

# *The existing problems of serious disease insurance for urban and rural residents in the field of elderly*

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**Abstract:** The serious disease insurance system for urban and rural residents is a unique medical security initiative in China, reflecting the basic strategy of socialism with Chinese characteristics in the new era. However, with the aging population and the changing disease spectrum among the elderly, several unresolved issues persist within this insurance system. This paper analyzes these problems, identifies their root causes, and proposes targeted countermeasures to enhance the effectiveness of serious disease insurance in addressing elderly health concerns.

## **1. Introduction**

As a pioneering government initiative aimed at improving people's livelihoods, the Serious Disease Insurance System for urban and rural residents was established in 2012. It covers a wide range of the population and provides an essential health and safety net for the general public. The system exhibits the following key characteristics: First, expansion of coverage: With the continued advancement of the policy, the coverage of serious disease insurance for both urban and rural residents has steadily increased. The current coverage rate has stabilized at 95%; Second, guarantee capacity: The policy seeks to reduce the financial burden on patients by offering higher reimbursement rates for medical expenses associated with major diseases. In most regions, the reimbursement rate now averages around 60%; Third, ongoing improvements: In response to existing challenges, the government has worked to simplify the reimbursement process, enhance transparency, increase reimbursement quotas, and expand the scope of coverage; Fourth, regional disparities: The implementation of serious disease insurance shows regional variation. In more developed urban areas, the reimbursement process is smoother, and the reimbursement rates are higher, while poorer rural areas still face challenges such as inadequate funding and limited medical resources.

Overall, the Serious Disease Insurance System for urban and rural residents has provided tangible health security to China's population over more than a decade of development. However, with changes in social structure and rising public expectations for improved quality of life, the system now faces several challenges. These include the sustainability of the funding pool, the scope of diseases covered, the control of medical expenses, and the optimization of insurance management. The system needs to be continuously evaluated and adjusted to better meet the evolving needs of society.[1]

Currently, China has entered a stage of serious population aging, characterized by a large elderly population, a rapid aging rate, an increasing proportion of the elderly in the total population, and growing concerns about the health of the aging population. According to the data from the seventh national census released by the National Bureau of Statistics in 2020, the number of people aged 60 and above in China reached 264 million, accounting for 18.7% of the total population. This marks an increase of 5.4 percentage points compared to the sixth census in 2010. Although China has a large elderly population, the health status of this group has been steadily improving. As shown in Figure 1, the life expectancy of China's population has been rising from 2013 to 2022, reaching a record high of 77.93 years by 2022. This indicates that the healthcare standards for the elderly in China are continuously improving, and the average life expectancy has been extended.

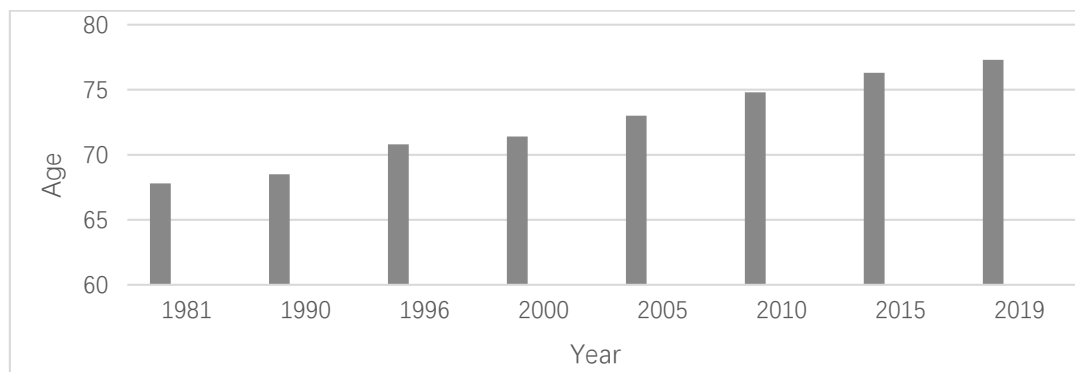


Figure 1: The changing trend of average life expectancy in China.

