval.

- 3) Performance appraisal. At the end of the performance period, the upper-level supervisors of each department among the members of the performance management committee assess the completion of the performance goals of the subordinate units according to the content of the performance commitment. The data and facts collected in the process of performance implementation and management are used as the main basis for performance appraisal. These data and facts can explain the performance of the appraiser, and judge whether the appraiser meets the performance requirements.

The performance appraisal cycle of the hospital to the departments is monthly, quarterly, and annual. The annual evaluation of departments is a performance evaluation for the whole year. The focus of the evaluation is the key performance indicators, important work objectives, work styles of the departments, plus and minus items of each department throughout the year. During the quarterly evaluation of the department, the performance evaluation results of the previous quarter are evaluated in the first ten days of the first month. The evaluation focuses on key performance indicators, important work objectives, department work style, and addition and subtraction items. The department's monthly performance appraisal includes

"key performance indicators", "important work objectives", "department work style", and "additional and subtracted sub-indices."

During the implementation of the assessment, the upper-level supervisors of each department in the committee members fill in the "Upper Supervisor Evaluation" column of the "Department Performance Appraisal Form", and the upper-level supervisors of each department fill in the "Upper Supervisor Evaluation" column of the "Department Performance Appraisal Form". In the column of "Second-level Supervisor Approval", the personnel department sorts out the assessment results of each department and submits it to the chairman of the performance management committee of the hospital for review. The "data source" of the data required for each evaluation index is provided by the relevant departments.

- 4) Performance feedback. Performance feedback is a key part of performance management. Whether the expected purpose of performance management can be achieved depends on the actual effect of performance feedback [12]. The performance management committee of the hospital should conduct performance feedback interviews with the department head after the performance appraisal work, so that the head of the department can understand the hospital's evaluation and expectations of the department's work, and determine the goal and direction of improvement in the future. At the same time, the department can also put forward requirements and development aspirations, as well as difficulties encountered in the process of achieving performance goals, and request guidance from superiors. After the interview is completed, a "Department Performance Review Report" is formed. The person in charge of the assessed department needs to sign and express his opinion on the assessment result report, and the hospital will regard it as the completion of the interview.

Appeals on performance appraisal results. During the evaluation process, if the department disagrees with the evaluation result, it has the right to lodge an appeal request to the hospital performance management committee and fill in the "Department Evaluation Appeal Form". After the hospital performance management committee accepts the department evaluation result appeal, it will register the appeal record and file. Then the committee will pass the complaint opinions of the department to the relevant departments and listen to the relevant situation. When necessary, the performance management committee of the hospital organizes relevant departments to communicate, and put forward corresponding handling opinions within 15 working days, which will be reviewed and determined by the performance management committee and fed back to the departments. The result of the appeal is final.

- 5) The examination result should be linked with the bonus of the department. The assessment results are divided into five grades according to the grades, namely S (excellent), A, B, C and D. The five grades correspond

to different performance bonus coefficients. The personnel department shall determine its performance bonus according to the assessment results of the department in the last cycle.

For example, in terms of linking with departmental incentives, the department with an annual assessment result of "S" for two consecutive years will be awarded the honorary title of "performance benchmark" for this department. Priority will be given to the staff of the department for opportunities such as quota training and study out in the hospital. For departments that have been assessed as "S" for two consecutive years, the hospital will give priority to the department in terms of department construction and talent echelon construction.

### **3.2. Introduce the Balanced Scorecard (Balanced Score Card, BSC)**

In order to promote the performance management of hospitals, based on the characteristics and current management of Chinese hospitals, a balanced scorecard assessment method that is relatively mature in the corporate world can be adopted. Through effective methods that highlight the key points and pay attention to the quality of performance management. This promotes the formation of a scientific and effective performance management system in various hospitals in China.

The performance evaluation level of a hospital includes three levels: hospital-level goals, department and department goals, and employee job goals. When designing performance appraisal indicators for various types of personnel, it is necessary to reduce subjectivity and increase the systematicness, objectivity and fairness of the indicators. The direction of designing performance indicators can be a combination of top-down and bottom-up methods. The top-down method comes from the decomposition of the hospital's strategic goals, and the bottom-up method mainly comes from the analysis of specific job responsibilities. Through the combination of these two paths, it is possible to compile forward-looking indicators that not only conform to the hospital's development strategy and guide employees to have a development vision, but also based on the status quo to put forward indicators that meet the development requirements of the current stage. The process of designing specific performance indicators is:

First, determine the medium and long-term development plan of the hospital through literature analysis and high-level interviews. This is mainly reflected in work innovation and social and economic benefits.

