

# COMPLETING COST MANAGEMENT ACCOUNTING AT PUBLIC HOSPITALS IN THANH HOA PROVINCE IN THE CONTEXT OF FINANCIAL AUTONOMY

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**Abstract:** *Cost management accounting (CMA) in revenue-generating public service units such as hospitals not only helps leaders control revenue and expenditure activities, but also provides important cost information for timely decision-making process, thereby contributing to improving financial autonomy of hospitals according to Government regulations. This article studies the current situation of CMA in 26 district general hospitals in Thanh Hoa province to analyze the current situation and propose solutions to improve CMA to become a useful tool in providing information for management and control of financial activities, helping hospitals carry out financial autonomy effectively.*

**Keywords:** *Cost management accounting, hospital, financial autonomy, Thanh Hoa province.*

## 1. Introduction

Implementing an autonomy mechanism for hospitals is a regulation issued by state agencies to contribute to overcoming waste and ineffective use of state assets. Implementing the autonomy mechanism in units in general and in hospitals in particular will have many positive impacts on the quality in the process of conducting all activities. Specifically, service provision activities are improved in both quality and quantity; innovation in hospital management mechanisms is implemented ; proactively mobilized resources; remuneration mechanisms are better implemented, skilled workers are attracted, etc...

To implement the autonomy mechanism, hospitals need the support of the government when issuing guiding decrees in the process of organizing and implementing that autonomy mechanism. In reality, the Government and People's Committee of Thanh Hoa province have issued a number of legal documents regulating autonomy and self-responsibility in the process of performing tasks, organizational structure, staffing and mechanisms. Financial mechanisms in public service units in general as well as hospital systems in particular aim to promote autonomy, improve financial management efficiency, and effectively use public assets at hospitals.

At hospitals, CMA will provide managers with information about costs with different classifications, providing multi-dimensional information from many aspects for administrators. Useful information in controlling costs and making management decisions is one of the essential elements in the autonomy phase.

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## **2. Theoretical basis and methodology**

### ***2.1. Theoretical basis***

The hospital is a facility that performs the following functions: medical examination, treatment, training, scientific research, etc. Therefore, in management activities, CMA is increasingly concerned with the goal of improving operational efficiency for hospitals, especially in the context of financial autonomy. Hospital resources are centers of cost, these are used to create hospital services. Hospital CMA determines the value of resources used in all activities and provides information to help hospital managers perform administrative functions. CMA in hospitals includes the following contents: Classifying costs, building cost norms and estimates, determining and recording costs, checking and controlling the implementation of revenue and expenditure estimates and providing information for decision-making.

### ***2.2. Methodology***

The authors use qualitative research method in this article, through collecting, processing and analyzing secondary documents related to the issues to be researched, specifically: The authors' research in the field of CMA in units; Law documents on autonomy mechanisms, public asset management in revenue-generating public service units, research works on CMA in hospitals, etc. In addition, the authors also collected information related to district hospitals in Thanh Hoa province such as: organizational characteristics, management decentralization, the process of organizing public service activities, etc. affecting the organization of management accounting work costs at hospitals. After collecting documents, the authors will arrange and synthesize them according to each research content to provide descriptions, analysis, and evaluation of CMA at district hospitals in Thanh Hoa province. On that basis, proposing solutions for complement.

## **3. Research results**

### ***3.1. Current status of CMA at district general hospitals in Thanh Hoa province under conditions of autonomy***

#### ***3.1.1. Overview of district general hospitals in Thanh Hoa province***

District general hospitals are class II hospitals, these hospitals are established by the Chairman of the Provincial People's Committee (People's Committee) [4]. The district general hospital in Thanh Hoa province has the functions of examining, treating and providing health care for people in the district and neighboring districts. District general hospitals have a full range of specialties and will be assigned annual hospital bed plans that can meet the political and social tasks of the province. By 2024, Thanh Hoa has 26 district general hospitals located in 24 districts, towns and cities within the administrative boundaries of Thanh Hoa province to serve the work and tasks of medical examination and

treatment for the people of Thanh Hoa province as well as neighboring areas [9]. District hospitals in Thanh Hoa province are listed according to the list of Thanh Hoa Department of Health including: 02 general hospitals in Thanh Hoa city, Sam Son, 01 general hospital in Nghi Son town and 23 General hospitals in districts of Thanh Hoa province [9].