Under the background of aging in China, the physical health of the elderly has also become the focus of social attention. The chronic and chronic diseases and major diseases in the elderly population have become the key points for the improvement of peoples livelihood. Therefore, the health security of the elderly population has become one of the important issues in the reform of China social security system." The 14th five-Year Plan for Healthy Aging" (From The National Health Commission [2022] No. 4) points out that at present, the health level of the elderly in China is still facing challenges, and the decline of cognitive function, motor ability, sensory function, as well as nutrition and psychological problem is particularly severe. According to statistics, more than 78 percent of the elderly suffer from at least one chronic disease, and the number of elderly people unable to take care of themselves is expected to continue to rise. In the face of the growing demand for health services for the elderly group, the relevant institutions, professionals, service systems and policy support for healthy aging are still in short supply follow Figure 2. It can be observed that chronic respiratory diseases, diabetes, other chronic diseases, cardiovascular diseases and tumors including a large number of chronic diseases account for more than 85% of the total mortality rate of Chinese residents in China, while acute diseases such as injuries and infectious diseases occupy the minority of the mortality rate of Chinese residents. It can be seen that in the face of the expanding health needs of the elderly and the transformation of disease spectrum to chronic diseases, how to reasonably adjust the system design of serious disease insurance for urban and rural residents to improve the health level of the elderly has become an important issue.[2]

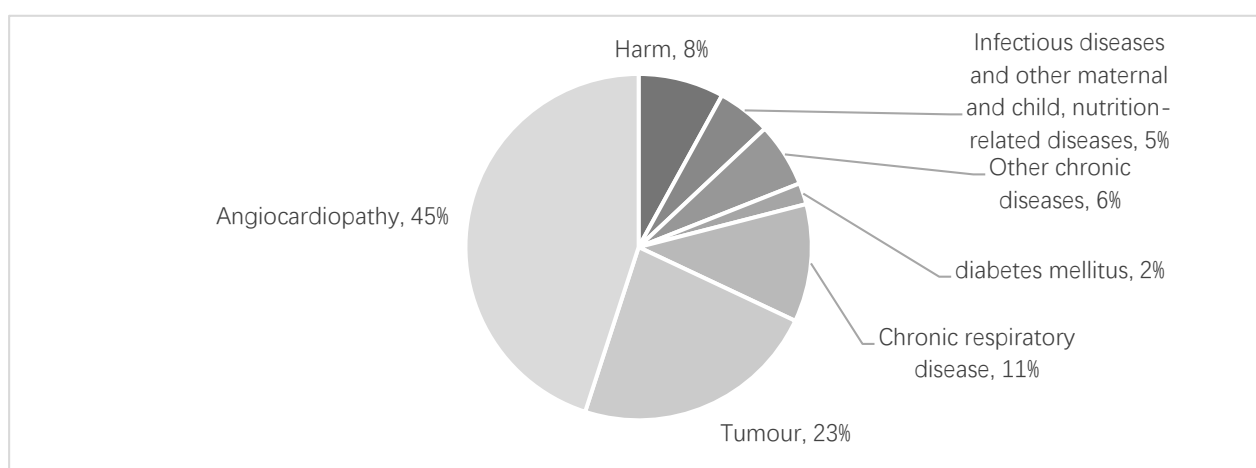


Figure 2: Distribution of death factors in China (2019).

## 2. The mechanism of serious disease insurance for urban and rural residents on the health of the elderly

Currently, many academic studies explore the relationship between medical insurance and individual health, while fewer studies focus on the link between the Serious Disease Insurance for urban and rural residents and the health outcomes of the elderly. Based on an analysis of the reimbursement process of the Serious Disease Insurance for urban and rural residents and relevant policies implemented by governments at various levels, the role of this insurance in improving elderly health can be summarized as follows.

As a supplement to basic medical insurance, the Serious Disease Insurance for urban and rural residents plays a crucial role. It primarily covers the high medical expenses incurred by elderly individuals after they receive reimbursement through basic medical insurance, effectively providing secondary reimbursement. This system can significantly reduce the financial burden of medical expenses when elderly individuals suffer from serious illnesses. For elderly populations with lower overall income, this insurance increases their willingness to seek care at specialized hospitals, where they can access higher levels of medical resources.

To some extent, it alleviates the economic pressure of medical treatment, thereby enhancing the accessibility of healthcare services for the elderly. Ultimately, this ensures better health outcomes and contributes to an extended lifespan. Therefore, the health mechanism of the Serious Disease Insurance for urban and rural residents in China can be briefly summarized as follows: the elderly participate in this insurance program, which provides reimbursement for medical expenses incurred due to serious illness. This, in turn, increases the elderly's willingness to seek medical care, alters their health behaviors, and ultimately improves their health outcomes.[3]

## 3. Serious disease insurance for urban and rural residents exists problems in the health field of the elderly

### 3.1. The elderly groups have little incentive to voluntarily participate in the serious disease insurance for urban and rural residents

According to the National Healthcare Security Administration's Statistical Development of Medical Security in 2023, 962.932 million people participated in serious disease insurance in 2023, a decrease of 20.56 million from the previous year's figure of 983.49 million, representing a 2.1%

decline. Additionally, the number of insured individuals in 2022 also decreased by approximately 2.5% compared to 2021.

