Analysis of the Predicament and Path Breakthrough of the Sustainable Development of "Huimin Insurance": Based on the SWOT Framework

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Abstract

As a customized urban commercial medical insurance product, "Huimin Insurance" plays an important supplementary role in building a multi-level medical security system. Based on the SWOT analysis framework, this paper systematically reviews the current development, internal strengths and weaknesses, as well as external opportunities and threats of Huimin Insurance. The study finds that although Huimin Insurance enjoys advantages such as low entry thresholds, high cost-effectiveness, and convenient participation, it still faces prominent challenges, including insufficient actual protection, high adverse selection risks, and severe product homogeneity. With the dual opportunities of policy support and technological advancement, its sustainable development urgently requires joint efforts from both the government and insurance companies. Only through government–enterprise collaboration to optimize institutional design and operational models can Huimin Insurance truly achieve a balance between "inclusiveness" and "sustainability," thereby becoming an effective supplement to basic medical insurance.

Keywords: Huimin Insurance, Sustainable Development, SWOT Analysis

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1.Introduction

Illness is an unavoidable risk in life, while health represents the most universal demand of the people for well-being (Su Zerui, 2021). Although China has already established a nationwide basic medical insurance system, thereby making efforts to alleviate the public's concerns about the economic risks associated with disease, the rapid progress of social development and the intensification of population aging have heightened awareness of health risks. As a result, residents' insurance consciousness has been enhanced, their willingness to purchase insurance has significantly increased, and the demand for personal insurance has been growing. At present, the financial pressure on China's basic medical insurance system has been gradually rising, and compared with the ever-increasing demand for medical protection, the level of protection it provides remains somewhat inadequate. Consequently, promoting commercial health insurance as a supplement to basic medical insurance has become both a feasible and necessary direction of development.

In March 2020, the State Council issued the *Opinions of the CPC Central Committee and the State Council on Deepening the Reform of the Medical Security System*, which explicitly emphasized the need to promote the complementarity and coordination of various medical security systems, improve the protection level for catastrophic diseases and diversified healthcare needs, and, within the innovation of healthcare security governance, regulate and strengthen cooperation with commercial insurance institutions and social organizations. Against this policy backdrop, Huimin Insurance emerged and soon gained wide popularity nationwide.

Huimin Insurance, also referred to as city-customised commercial health insurance, is guided by local governments and relevant authorities while being operated by commercial insurance companies. Closely integrated with basic medical insurance, it serves as an important supplementary layer of the basic medical insurance system. Since Shenzhen's initial pilot of the Supplementary Health Insurance for Major Diseases in 2015—and especially after 2020—Huimin Insurance products have proliferated rapidly across the country. By closely aligning with basic medical insurance, Huimin Insurance practices the principles of the *Healthy China* strategy, namely, "placing people's health at the center of development priorities" and "shifting from a treatment-centered approach to a

people-centered approach to health," ensuring that residents can afford medical care and access quality healthcare services.

With its multiple advantages, Huimin Insurance has played a significant role in alleviating the financial burden of residents, enhancing livelihood security, and promoting social stability. However, during its rapid development, issues related to sustainability have gradually come to the forefront. Against this background, this paper applies the SWOT analytical framework to systematically analyze Huimin Insurance and propose corresponding policy recommendations.

2.Current Development of Huimin Insurance

Since its inception, Huimin Insurance has gained immense popularity nationwide. In recent years, it has gradually become an important business segment within the insurance industry. This paper will conduct a detailed analysis of the market status from three key dimensions: product quantity, product premiums, and participation rates. By examining the evolution of products, price trends, and enrollment patterns in recent years, it provides objective evidence for understanding the development stage and evaluating implementation outcomes, while also laying a factual foundation for exploring sustainable development pathways.

2.1 Product quantity

Huimin Insurance products emerged in 2020, with the market advancing rapidly. After the number of newly introduced products peaked in 2020, the growth rate gradually declined, and market expansion stabilized. According to the *2024 Knowledge Graph on City-Customised Commercial Health Insurance (Huimin Insurance)*, between January 1, 2024, and October 31, 2024, a total of 12 new products were introduced, with a market growth rate of 4.20%. By October 31, 2024, provinces, autonomous regions, and municipalities across the country had launched 298 local Huimin Insurance products, covering various categories such as traditional Huimin Insurance, internet-based outpatient products, targeted-group products, and comprehensive liability products.

