

Results-Oriented Budgeting - A Tool for Managing Public Health-Medical Institutions

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Abstract: *Currently, for PHMI (Public health-medical institutions), the most important part of budgetary reforms is the change of the budgetary process, whose main purpose is to create conditions and premises for streamlining the management process of PHMI, in accordance with the priorities of the state policy. The main thrust of the reform is to change the emphasis of the budgetary process on the "management of budgetary resources (costs)" in "results management" by increasing the accountability and independence of the budgetary process. Result-oriented budgeting is a system of organizing the budget process and management where spending planning is directly related to the results obtained. In the concept of result-oriented budgeting, the nature of responsibility changes. Managers are primarily responsible for achieving the planned results linked to an increase in independence in spending financial resources.*

Through the given article, the authors proposed to reflect the importance of results-oriented budgeting as a decisive tool in the activity of PHMI, as well as the elements that distinguish the budgeting and other budgetary concepts, as well as the comparative characteristics of the article budgeting model expenditure and the one based on results.

Keywords: *budgetary reforms, PHMI, costs, management*

Introduction

The public healthcare system is extremely important, stemming from its indispensable nature, from the large investments to be made, from the fact that it serves a large number of clients and the consequences it has on the quality of life in general. Taking into account their social importance and the consequences of their intervention, health services, medical services or sanitation are public products [1]. Any budget that is running public funds needs to be presented as a financial plan, which provides revenue and expenditure values over a determined period of time (year, quarter, month), in order to achieve precise objectives and tasks set at the level of the entities at which refers to that budget (state, administrative-territorial units, public institutions, etc.). In this context, it also constitutes an important operational plan from the financial point of view and, as a matter of fact, it expresses, as a last resort, social relations of an economic nature that are established between the participants in the execution of that financial plan [2]. Budgeting is a privileged instrument of management control, the planning function, based on the elaboration of the subsequent actions of the entities based on the analysis of the results of the activity carried out in the previous period [3, 99]. In order to carry out its activity, in accordance with the Public Health-Medical Institution, it plans its individual economic and financial activity on a budget basis. Currently, the PHMI budget is mainly formed by indexing existing spending, with a breakdown of budget expenditure items. If strict budgetary constraints are met, this approach ensures budget balancing and budget planning. At the same time, the expected outturn of budget expenditure is not warranted, and the management of the budget is mainly reduced to checking the compliance of the actual and planned indicators.

In our opinion, the organization of the budgeting process at PHMI has to be focused on the concept of "Results Management". According to this concept, the PHMI budget should be based on the planned state policy objectives and outcomes, in which budget allocations have a clear connection with the entity's functions (services, activities), focusing on justifying the final results of the budgetary programs. Budgeting is one of the management accounting tools that implement the strategic and operational objectives of the institution.

The essence of the new approaches to the budgetary process lies in the fact that the results of budget execution must not be measured by the degree of assimilation of budgetary allocations, but by the achievement of socially specific results from the budgetary policy. This means the gradual refusal of budgeting on the basis of foreign currency expenditure and the shift to the allocation of budget funds for the provision of public services in accordance with the strategic directions and objectives of the state. Under the new conditions, PHMI faces the task of justifying budget funding not in terms of costs, as it has done so far, but based on the results of their activities. The budget program should clearly demonstrate the "strategy - cost - outcome (budget services)" link.

Results and Discussions

In the future, all this will lead to a reorientation of the PHMI activities from the formal execution of their functions and the use of budget funds to provide quality services to citizens. **Results-based budgeting (RBD)** is a system of budgeting and management organization where spending planning is directly linked to the results. In each country, RBD has its own characteristics; there are no unified methods, procedures and tools. Despite this, it is possible to distinguish a number of elements that distinguish RBD from other budgeting concepts (Table no. 1)

Table no. 1. Elements that distinguish Budget-oriented results from other budgeting concepts

| Budget at PHMI level (microeconomic) | Macroeconomic budgeting |
|---|--|
| Budget Types | |
| <ul style="list-style-type: none"> a) Functional budget (sales budget, sales revenue budget, purchase budget, purchase budget, production budget, production direct budget, personal spending budget). b) Operational budget (Financial Responsibility Center (CRF)) c) Value (Monetary) Budgets (Income and Expenditure Budget (BVC), Money Flows Budget (BFMB), Balance Sheet Budget) d) Natural-value budgets: <ul style="list-style-type: none"> • Running (cyclical) budgets (Sales, Production, Production Expenses, Purchases) • Stocks budgets • Natural budgets | <ul style="list-style-type: none"> By form: <ul style="list-style-type: none"> 1. Income budget (oriented to fiscal-budget control) <ul style="list-style-type: none"> a) Flat rate budget b) Functional budget 2. Results budget (management oriented) <ul style="list-style-type: none"> a) Program Budget b) Performance based Budget By the moment of transaction recognition: <ul style="list-style-type: none"> a) Cash Budget b) Accrual Budget By the type of revenue/expenditure: <ul style="list-style-type: none"> a) Mixt budget b) Current Budget c) Capital budget |

The Draft Income and Expenditure Budget is based on the principle of budgetary specialization, according to which the revenues and expenditures are registered by sources of origin and by categories of expenditures, grouped according to their economic nature and their destination, according to the budget classification.