3.1.2. *Current status of CMA at district general hospitals in Thanh Hoa province in the context of financial autonomy*

a. *Current status of cost classification at district general hospitals*

Costs incurred in hospitals are relatively large and diverse, and can be classified into different groups. Cost classification needs to be carried out by selecting classification criteria according to the management requirements of the hospitals. At district general hospitals in Thanh Hoa province, cost classification has initially been paid attention to serve the recording and collection of costs.

**Table 1.** *Summary of cost classification results at district general hospitals in Thanh Hoa province*

No	Classification Criteria	Applied	Not applied yet
1	The state budget table of contents	26	0
2	The use of costs	19	7
3	The cost content	26	0
4	The relationship between costs and activity levels	7	19

(Source: Summary of authors)

The results show that all hospitals have classified costs according to level of autonomy, budget categories as well as cost content, this is the basic classification for synthesizing information and preparing financial status reports and settlement reports. Classification based on cost utility has also been implemented by 19 hospitals, however only 07/26 hospitals have classified costs according to the relationship between costs and level of activity. Classification according to this criterion helps hospitals identify fixed and variable cost items, build cost equations for each level of activity, and be flexible in determining and controlling costs.

b. *Current status of building cost norms and making estimates*

*Building cost norms:* According to Decree 60/2021/ND-CP regulating the autonomy mechanism in public service units, the work of building cost norms is one of the important tasks when hospitals have been assigned autonomy [2]. After completing the building cost norms, it will be specified in the internal spending regulations of hospitals, this regulation will be approved by the congress of officials and employees, and comments will be collected for finalization. completed annually and put into practice.

**Table 1.** *Group of individual payment norms*

	Criteria
Article 10	Personal payment expenses
Section 1	Paying salaries

<i>Section 2</i>	<i>Payment of allowances</i>
<i>Clause 2.1</i>	<i>Position allowances</i>
<i>Clause 2.2</i>	<i>Professional preferential allowances</i>
<i>Clause 2.3</i>	<i>Toxic and dangerous allowances</i>
<i>Clause 2.4</i>	<i>In-kind allowance</i>
<i>Clause 2.5</i>	<i>On-duty allowance</i>
A	Permanent allowance regime
B	Surgical and procedural allowances

(Source: Hoang Hoa District General Hospital)

**Table 2.** Surgical and procedural allowances norms

Object	Allowance level (VND/person/surgery)			
	Special	Level 1	Level 2	Level 3
The main surgeon, anesthetist, resuscitator or anesthetist	280.000	125.000	65.000	50.000
Surgical assistant, anesthesia and resuscitation assistant or anesthesia assistant	200.000	90.000	50.000	30.000
Assistant for surgery	120.000	70.000	30.000	15.000

(Source: Hoang Hoa District General Hospital)

Types of norms are built into groups based on expenditure content, including: Group of individual payment norms; Public service norms group; Office supplies spending norms group; Group of information, propaganda and communication spending norms; Group of spending norms for regular purchases and repairs; Group of spending norms for professional operations;... each group of spending norms is detailed in each item and subsection. Tables 2 and 3 illustrate the construction of expenditure group norms for individual payments at hospitals.

*Budgeting work:* At hospitals, budgeting usually involves creating quantity estimates and then building money estimates. Quantity estimates will be developed at departments and functional offices such as administrative offices, materials departments, faculties, etc. Estimates to be prepared include: science and technology estimates, labor estimates, number of patients examined and treated, estimates for purchasing equipment, supplies, drugs, etc.

*Basis for developing estimates:* Currently, it is mainly based on the previous year's data at the hospital such as number of beds, number of patients. In addition, it is also based on the implementation situation and financial stability. of the previous year, the need to perform tasks in the Budget year... to build estimates for next year.