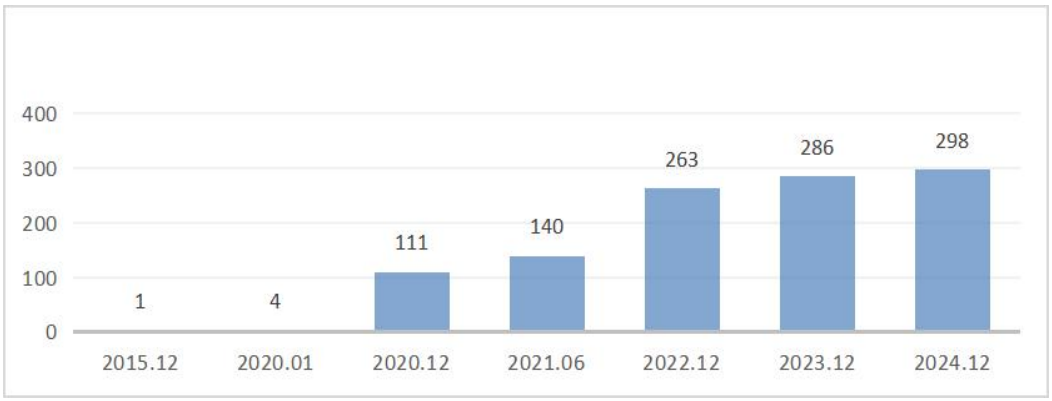

Figure 1 Number of Huimin Insurance Products

2.2 Product premiums

Compared with traditional commercial health insurance products, Huimin Insurance maintains a significant advantage in premium affordability. In product rate design, a uniform premium rate across all age groups remains the mainstream model, though an increasing number of products are adopting tiered pricing strategies (Jin et al., 2022), leading to greater volatility in premium ranges across different plans. Industry data indicates that since the launch of Huimin Insurance in 2020, premium caps have risen significantly, reflecting both product design improvements and cost adjustments. Although average premiums show a sustained upward trend, they remain broadly stable within the affordable range of approximately 100 RMB, preserving the core characteristic of widespread accessibility. This pricing structure effectively balances risk management with the program's overarching social welfare objectives.

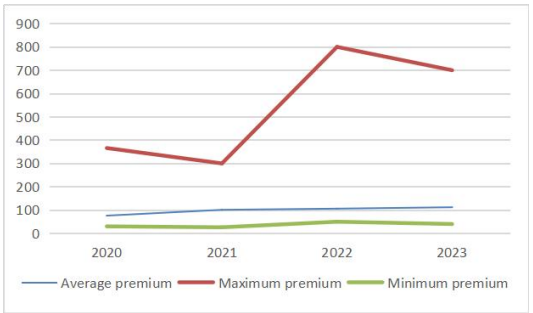

Figure 2 Changes in the Average Price of Huimin Insurance Products, 2020–2024

Source: KPMG Health Insurance Database; KPMG Analysis

2.3 Participation rates

Since its emergence in 2020, Huimin Insurance entered a period of accelerated development. However, after two to three underwriting cycles, various problems and risks have gradually surfaced, and participation has shifted from explosive growth to a stage of steady development. Participation rate is one of the key factors affecting sustainability, and its changes provide a more intuitive reflection of the obstacles to sustainable development.

According to industry data, in 2020 the cumulative number of Huimin Insurance participants nationwide exceeded 40 million. In 2021, the figure increased by nearly 150% year-on-year, reaching 101.17 million. In 2022 and 2023, the growth rates declined to 56% and 6%, respectively. By 2023, the average participation rate of Huimin Insurance products was approximately 18.9%, showing a downward trend compared with 2022. Although some cities still performed well—for example, Zhejiang Province reported an overall enrollment rate as high as 58.81% and a renewal rate of 84.57%—in many other cities, the participation rate was below 15%, and in some regions it had even dropped below 5%.

3. SWOT Analysis of Huimin Insurance

The SWOT analytical framework systematically examines the overall situation of a research subject by categorizing its strengths, weaknesses, opportunities, and threats, followed by detailed discussion of each factor. Through this approach, conclusions relevant to the subject can be drawn. In this paper, the SWOT method is applied in order to provide a more systematic and comprehensive review of the current situation of Huimin Insurance and the challenges it faces that affect its sustainable development.

3.1 Strengths analysis

3.1.1 Low Entry Barriers

The extraordinary popularity of Huimin Insurance is largely attributable to its low-threshold, broad-coverage, and inclusive features (Zhu Minglai and Jin Jianchong, 2022). It is well known that traditional commercial health insurance typically imposes strict eligibility requirements: elderly individuals, those with pre-existing medical histories, and people engaged in high-risk occupations are often excluded from coverage. In contrast, Huimin Insurance has extremely low—indeed, virtually zero—entry barriers. It imposes no restrictions on age, occupation, or pre-existing medical conditions, boldly extending coverage

to vulnerable groups that were previously marginalized by the insurance market. As such, it has become an appealing option for these populations to obtain basic health protection, thereby fulfilling its mission of benefiting people's livelihood.