At the same time, budgets are being drafted, executed and reported on the basis of a single budgetary classification system [4]. In practice, the necessity and opportunity of introducing RBD is usually explained by the presence of the following issues:

- ↪ traditional methods of increasing the efficiency of budget expenditures (open auctions, increasing financial discipline) are almost exhausted and can not solve the problems of an unbalanced budget or the quality of medical services;
- ↪ the budget crisis, which requires radical cost-cutting measures, while maintaining previous positions on the level of provision of medical services;
- ↪ the budget is not a management tool, as budget expenditures are not correlated with the goals of the PHMI.

The format of the draft budget of the PHMI within the RBD differs significantly from the budget format, which was drafted according to the expenditure item method. Its first part contains the priorities, goals and objectives, the description of the expected results, the justification of the outcome indicators to be made on the types of healthcare. In the second part of the budget, the cost structure is, in fact, presented in a much aggregated form.

PHMI benefits from greater freedom in using funds in implemented programs to increase their efficiency, by maximizing cost-related results or minimizing cost-related costs. Under the RBM, PHMI have the right to redistribute resources between programs and also use savings in the next budget year. All of this extends the possibilities for efficient use of budget resources. The main differences between traditional budgeting based on article-by-article method and RBD are shown in table no. 2.

Table no. 2. Comparative features between expenditure budgeting model and result-based budgeting model

| Indicators | Expenditure budgeting model | Result-based budgeting model |
|--|--|--|
| Resource allocation | On items of expenditure according to the budget classification, by function, economic nature | On programs or strategic purposes, to achieve a certain level of performance |
| Budget planning principles | The main purpose is resource argumentation, and the expected results of the activities are not warranted. The spending limit is usually set by indexing the amount of expenditure in the previous period | The basic purpose is to justify the priorities and the expected results. Budget expenditures are correlated with the resulting indicators, volume of resources and activities needed to achieve results. |
| Budgeting period | Usually 1 year | Usually 3 year |
| Possibility to use funding limits | The funding received is broken down into budget lines, each with a clearly defined objective. Redistribution of funds between articles and sections is not allowed or extremely difficult. Balances of budget funding are closed at the end of the year. | The limits of long-term funding are set. Redistribution of funds between items (items) of expenditure is allowed. It is possible to transfer unused funds for the following year and use part of the next year's funding in the current year. |
| Budget execution control | The external control of the higher hierarchical bodies prevails. The main focus is on controlling the execution of budget expenditure items. | Medical institutions have a greater responsibility for making decisions. Activity is monitored and external financial audit performed. It mainly checks the achievement of the objectives and tasks set, and then the articles on budget expenditures |
| Organizational structure | The organizational structure of anPHMI, as a rule, is formed according to a functional principle. Division into departments and subdivisions is generally based on the functions they perform only on the results and outputs of their activities. | The organizational structure of the PHMI must be more oriented towards the results of the activity. Subdivisions within the institution must be responsible for the specific results of their work, namely for goods and services provided. Ancillary costs (management, accounting, legal assistance, etc.) are usually distributed among subdivisions. |

| Indicators | Expenditure budgeting model | Result-based budgeting model |
|--|---|---|
| Responsibility of staff for the efficiency of using the budgetary resources | Low level of responsibility delegation. Employees at different levels have little means of improving the efficiency of budget spending. | High level of decentralization and delegation of powers. Subdivisions and employees determine how to achieve the priorities and objectives proposed within their professional competence. There is increasing responsibility for achieving performance and end results (social). One way to increase the responsibility of the Heads of Institutions for the efficiency of using the funds received is to conclude contracts with them. |

The introduction of RBD into the financial management practice is usually accompanied by a transition to long-term planning. The reasons for moving to multi-annual planning are:

- ↳ in order to achieve some of the planned results, it is necessary to finance not only the budget of the current year but also the budgets of future periods;
- ↳ the effect of some programs can not take place in one year, so that the performance of the current year can not be the basis for assessing the effectiveness of the program's implementation;
- ↳ the use of monitoring results in the budget planning process has its limits because the results obtained in the past can not be extrapolated automatically the following year, as there is always the possibility that the institution's activities in the future may be influenced by external factors;
- ↳ it is difficult to estimate the amount of expenditure needed to improve performance indicators over a short period of time, especially to achieve the end result. With the accumulation of experience in assessing the results, the forecast is becoming more and more accurate.