*Estimate development process:* The implementation of the hospital's estimate is implemented from bottom to top, from departments and rooms and then aggregated for the entire hospital. Based on annual data, departments make detailed estimates for each expenditure item, then the accounting department synthesizes the overall estimate for the hospital.

**Table 4.** Summary of revenue and expenditure estimates for the 2022-2024 period

Unit of measurement: million VND

Year	2022	2023	2024
Total revenue	5.898	6.235	6.578
Total expenditure	5.898	6.134	6.578
Revenue difference	0	101	0

(Source: Dong Son District General Hospital)

*c. Current status of cost determination and cost recognition*

District hospitals in Thanh Hoa province use the accounting regime issued under Circular 107/2017/TT-BTC to record incurred costs. Accordingly, types of costs are determined by each group corresponding to administrative activities and production, business and service activities at the hospital. Accounts used to record expenses include: Account 154: Work in progress, used to reflect total production, business and service costs to serve the calculation of product and service costs; Account 611: Operating expenses, used to reflect regular and irregular operating expenses according to expenditure estimates approved by competent authorities; Account 632: Cost of goods sold, used to reflect the cost value of products, goods, and services sold during the period and returned goods; Account 642: Expenses for management of production and business of services and Account 652: Expenses for which the cost object has not yet been determined, used to reflect undetermined general expenses used for administrative activities or production, business and service activities.

**Table 3.** Work in progress - Account 154, 03/2022

Vouchers		Content	Contra Account	Transaction amount	
Number	Date			Dedit	Credit
CTG113	25/03/2022	On-call, on-call support paying	1121	122.702	
CTG113	25/03/2022	Overtime paying	1121	7.362	
CTG113	25/03/2022	Support for newly recruited doctors in March paying	1121	5.960	
	...				
XKT03	31/03/2022	Medicine release in March 2020	15211	2.943.280,154	
XKYC1	31/03/2022	Medical instruments and professional equipment	153	15.304,950	
		Add up the numbers arising during the period		4.424.886,814	
		Accumulated from the beginning of the year		13.789.237,100	

(Source: Trieu Son district general hospital)

*d. Current status of inspection, control and assessment of budget implementation*

The content of regular inspection and control of revenue and expenditure estimates is as follows:

Checking the implementation of revenue estimates: Checking the implementation of revenue estimates from the state budget, checking the implementation of hospital fee and health insurance revenue estimates:

Check the implementation of expenditure estimates: Currently, the implementation of expenditure estimates is mainly divided into 4 groups, which are: personal payment expenditure group, professional expenditure group, administrative management expenditure and expenditure group. other. Based on the approved estimate, the hospital conducts an inspection of the expenditure implementation of these 4 expenditure groups.

**Table 6.** *Table of results of checking the implementation of revenue estimates for the year 2022 - 2023*

*Unit: million VND*

Content	2022				2023			
	Amount		Difference		Amount		Difference	
	Estimates	Actuals	Absolute	Relative	Estimates	Actuals	Absolute	Relative
Total revenue	254,979	245,764	-9,215	-3,6	298,453	313,033	25,580	8,57
Revenue from state budget	25,000	19,234	-5,766	-23,06	15,000	4,961	-10,039	-6,69
Hospital fees	170,962	173,570	2,608	14,5	173,357	197,,352	23,995	13,8
Revenue from services	40,928	41,729	801	1,91	72,012	72,516	504	0,7
Revenue from other activities	18,089	11,231	-6,858	-37,9	38,084	38,105	21	0,055

*(Source: Operation plan report of Ha Trung General Hospital)*

After conducting the inspection, the different items need to explain the objective and subjective causes leading to the changes, evaluate the impact of the changes, and then develop solutions for the next period.

*e. Current status provides relevant information for decision making*

Based on annual revenue and expenditure estimates as well as financial performance projections, cost analysis in management accounting assists the Board of Directors in making the following short-term decisions: deciding on procurement and construction estimates for minor repairs; determining estimated norms for additional income; and preparing estimates for public services.

Under the condition of autonomy in regular expenditures, and based on the funds allocated for the development of public service activities and the cost information provided by management accounting, the hospital develops plans and makes decisions

regarding the purchase and repair of facilities, medical materials, equipment, and specialized machinery to meet the growing needs of patients in medical examination and treatment. Additionally, annual cost information on training helps hospital administrators make decisions in training and development staff qualification.