In addition, some regions have further broadened the eligibility criteria of Huimin Insurance, expanding coverage to include new urban residents, thus enhancing its social value. For instance, the 2022 edition of *Shanghai HuHuibao* included new residents among eligible participants, and the product was differentiated into three versions: a standard version, a care version, and a new resident version. Specifically, the standard version covered all individuals enrolled in Shanghai's basic medical insurance system; the care version extended to participants in Shanghai's community medical mutual-aid program and returning "sent-down youth"; while the new resident version targeted migrant workers employed in certain large enterprises in Shanghai who participated in the local basic medical insurance system but were not officially registered as Shanghai residents. This not only broadened the coverage scope of *HuHuibao*, but also improved the risk pool composition, further reinforcing its inclusive features and generating economies of scale. By the end of 2023, the number of Huimin Insurance products with relaxed eligibility criteria had increased to 118, thereby helping a wider range of migrant workers and non-local employees to obtain protection against medical expenses.

Table 1 Comparison of eligibility thresholds between Huimin Insurance and Million-Medical Insurance

Comparison item	Huimin Insurance	Million-Medical Insurance
Age restrictions	No age restrictions.	Generally 0–60 years old.
Occupational limits	No occupational restrictions.	High-risk occupations are not covered.
Pre-existing conditions	Generally, no differential treatment at the enrollment stage for patients with specific pre-existing conditions.	Typically excludes more than 40 types of conditions (including common diseases such as gastric ulcers and lumbar disc herniation).

Underwriting status	All basic medical insurance participants are eligible; restrictions are further relaxed in some regions.	Strict underwriting; even minor discrepancies in health disclosures may lead to rejection of coverage.

3.1.2 High cost-effectiveness

One of the most prominent advantages of Huimin Insurance is its affordability. Although the average price of Huimin Insurance has risen slightly in recent years, in most regions the premium remains around RMB 100 per year. Moreover, local governments and insurers design products in line with regional characteristics—taking into account local demographics, disease prevalence, basic medical insurance coverage levels, and residents' actual needs—to ensure tailored solutions. Meanwhile, the scope of benefits has been continuously expanded. Many Huimin Insurance products follow the principle of "low thresholds, low premiums, high coverage", offering "more benefits without higher costs." For instance, compared with 2023, the 2024 version of *Shenzhen Huimin Insurance* lowered deductibles across multiple benefit categories, provided additional discounts for continuous enrollment, and introduced new coverage such as inpatient out-of-pocket consumable costs, ambulance fees, and expanded protections for Rh-negative maternity care and high-cost orphan drugs. In some regions, Huimin Insurance products are further diversified into multiple benefit versions with tiered premium pricing. For example, the 2023 *Anyang Huimin Insurance* and the 2024 *Huiqiongbao* both offered enrollees several benefit options, thereby better accommodating the protection needs of different groups.

In terms of value-for-money, Huimin Insurance combines low premiums with high benefit ceilings. On the one hand, it connects seamlessly with local basic medical insurance systems, focusing on catastrophic disease protection and supplementing reimbursement limits under basic medical insurance by covering residual costs, with coverage amounts reaching up to one million RMB. On the other hand, Huimin Insurance products have incorporated over 300 types of special medicines used domestically and abroad. The five most frequently covered specialty drugs include Opdivo, Keytruda, Tagrisso, Bevacizumab, and Herceptin—mainly targeting high-incidence, high-cost cancers such as lung, gastric, esophageal, and liver cancers. Additionally, certain local products expand their coverage

responsibilities even further. For instance, *Zhuhai Daaiwujiang* covers ultra-high medical costs, reimbursing 90% of expenses when cumulative inpatient costs within one insurance year exceed RMB 600,000 but remain within RMB 1,000,000. Similarly, *Shanghai HuHuibao* covers proton and heavy-ion therapy expenses, while *Ningde Huimin Insurance* reimburses advanced therapy costs. These product designs underscore Huimin Insurance's high cost-effectiveness, effectively reducing the risks of poverty or return to poverty due to illness. Furthermore, in the context of China's deepening population aging, Huimin Insurance also alleviates the financial burden of elderly care to a certain extent.

3.1.3 Relative convenience

Unlike traditional commercial medical insurance products, Huimin Insurance is a government-led supplementary medical insurance program. The government plays a leading role in its development, supporting its sustainable and healthy growth through relevant policy measures. For example, policies allow residents to allocate premiums for Huimin Insurance directly from their *Medical Savings Accounts (MSAs)*, meaning that the balance in basic medical insurance personal accounts can be used to pay for premiums for oneself or family members. This enhances payment flexibility, makes fuller use of medical accounts, and brings significant convenience to policyholders. For instance, the *Spring City Huimin Insurance* in Kunming was launched via the UnionPay app, *enabling basic medical insurance enrollees in Kun*ming to purchase policies online and pay premiums conveniently through mobile payment systems, improving both accessibility and user experience.