In the context of a steadily increasing elderly population, the number of urban and rural residents contributing to serious disease insurance has been declining year by year, which includes a significant portion of elderly individuals. This group, in particular, represents the population most in need of access to the serious disease insurance for urban and rural residents.

### **3.2. The awareness of serious disease insurance for urban and rural residents is insufficient among the elderly group**

In a study conducted in two cities of Jiangsu Province, it was found that 67% of urban and rural residents had a limited understanding of the serious illness insurance policy, with responses falling into categories such as "very little understanding," "unaware," or "general understanding." This suggests that the majority of residents are not well informed about the details of the serious illness insurance policy. Furthermore, this lack of understanding is particularly prevalent among elderly individuals, many of whom have relatively low education levels and limited cognitive abilities.

Therefore, improving the public's awareness and understanding of the serious disease insurance policy for urban and rural residents is a key issue for the future development of this system, particularly for the elderly population. This is a challenge that warrants further discussion and attention.

### **3.3. The coverage of common serious diseases for urban and rural residents for the elderly needs to be expanded**

At present, the serious disease insurance for urban and rural residents covers 20 diseases, including childhood leukemia, congenital heart disease, and end-stage kidney disease. However, it does not provide coverage for other serious diseases such as pneumonia, cerebral hemorrhage, and lung cancer, which have high mortality rates among the elderly.

In addition, data from 2021 show that China has approximately 190 million people suffering from chronic diseases, including cardiovascular diseases, diabetes, and chronic respiratory diseases, which are common among the elderly. About 75% of people over the age of 60 have at least one chronic disease, and more than two-fifths of the elderly population suffer from two or more chronic conditions simultaneously.

These facts highlight several issues with the current serious disease insurance system for urban and rural residents in China. For example, there is insufficient protection for common diseases affecting the elderly, and the coverage of diagnostic and treatment technologies, as well as medications for common serious and chronic diseases, is incomplete. This not only limits the complementary role that serious disease insurance is supposed to play alongside basic medical insurance but also undermines its broader objective of safeguarding public health within China's medical insurance system.

### **3.4. Serious disease insurance for urban and rural residents promotes the health benefits of the elderly**

According to the 2022 Medical Security Development Statistics Express released by the National Healthcare Security Administration, the income of the basic medical insurance fund for urban and rural residents reached 1,006.055 billion yuan in 2022, marking a 3.5% increase over 2021. Expenditures amounted to 927.342 billion yuan, representing a 0.2% year-on-year increase. The

cumulative balance at the end of the year was 753.69 billion yuan, with the transfer of the serious disease insurance fund for urban and rural residents also on the rise.

According to the 2022 Report of the State Council on the Progress of Strengthening and Promoting Elderly Work, over 190 million elderly people in China suffer from chronic diseases such as diabetes, hypertension, and coronary heart disease, and about 40 million are disabled or partially disabled. The demand for health security among elderly individuals with chronic diseases and disabilities is increasing day by day. As an important component of the elderly health security system, the serious illness insurance for urban and rural residents plays a crucial role.

How to efficiently allocate the continuously expanding serious illness insurance fund for urban and rural residents and convert it into greater health benefits for the elderly has become a significant concern for the country and government. Effective disease prevention could translate into larger health benefits at lower costs. However, the phenomenon of "delaying treatment for minor illnesses, carrying serious illnesses, and waiting too long for treatment" still persists among the elderly. From poor lifestyle habits to neglecting minor ailments, many elderly individuals ultimately face huge medical expenses and difficult treatments for serious illnesses. This is a typical trajectory for most elderly patients with severe health conditions.

Given these challenges, the urgent question for policymakers is how to effectively utilize the limited serious disease insurance fund to prevent and control such diseases, thereby improving health outcomes for urban and rural residents, particularly the elderly.