Second, determine the responsibilities of each department and department of the hospital, as well as the key performance output and evaluation standards at the department level.

Third, decompose the performance indicators of various departments and departments. After clarifying the job responsibilities and division of labor for each specific post, divide the responsibilities of each job post and determine their job evaluation indicators.

Fourth, determine the index weight. Since the hospital's performance indicators come from many aspects, it is more complicated to comprehensively analyze these factors when designing the indicators. Therefore, the analytic hierarchy process can be partially used to calculate and assign the corresponding weights for each indicator, combined with the requirements of the expert consultation method and the hospital's development strategy. These weight indicators are adjusted emphatically to finally confirm the weight values of the performance indicators.

Generally, the performance appraisal indicators of hospitals can be divided into the following five types:

- 1) Work efficiency indicators. It mainly includes indicators such as hospital bed utilization rate and clinical path entry rate [13];
- 2) Work quality indicators. It mainly include indicators such as the proportion of drugs, medical quality, hospital control, patient complaints, and medical errors;
- 3) Work innovation indicators. It mainly includes indicators such as scientific research and discipline construction, talent echelon construction, and over-fulfillment of scientific research projects/appraisal numbers;
- 4) Social benefit indicators. Mainly include indicators such as patient satisfaction rate, enthusiasm for patients, and medical ethics;
- 5) Economic efficiency indicators. It mainly includes indicators such as the amount of income, gross profit margin, and per capita cost of hospitalized patients.

### **3.3. Develop a Hierarchical Structure Performance Management System**

At present, the traditional assessment method adopted by most hospitals separates the hospital's functional management departments from clinical departments. Two sets of systems are used in terms of assessment indicators and assessment procedures. The advantage is that it fully considers the differences in the nature of the hospital's work, and facilitates quantitative assessment based on professional characteristics. However, the complete separation of administrative and business assessments will not only produce duplication of assessments, but also will not be conducive to the unity of the hospital's internal staff. For example, the inpatient department of a hospital is both a functional management department and a business department of the hospital. However, the employees in the inpatient department are distributed in various clinical departments. The phenomenon of double assessment is prone to appear in the assessment. In the practice of designing and implementing the performance appraisal system, clinical departments and functional management departments are all users of performance data [14]. Therefore, the design of the performance appraisal system should be carried out in accordance with the organizational structure, and a straight-line hierarchical appraisal method should be adopted.

The organizational structure of public hospitals can generally be divided into three levels, namely the

decision-making level, the functional level and the business level. The decision-making level is the top management of the hospital, formulating the hospital's strategic goals, supervising and guiding the specific work of each business department. The functional layer belongs to the auxiliary staff department of the decision-making layer, and is responsible for supporting the work of the business department. The business layer is the key department of the hospital, responsible for specific medical service tasks. Therefore, in performance appraisal, it should be divided into three levels: decision-making level, functional level and business level.

- 1) Decision-making layer. The performance appraisal of the decision-making level needs to complete the following goals:

First of all, it conforms to relevant national policies, such as the requirements of establishing a modern hospital management system and the requirements of establishing a public welfare-oriented assessment and evaluation mechanism [15];

Secondly, it meets the requirements of regional health planning, discipline layout, talent policy, etc.;

Finally, in line with the requirements of the hospital's good development, it is possible to build a joint cooperation between all levels, maintain the hospital's internal fairness and enhance the external competitiveness.

- 2) Functional layer. The performance at the department level must be able to undertake the performance goals of decision-making and serve the overall development and reform goals of the hospital. The performance appraisal of the functional layer is divided into two parts. One is the overall framework indicators required by the decision-making layer; the other is to combine the characteristics of the business layer to formulate indicators that are compatible with the requirements of each department and management of the business layer, so that the business layer can be implemented in detail without ambiguity.
- 3) Business layer. Through the department goals, according to the nature of the employees' jobs and the evaluation goals, the targeted indicators are selected to be applied to the personal performance evaluation. There are three levels of decision-making performance goals, functional performance indicators and business performance evaluation. The evaluation of each level is scientific and reasonable, which not only reduces the cost of coordination, but also improves the operational efficiency of hospital management.

## 4. Conclusion

In practice research, because of the difference in performance appraisal indicators and methods adopted by different hospitals, the results of hospital appraisal are quite different. How to establish a scientific and reasonable modern performance management system requires continuous exploration. Judging from the current situation,

the hospital's internal management and institutional theoretical system has initially taken shape. However, the process of practical research is lagging behind, and more reform models need to be explored continuously. For example, the performance manager is assumed by a third party independent of the medical institution and the government to improve the level of social welfare and so on.

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