A common problem faced by commercial health insurance participants is the need to make upfront medical payments and engage in lengthy claims processes. In contrast, Huimin Insurance offers a much more efficient model, whereby claims are directly settled in hospitals in coordination with basic medical insurance. This greatly reduces time costs and improves efficiency. For example, *Guangzhou Suisuikang* employs a "one-stop settlement" approach: when basic medical insurance enrollees receive care at designated medical institutions, medical expenses are directly processed and reimbursed in real time through the basic medical insurance information system. Enrollees do not need to advance payments, collect invoices, or subasic medical insurancet claims to insurers. Settlement is completed upon discharge, truly realizing the principle of "data runs more, people run less." This approach not

only supports the digital transformation of the insurance industry but also significantly lowers time costs and improves the overall experience for participants.

3.2 Weaknesses analysis

With the growing prevalence of Huimin Insurance, concerns about its sustainability have increasingly attracted attention from both the public and society at large. However, given its relatively recent emergence, Huimin Insurance—as a new type of product—is still in an exploratory stage in many respects, including premium rate setting and coverage responsibilities. During its rapid expansion, several weaknesses have become apparent, such as excessively high deductibles and relatively narrow coverage scope. These shortcomings limit its actual protective capacity, creating a gap between what it provides and the rising healthcare protection needs of the population. Unless these weaknesses are properly addressed, they may further hinder the sustainable development of Huimin Insurance.

3.2.1 Excessively high deductibles

Although Huimin Insurance is designed with relatively high coverage limits, its deductible is also set at a high level, typically ranging from RMB 15,000 to 25,000. Moreover, deductibles are calculated separately for expenses within and outside the basic medical insurance catalog. In practice, before Huimin Insurance can provide compensation, the insured must first go through two to three layers of other reimbursements, such as basic medical insurance and critical illness insurance, and only then is the absolute deductible applied. This means that a patient must accumulate out-of-pocket medical expenses exceeding this high threshold—after basic medical reimbursements—before Huimin Insurance coverage takes effect.

For the vast majority of insured individuals who only incur ordinary outpatient or hospitalization expenses, their annual medical costs rarely reach this level. As a result, Huimin Insurance essentially functions as insurance for a very small group of patients facing "catastrophic medical expenditures," while its protective role for the broader population with moderate medical costs is minimal. This directly leads to a situation where many insured individuals pay premiums year after year but are unable to benefit from claims, resulting in a weak sense of protection and a poor overall experience.

3.2.2 Relatively narrow coverage scope

The scope of Huimin Insurance's coverage is subject to many restrictions. Its coverage responsibilities include reimbursement for out-of-pocket treatment costs within the basic medical insurance catalog and self-paid treatment costs outside the catalog. However, many early products mainly covered the insured's out-of-pocket expenses within the medical insurance catalog, while the coverage for out-of-catalog expenses that impose a heavy burden on patients—such as imported drugs, special medical materials, and expensive diagnostic procedures—was narrow or entirely absent.

For expenses within the basic medical insurance catalog, patients can claim reimbursement through basic medical insurance, and their personal financial burden is not particularly heavy. In contrast, self-paid drugs and imported medicines outside the catalog are the real source of financial distress for patients' families, and they are also unavoidable when suffering from major illnesses. Even though some Huimin Insurance products have shown a positive attitude toward covering specific drug expenses, their drug lists are usually short, and the pace of updates may lag behind clinical practice, making it impossible to meet the actual medication needs of all cancer and rare-disease patients.

3.2.3 Relatively weak data foundation

A weak data foundation and difficulties in actuarial pricing constitute another inherent weakness restricting the scientific operation of Huimin Insurance. The sound operation of the insurance industry relies on accurate risk pricing and effective risk management, both of which must be based on high-quality, large-scale data. However, Huimin Insurance faces inherent deficiencies in this regard.

The primary issue lies in the "data island" effect. Actuarial pricing requires historical medical data of the basic medical insurance participants in the insured region, including key information such as age structure, disease spectrum, and distribution of medical expenses. Yet these data are scattered across different departments and institutions—such as medical security agencies, health authorities, and hospitals—without effective data-sharing mechanisms. Commercial insurance companies thus find it difficult to obtain complete, continuous, and usable anonymized data to construct accurate actuarial models. As a result, initial pricing largely depends on macro-level statistical data, experiential estimation, and assumptions, which compromises scientific rigor and accuracy.