**3.2. Solution to perfect CMA at hospitals in Thanh Hoa province under conditions of autonomy**

*3.2.1. Complete cost classification*

For hospitals in Thanh Hoa province in the process of autonomy, completing the cost classification according to the relationship with the level of activity is necessary. By classifying costs into variable costs, fixed costs and mixed costs, it will help hospitals apply appropriate cost accounting models. Specifically:

*Table 7. Classifying costs according to the relationship between costs and activity level at district hospitals*

Items	Variable costs	Fixed costs	Mixed costs
1. Personal payment			
- Salary			x
- Salary allowance	x		
- Contributions	x		
2. Administrative management expenses			
2.1. Payment for public services			x
2.2. Stationery supplies	x		
- Stationery		x	
- Office equipment		x	
2.3. Propaganda information	x		
Phone and internet charges		x	
2.4. Per diem expenses			
3. Professional expenses		x	
Specialized technical equipment is not asset	x		
4. Other expenses	x		
Expenses to celebrate major holidays	x		

*(Source: Author's analysis)*

*3.2.2. Complete cost recording and determine service fees at the Hospital*

To record expense sources using Account 154, hospitals should apply detailed accounts at levels 2, 3, 4, etc. (can be detailed by cost item or detailed by each expense source). Specifically:

**Table 8.** Proposal for a detailed account system for recording costs

Account			Content
Level 1	Level 2	Level 3	
154			Reflects expenses for performing regular tasks
	1541		Salaries, wages and other expenses for employees
		1541.1	Salary costs and deductions, harmful expenses, job incentives
		1541.2	Service charges upon request
		1541.3	Allowance and fixed payments for employees
	1542	1542.1	Expenses for drugs, chemicals, supplies, tools, and professional prints used for operations during the year
		1542.2	Repair expenses
		1542.3	Expenses for electricity, water, gasoline
	1548		Expenses for other activities
		1548.1	Expenses for receiving guests
		1548.2	Expenses for a business trip
		1548.3	Expenditure on press propaganda and communication

(Source: Author's analysis)

### 3.2.3. Complete inspection and control of information

In current reality, although hospitals in the province have established regulations on norms and revenue and expenditure estimates, there are still expenses that are higher or lower than prescribed. Therefore, the work of checking and controlling cost information needs to be strengthened to help hospitals have more accurate estimates. The authors propose an information table to control payment expenses for individuals and professional expenses at the hospital as follows:

**Table 9.** Control of payment expenses for individuals

Unit: 1.000 VND

Payment expenses for individuals	Estimates	Actuals	Difference
Salary			
Salary allowance			
Collective welfare			
Donations			
Total payment for individuals			

(Source: Author's analysis)



Through analyzing individual payment information, hospitals can see the difference between budgeted spending and actual spending. Thereby helping administrators find the cause of sudden differences, causing waste and come up with measures to control the above costs, ensuring effective operations.

#### 3.2.4. *Completing provision of accounting information for decision making*

At district hospitals in Thanh Hoa province, the work of building norms and making estimates has been carried out very seriously, in accordance with State regulations. However, due to the characteristics of hospitals that both use the State Budget and service provider revenue, so their expenses cannot be separated, especially expenses for investing facilities, machinery and equipment, which is originated from the state budget, so the break-even point should be determined according to the revenue source initially (break-even revenue or break-even revenue level). It provides useful information for checking the safety margins in operations, determining the appropriate budget allocation for activities, establishing the minimum balance required to maintain income and expenses, and developing strategies and plans for operations that both enhance efficiency and aim for financial autonomy in accordance with regulations.

## 4. Conclusion

Research results show that if CMA is applied properly, it will help hospitals improve efficiency in controlling costs, saving costs, increasing financial management efficiency, and thereby build an operational roadmap towards financial autonomy according to government regulations. Reaffirming once again that the improvement of CMA at district hospitals in Thanh Hoa province is urgent, especially in the current conditions of aiming for financial autonomy.

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