#### **4. Analysis of the causes of serious disease insurance for urban and rural residents in the health field of the elderly**

##### **4.1. The premiums of serious disease insurance for urban and rural residents increased too fast**

According to statistics from the Ministry of Human Resources and Social Security and the National Bureau of Statistics over the years, between 2019 and 2022, the year-on-year growth of disposable income for urban and rural residents was 2.1%, 8.1%, and 2.9%, respectively. In contrast, the contribution ratio of basic medical insurance for urban and rural residents (including serious disease insurance) increased by approximately 12%, 14%, and 9.4%, respectively.

This data indicates that the growth rate of serious disease insurance for urban and rural residents significantly outpaces the growth rate of per capita disposable income for both urban and rural residents. As a result, the financing burden on the elderly population will increase year by year, which may negatively impact their willingness to participate in the insurance program. This, in turn, poses a challenge to fully ensuring the health security of the elderly.

##### **4.2. The publicity of the serious disease insurance system for urban and rural residents is not in place**

It has been more than ten years since the establishment of the serious illness insurance system for urban and rural residents. Compared to its initial design, the system has been improved and is increasingly aligned with the needs of those pursuing a better quality of life. For example, the "one-stop" settlement process allows elderly individuals to benefit from more convenient procedures, while the reduced payment standards enable more insured residents to access medical security. However, transforming these system designs into common understanding among the elderly remains a challenging issue.

The reasons for this can be identified as follows: First, in the context of China's rapidly aging population, elderly individuals face challenges such as reduced mobility and cognitive awareness. At the same time, the disease spectrum is shifting towards chronic illnesses, leading to an increasing

demand for reimbursement under the serious illness insurance for urban and rural residents. Second, since the vast majority of the serious disease insurance fund is used for medical reimbursement, little investment has been made in the promotion of institutional policies. This has resulted in a lack of household and community outreach to the elderly population. Third, the complex procedures and unclear provisions of the serious disease insurance program pose further difficulties. The elderly often lack proper explanation and guidance regarding the diagnosis and treatment reimbursement process, leading to low policy awareness within this demographic.

It is clear that the issue of policy awareness regarding serious disease insurance among the elderly is a multifaceted challenge. It requires a coordinated effort from various stakeholders to effectively address the problem.

#### **4.3. The serious disease insurance fund for urban and rural residents is insufficient**

The level of health security provided by the serious illness insurance for urban and rural residents to the elderly is directly related to the availability of funds within the program. In a document issued by the General Office of the State Council in 2015, it was clearly stated that the primary sources of funding for the serious illness insurance for urban and rural residents in China are: "A certain proportion or quota allocated from the basic medical insurance fund for urban residents and the new rural cooperative medical insurance fund." Additionally, the document outlined two specific scenarios: "In areas with a surplus of medical insurance funds for urban residents and the new rural cooperative medical fund, the balance should be used to raise funds for urban and rural residents; in areas with insufficient or no balance, the funding source should be coordinated from the basic medical insurance for urban residents and the new rural cooperative medical care system."

Currently, most regions in China follow the financing channels and fund source policies for urban and rural residents that align with the document of the General Office of the State Council, with funds allocated from the basic medical insurance fund for residents. However, if the financing for serious illness insurance is solely based on this policy, there will be insufficient funds, which will prevent the program from fully fulfilling its role in promoting the health of the elderly. This issue is especially pertinent in today's increasingly aging population, where the demand for health services is growing. Due to inadequate funding, the low reimbursement rate and ceiling limits of the serious illness insurance for urban and rural residents will hinder improvements in the health of the elderly.

#### **4.4. The prevention ability of serious disease insurance for urban and rural residents is relatively weak**

Prevention is a key characteristic of social insurance, aimed at preventing and reducing diseases. However, as part of the social insurance system, serious illness insurance remains relatively weak in this regard. Prevention is a low-cost, high-return investment, but the serious illness insurance fund for urban and rural residents is primarily allocated to medical expenses, with little focus on the prevention aspect. As a result, the preventive role of the system is not fully realized, particularly in the context of chronic diseases in modern society. Many early treatment costs are not covered by the serious illness insurance, leading many elderly individuals to opt for conservative treatment or forego treatment altogether, resulting in the escalation of "minor illnesses into serious conditions."

Thus, to enhance the health benefits for the elderly under the serious illness insurance system for urban and rural residents, it is essential to not only focus on providing coverage for the diagnosis and treatment of serious diseases but also to emphasize the prevention and early intervention of various conditions that may lead to serious illness.