In addition, as an emerging type of insurance, Huimin Insurance has only a short operational history and lacks the accumulation of long-term, stable, product-specific claims data. Without its own unique, validated empirical data, the product's iterative optimization, dynamic adjustment of premium rates, and formulation of risk control strategies all lack a solid foundation. The process is more akin to "crossing the river by feeling the stones," which undoubtedly increases long-term operational uncertainty and risk.

3.2.4 Serious homogenization problem

Huimin Insurance products face a serious problem of homogenization, and the endogenous motivation for innovation among market participants is insufficient, which restricts development toward refinement and personalization. Under the framework of "government guidance," Huimin Insurance products in different regions display a high degree of similarity in core elements such as coverage responsibilities, premium pricing, and deductible settings. This homogenization arises from multiple factors. On the one hand, in the project bidding process, local governments—considering risk control, ensuring inclusiveness, and facilitating management—tend to favor the most "prudent" and "standardized" schemes, which objectively suppresses product diversity. On the other hand, for the insurance companies undertaking these products, given the pre-set business model of "low margins" or even "break-even with slight losses," they lack strong economic incentives to devote substantial resources to differentiated product innovation. Instead, insurers often view their participation in Huimin Insurance projects as a strategic move to fulfill social responsibility, enhance brand image, obtain potential customer data, and establish good relations with the government, rather than as a core business line capable of generating significant profit. This positioning has led to a form of "innovation inertia" in product development. As a result, market competition mainly focuses on expanding sales channels and limited customer service, rather than substantive innovation in areas such as broadening coverage content, integrating health management services, or implementing precise risk-reduction measures.

If this trend continues, Huimin Insurance may remain stuck in a phase of repetitive low-level construction for a long time, making it difficult to adapt to the multi-layered and diverse health protection needs of different regions, income groups, and health conditions, thereby limiting its vitality and development potential.

3.3 Opportunities Analysis

Opportunities refer to favorable external factors in the environment that are conducive to the development of an organization or project. For Huimin Insurance, its emergence and growth have coincided with a strategic period of deepening reform in China's medical security system. The external policy, technological, and social environments provide it with vast room for growth and tremendous potential.

3.3.1 Strong impetus from national policies

At present, China is advancing the Healthy China strategy and deepening the reform of the medical security system with unprecedented intensity. The top-level design at the national level has laid the most solid policy foundation and provided a historic opportunity for the vigorous development of Huimin Insurance. Important policy documents—such as the Opinions of the CPC Central Committee and the State Council on Deepening the Reform of the Medical Security System—explicitly state that by 2030, a multi-tiered medical security system should be comprehensively established. This system will consist of basic medical insurance as the mainstay, medical assistance as the safety net, and supplementary medical insurance, commercial health insurance, charitable donations, and mutual medical aid as important complementary components. This national-level strategic blueprint grants commercial health insurance—and in particular Huimin Insurance, as a vital form of supplementary medical insurance—a clear and significant role. Huimin Insurance is no longer a dispensable add-on, but rather a crucial link in institutional arrangements. This provides local governments with a fundamental rationale and policy-driven momentum to actively guide and promote Huimin Insurance projects.

3.3.2 Government endorsement driving development

Since Huimin Insurance is a type of medical insurance guided and promoted by local governments but underwritten by insurance companies, the government participates in its operation through either guidance or direct leadership. By endorsing and promoting Huimin Insurance, and by introducing relevant policies and regulations to encourage citizens to purchase it, governments substantially enhance the program's social credibility, making it easier to gain broad public trust.

Statistics show that the participation rate in Huimin Insurance is strongly influenced by

the degree of government involvement. For example, the prototype of Huimin Insurance—the *Supplementary Medical Insurance for Major and Critical Diseases* launched in Shenzhen—is a typical government-led product. The government not only allowed citizens to use the balance of their basic medical insurance personal accounts to purchase Huimin Insurance, but also participated in product design and pricing guidance. In 2021, nearly eight million people enrolled in this program, ranking it first among government-supported commercial insurance projects nationwide. In contrast, in Guangzhou, where the government provided only off-site guidance, enrollment was far less satisfactory. This comparison clearly demonstrates a strong positive correlation between the level of government involvement and the enrollment rate. Government attention and active participation can effectively promote the further development of Huimin Insurance, enabling it to secure a brighter growth trajectory.

3.3.3 Empowerment through digital technology

The rapid development of digital technologies such as big data, artificial intelligence, and blockchain provides brand-new solutions and possibilities for addressing some of the operational challenges currently faced by Huimin Insurance. On the one hand, under the premise of ensuring data security and privacy protection, collaboration with medical insurance agencies and healthcare institutions can gradually break down data silos. By applying big data analytics, it becomes possible to generate more accurate profiles of regional disease spectrums and medical expense distributions, thus laying the foundation for more scientific and differentiated actuarial pricing in the future. Artificial intelligence algorithms can be employed to identify potential fraud risks, optimize the claims review process, and reduce operating costs.