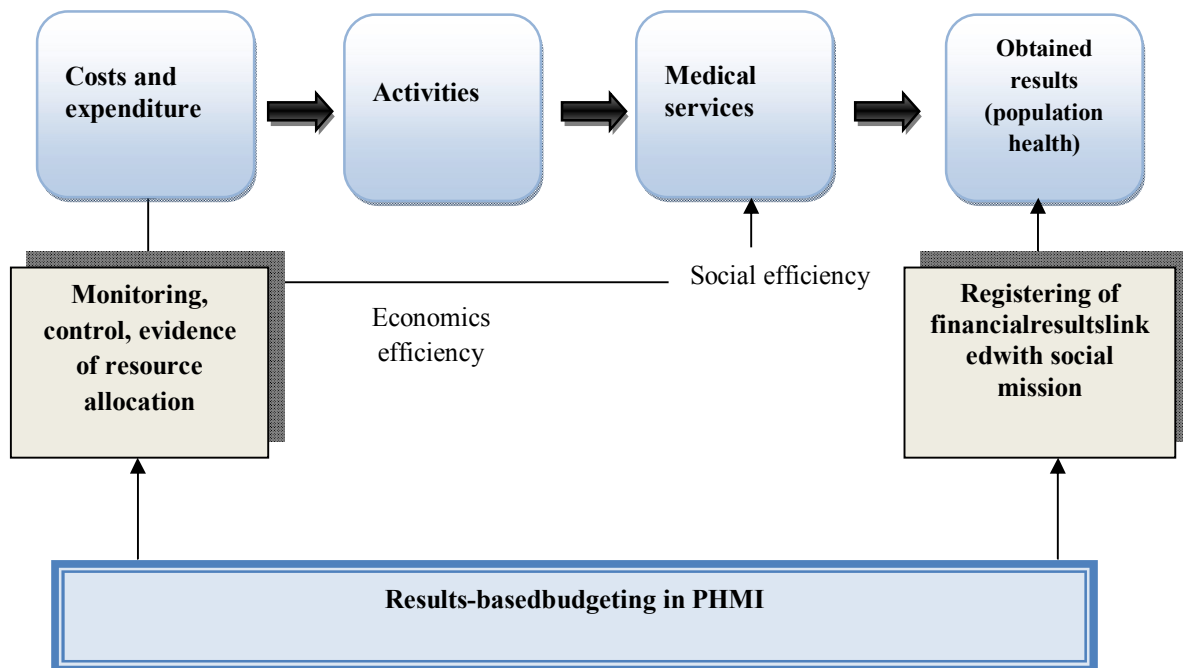
In order to form a budget based on the RBD, the expenditures of all PSMs must be broken down by the types of activities aimed at solving the state programs they are facing. For each type of activity, a program shall be developed which shall contain a description of the objectives, tasks, resources required to achieve them, as well as the performance indicators and the procedures for measuring these indicators. Budget expenditure budgets for output-based budgeting are tailored to the objectives of the program.

The program budget is based on the program budget classification, which determines the structure of the programs and includes the following hierarchical levels: program (P1), subprograms (P2), activities (P3). Manole T. considers that "a program and performance budget is a financial plan that ensures the establishment of the public administration mission, goals and objectives, as well as the periodic evaluation of their performance as part of the budgetary process, linking the inputs needed to implementation of the strategic development plan for public administration and anticipated results "[5].

Three categories of indicators are used in the formulation of the programs / sub-programs:

- ✚ *product indicator* - indicates the amount or volume of medical services provided within the program / subprogram to achieve the objectives. Product metrics are typically used to assess funding needs and to determine the resources needed for a program / subprogram.
- ✚ *efficiency indicators* - characterizes the effectiveness of the program / subprogram and expresses the relationship between the medical services provided and the resources used to produce or deliver them. As a rule, efficiency indicators express the average amount of resources consumed (time, cost) to obtain a unit of product or result.
- ✚ *results indicators* reflects the degree of achievement of the purpose and objectives of the program / subprogram and characterizes the quality of its implementation, which assesses the impact and highlights the economic and social changes achieved through the program / subprogram. Some evaluation criteria or degree of compliance with different national or international quality standards or the results of certain studies, surveys, etc. may be used to determine the outcome indicators.

The concept of program budgeting, correlated with the PHMI's economic and social efficiency mission, is presented in Figure no. 1.



Conclusion

RBD consists in the allocation of budgetary resources between beneficiaries and (or) budget programs in order to obtain specific results (services) in accordance with state policies. Introducing result-based budgeting principles involves a change in the system of accounting for financial management, planning, management and reporting, and results monitoring systems. One outcome-based Budgeting mode is Program Budgeting, which is a way of presenting and substantiating budgets, based on programs with goals and performance indicators at all stages of the budget process. Program budgeting is also an effective budget management tool that ensures prioritization and decision-making on the allocation of budgetary resources.

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