## **5. Serious disease insurance for urban and rural residents in the field of health of the elderly**

### **5.1. We will expand financing channels for serious disease insurance for both urban and rural residents**

Establishing diversified financing channels for the serious disease insurance for urban and rural residents is essential to improving the level of health protection it provides. This can be achieved through the following approaches: First, explore investment channels involving the government, society, and individuals to broaden the sources of capital. The government should increase subsidies for serious disease insurance for urban and rural residents and establish a financing model primarily based on financial subsidies. In addition, social channels, such as welfare lotteries and social donations, can be developed and streamlined to provide additional funding; Second, individual payment standards should be appropriately adjusted. Each province and urban area should be given a certain level of autonomy in determining regional medical insurance standards, allowing them to set suitable local payment standards based on their respective economic development conditions; Third, a reasonable investment and application plan for the serious disease insurance funds should be formulated. This plan should aim to achieve risk diversification, strengthen fund management, and reduce the operational and management risks associated with serious disease insurance funds. The goal is to ensure the preservation and appreciation of these funds, thereby enhancing the sustainability of the serious disease insurance system for urban and rural residents.[4]

### **5.2. We will strengthen publicity on serious disease insurance policies for both urban and rural residents**

The elderly often experiences challenges such as mobility issues, cognitive decline, and other special circumstances. To address these challenges, relevant publicity units should adopt a comprehensive approach, making use of online short video campaigns, community policy explanations, and visits by professional social security personnel to clarify the latest preferential policies for serious illness insurance for urban and rural residents. These efforts should focus on patiently explaining the benefits of serious illness insurance for urban and rural residents and its positive impact on the health of the elderly, ensuring that more elderly individuals can fully understand the scope and advantages of the social security system. By improving awareness, a greater number of elderly people will be encouraged to participate in the serious illness insurance program for urban and rural residents, thereby strengthening their health security and improving their overall health outcomes.

### **5.3. We will expand the coverage of serious disease insurance for both urban and rural residents**

The medical security department should develop a serious illness insurance coverage for urban and rural residents that effectively supplements the compensation gap left by basic medical insurance. This should be based on in-depth research into the treatment costs of serious diseases, taking into account the actual health conditions of the elderly in different regions, as well as the diagnosis and treatment conditions in outpatient clinics. Diseases that are common among the elderly, pose significant health risks, and have controllable treatment costs should be scientifically and reasonably included in the scope of coverage under the serious illness insurance for urban and rural residents. Additionally, the centralized procurement of drugs for common serious diseases affecting the elderly should be organized to curb artificially inflated prices of common medications and medical consumables. This will help ensure that the serious illness insurance system for urban and rural

residents better meets the needs of healthy aging in China and effectively protects the physical and mental health of the elderly.

#### **5.4. We will increase the conversion rate of health benefits from serious disease insurance for both urban and rural residents**

First, the key aspects of serious disease prevention for the elderly should be integrated into the principles of serious disease insurance for urban and rural residents. Specific funds should be allocated within the serious disease insurance framework to promote the prevention, diagnosis, and treatment of serious diseases among the elderly. This will enhance the overall health outcomes of the elderly population covered by the serious disease insurance system for urban and rural residents.[5]

Second, the diagnosis and treatment processes for common serious diseases affecting the elderly should be optimized, with particular attention given to supporting long-term healthcare for the elderly. Efforts should be made to advance diagnostic and treatment technologies in medical institutions, aiming to improve the disease cure rate among the elderly in a cost-effective and efficient manner. Medical security institutions should ensure a reasonable allocation of the serious disease insurance fund for urban and rural residents, prioritize long-term care support for the elderly, and strengthen the sustainability of health protection for this population.

## **6. Conclusions**

In conclusion, the serious disease insurance system for urban and rural residents in China has made significant strides in providing essential healthcare protection to a broad segment of the population. However, with the aging of society and the increasing prevalence of chronic diseases among the elderly, there are still numerous challenges that need to be addressed. These include improving awareness of the system, expanding the coverage to include more common and severe diseases, and ensuring that the funding and financing mechanisms are sustainable. As the elderly population continues to grow, the importance of refining the serious disease insurance system becomes even more critical. By enhancing the system's accessibility, expanding its coverage, and promoting preventive care, China can better safeguard the health of its elderly citizens and ensure that they enjoy a higher quality of life in their later years. Continued evaluation and targeted improvements will be essential for adapting the system to meet the evolving needs of an aging population, ensuring that the elderly are not only protected from financial burdens but also empowered to lead healthier, more independent lives.

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