On the other hand, mobile internet platforms have enabled the complete digitalization of processes such as policy enrollment, claims applications, and progress inquiries, thereby greatly enhancing convenience. By incorporating value-added services such as online medical consultations, health monitoring, chronic disease management, and medication reminders, Huimin Insurance not only strengthens participants' engagement and sense of benefit, but also achieves proactive health interventions. This reduces the risk of disease onset at the source, realizes "risk reduction," improves the overall condition of the risk pool, and fosters a virtuous cycle.

3.3.4 Enormous potential market demand

With the improvement of the national economy, Chinese residents' health awareness and risk-prevention consciousness have risen to an unprecedented level. More and more families are recognizing that relying solely on basic medical insurance is insufficient to withstand the financial shocks caused by major illnesses. Consequently, they are showing stronger willingness and capacity to transfer financial risks through commercial insurance.

Leveraging its unique inclusive features—low premiums, simple enrollment procedures, and a focus on major risks—Huimin Insurance is well-positioned to serve as a stable "basic layer" or "supplementary layer" within the broader system. Its market positioning is clear and aligns precisely with the public's urgent demand for foundational and inclusive commercial health protection.

3.4 Threats Analysis

3.4.1 Severe adverse selection risk

Adverse selection refers to the situation where policyholders, acting in their own self-interest, make contractual choices favorable to themselves but unfavorable to insurers. Put simply, adverse selection occurs when policyholders or insured individuals purchase insurance after being aware of high risk, thereby transferring their own risks to the insurer, who then bears a disproportionately large burden.

For Huimin Insurance, low-risk and healthy participants may choose not to enroll—or may discontinue renewal—because they are able to afford alternative, higher-level insurance products with more comprehensive protection, or because they did not receive claims during the coverage year. Conversely, high-risk and less healthy individuals are more likely to remain enrolled. This divergence may lead to declining participation rates, distortions between the insured population and the actual demographic structure, and other systemic imbalances (Sun Qiaohui, 2021). Yet, the basic principles of insurance operations include the law of large numbers, the principle of risk selection, and the principle of risk diversification—namely, dispersing small-probability individual risks across a large group. The more participants in the risk pool, the smaller the average risk per capita. From this perspective, the existence of adverse selection risk can easily trigger a so-called "death spiral."

In previous years, Huimin Insurance, due to its low entry barriers, successfully achieved broad coverage across populations, leading to an explosive increase in enrollment. However, precisely because of its minimal eligibility requirements and lack of restrictions on pre-existing conditions, the probability of adverse selection has greatly increased. Younger and healthier low-risk participants may lose motivation to renew when they receive no compensation, while older and higher-risk participants with pre-existing conditions are more likely to renew actively. Over time, the claims ratio of Huimin Insurance continues to rise. In order to balance growing claim expenditures, commercial insurers may choose to raise premiums or increase pricing levels. This in turn further drives away healthy participants from the insured pool. If this cycle persists, Huimin Insurance products may fall into a deficit situation, face the risk of a "death spiral," and become unable to sustain stable operations—let alone achieve sustainable development.

3.4.2 Malicious competition within regions

As an emerging product, Huimin Insurance initially gained favorable market momentum owing to government credit endorsement. However, due to the lack of clear requirements regarding business entry thresholds and operational qualifications, problems such as blind imitation among market players and vicious price competition have appeared in practice. In some cities, multiple Huimin Insurance products coexist, with highly similar designs and excessive product homogenization (Xu Xu and Yao Lan, 2022).

Meanwhile, in order to seize market share, some insurers have engaged in over-promotion, exaggerated marketing, or even predatory pricing during the rollout of Huimin Insurance (Yu Baorong et al., 2021). Such regional competition has two adverse consequences: first, it creates a mix of high- and low-quality products and disorderly pricing, which undermine consumer judgment; second, it fragments the insured population, leaving individual products with insufficient participation rates and increasing the risk of losses for insurers.

Even more seriously, some companies falsely advertise Huimin Insurance under the guise of government endorsement, claiming that products are "government-guided," when in reality, the government may only have attended the product launch event without providing data support or guidance in product design. This misuse of the government's name to boost

product credibility not only damages the reputation of the products themselves but also harms the credibility of both government institutions and insurers.

3.4.3 Significant variations in claims ratios

Although Huimin Insurance has proliferated nationwide, the lack of actuarial experience data, absence of medical insurance database support, and limited expertise in specialty drug pricing have resulted in crude approaches to premium setting and benefit design. Without rigorous data-driven actuarial methods, insurance risks devolve into a form of gambling, leading to vastly different claims performance across products—what can be described as a "tale of two extremes."

For instance, Shanghai *HuHuibao*, launched on April 27, 2021, quickly sparked an insurance "boom." In its first year, enrollment reached 7.39 million, the highest ever for city-customized commercial health insurance, with a participation rate of 38.49%. Within just eight months of operation, cumulative claims already amounted to RMB 524 million, representing 62% of total premium income. Similarly, the prototype of Huimin Insurance—the *Shenzhen Supplementary Medical Insurance for Catastrophic Diseases*—recorded claims ratios exceeding 100% in most years except for temporary relief in 2017 and 2018.

By contrast, not all regions faced high claims ratios. For example, Hangzhou *Xihu Yilianbao*, launched in 2021, accumulated premium income of over RMB 700 million. Yet, according to its published semiannual claims data, the total claims were only about RMB 120 million, yielding a claims ratio of less than 18%. The relatively stringent claims requirements limited its effectiveness in providing real protection.

These discrepancies arise from Huimin Insurance's characteristics of low premiums but high coverage limits. When deductibles are set too low, products easily run into deficits and face financial risks; when deductibles are set too high, claims ratios remain too low, preventing the product from alleviating people's actual medical burdens and undermining the credibility of both government and insurers. Therefore, the design of claims ratios requires careful optimization. Excessively low claims ratios reduce policyholders' benefits and discourage renewals, while excessively high ratios increase insurers' operating risks, leading

to insolvency. In short, whether claims ratios are appropriately set is a key determinant of whether Huimin Insurance can achieve sustainable development.

4. Countermeasures for Achieving the Sustainable Development of Huimin Insurance

Although Huimin Insurance currently exhibits certain weaknesses and faces multiple threats, its functions and positioning remain commendable. Both the government and insurance companies should seize this opportunity to address issues hindering its sustainable development, fully leverage its advantages, and capitalize on favorable conditions. Only in this way can the vision of "government-business cooperation to benefit people's livelihood" be truly realized, thereby promoting the sustainable development of Huimin Insurance.

To overcome the obstacles to sustainability, the following measures are proposed: optimizing product and service design to enhance actual protection; improving pricing accuracy while adhering to the principle of balancing commercial viability with public welfare; and strengthening market supervision to ensure efficient and standardized operations.

4.1 Optimizing insurance product and service design to enhance actual protection

In response to the issue of insufficient actual protection, both government agencies and insurance companies should make concerted efforts in the product design of Huimin Insurance.

4.1.1 Government departments

As the key guides and regulators, government departments should move beyond the preliminary stage of merely promoting enrollment rates and shift policy focus toward enhancing the quality and effectiveness of coverage. By using more targeted policy instruments, they can guide product design optimization and ensure that Huimin Insurance truly fulfills its supplementary insurance function.

First, the government should take the lead in formulating and dynamically adjusting the "minimum coverage standards" of Huimin Insurance projects. For example, clear requirements could be set regarding the proportion of out-of-catalog expenses that must be reimbursed, or depth indicators could be defined for specific diseases (such as cancer and rare

diseases), thereby guiding insurance products to expand from merely covering in-catalog expenses to including reasonable and necessary out-of-catalog medical costs.

Second, a scientific deductible adjustment and incentive mechanism should be established. Leveraging the advantages of medical insurance data, the government could develop a dynamic deductible adjustment mechanism linked to local residents' per capita disposable income and existing reimbursement policies. For instance, the deductible could be pegged to a certain proportion of per capita annual disposable income, ensuring it remains at a reasonable level. This would prevent excessively high thresholds from rendering coverage ineffective, while also taking into account the sustainability of insurance funds. For continuously insured individuals who have not made claims, the government could also explore a "renewal preference" mechanism, such as moderately lowering deductibles or increasing reimbursement ratios, thereby attracting low-risk groups and optimizing the structure of the risk pool.

Third, data support and policy integration should be strengthened to provide the foundation for product optimization. Government agencies, especially medical insurance authorities, should—on the premise of ensuring data security and privacy protection—provide underwriting insurers with deeper anonymized data to assist them in more accurate actuarial pricing and gap analysis. This would serve as the evidence base for scientifically expanding coverage and setting reasonable premiums. In addition, the policy allowing the use of balances from employee medical insurance personal accounts to purchase Huimin Insurance for oneself and family members should be further implemented and improved, thereby reducing the direct payment burden on participants. In essence, this provides a payment channel to support enhanced coverage levels.

Finally, performance evaluation should be reinforced, and an independent admission and exit mechanism for Huimin Insurance should be established. The government can employ a value-assessment index system to supervise Huimin Insurance products. Any product that significantly deviates from key indicators should be required to undergo corrective measures, thereby compelling insurers to optimize product design. This would further improve the quality of Huimin Insurance products and enhance the overall service standards of the program.

4.1.2 Insurance companies

Health insurance differs from life insurance and property insurance in that it not only requires extensive actuarial data and rigorous risk control, but also relies heavily on professional medical expertise and human resources. Therefore, insurers must engage medical experts to conduct in-depth research on the most prevalent diseases among residents, covering relevant medications and treatment methods.

For instance, in 2021, Beijing *JingHuibao* upgraded its coverage in two significant ways: first, it expanded its special drug catalogue, increasing the number of covered drugs from 17 to 60; second, it broadened health service offerings, increasing from 18 services to 24, organized into seven categories including health promotion, disease prevention, physical examinations, health consultations, medical treatment services, chronic disease management, and rehabilitative care. This innovation shifted Huimin Insurance from a model of post-illness compensation to a comprehensive health management model that integrates preventive services (e.g., health consultation, nutrition management), reimbursement for medical expenses, and post-illness rehabilitation (e.g., chronic disease management, nursing care). Thus, Huimin Insurance can provide whole-process health services, making its protective function more tangible and meaningful.

Similarly, Beijing *Puhui Jiankangbao* also introduced a series of upgrades. Although priced at RMB 195—higher than most Huimin Insurance products—it extended coverage to include outpatient and emergency care, non-basic medical insurance items, overseas specialty drugs, and practical home nursing services. By integrating the insurance mechanism more closely with the healthcare system, it maximized alignment with basic medical insurance and significantly enhanced product value.

Looking forward, Huimin Insurance products should continue to expand coverage and enhance service value. The goal is to balance commercial sustainability with public welfare. Premiums do not necessarily need to be the lowest, but coverage must best meet the real needs of residents. Ultimately, the decisive factor for success is not whether the premium is low, but whether the product aligns with the people's demands—achieving a fair balance between enterprise interests and public welfare.

4.2 Implementing region-specific precision pricing to effectively mitigate

adverse selection risk

Although Huimin Insurance fills the gap in healthcare coverage for the elderly and patients with serious illnesses, the severe risk of adverse selection inherent in this model cannot be overlooked. If the proportion of high-risk individuals within the insured pool continues to increase, with loss ratios persistently rising and entering a “death spiral,” Huimin Insurance will become unsustainable in the long run. Moreover, premium rates and coverage terms across different regions remain relatively crude, and claim performance varies significantly across products. In some cases, insufficient protection is provided, while in others, insurers face financial deficits. These challenges hinder the long-term sustainability of Huimin Insurance. Therefore, precision pricing is the key to ensuring that Huimin Insurance withstands the test of time and achieves sustainable development.

4.2.1 Government departments

The Huimin Insurance is linked to the reimbursement of basic medical insurance in terms of claims, but the performance of the Huimin Insurance in practice shows that its linkage with basic medical insurance is still insufficient, and the two are not able to realize interoperability in terms of settlement and data, which negatively affects its operational efficiency.

Local governments should provide product design support and offer endorsements to promote Huimin Insurance, thereby increasing enrollment rates and broadening coverage to facilitate risk diversification. Health systems—including local Healthcare Security Bureaus, Health Commissions, and information management authorities—should consolidate and organize residents’ medical treatment data. Such data should include disease incidence rates, patterns of basic medical insurance personal account usage, residents’ actual payment capacities and willingness to pay, and local medical expenditure levels. By supplying such datasets, governments can ensure the implementation of region-specific policies, thereby tailoring products to truly meet local needs. In short, Huimin Insurance must be closely aligned with both the institutional framework and benefit system of basic medical insurance, ultimately functioning as a genuine supplement to the basic medical security system.

4.2.2 Insurance companies

In terms of precise pricing, insurance companies should assume core responsibility by

implementing systematic and meticulous strategies to balance risk and coverage, ensuring the long-term stable operation of Huimin Insurance.

First, insurance companies should actively promote deep integration with the basic medical insurance system and establish efficient and secure data connectivity mechanisms. This requires overcoming the current "data island" dilemma by creating standardized data exchange interfaces with support from local governments and medical insurance departments. While ensuring complete data anonymization and strict compliance with relevant laws and regulations, insurers can access macro-level actuarial data such as regional historical medical cost structures, incidence rates of specific diseases, and age-specific hospitalization rates. This initiative aims to provide a robust data foundation for precise overall risk assessment, thereby elevating pricing from reliance on macro estimates to scientific actuarial practices grounded in real-world evidence.

Second, backed by data support, insurance companies must enhance their actuarial and risk management capabilities. They should establish specialized health insurance actuarial teams to conduct in-depth analysis of regional data and develop pricing models aligned with local disease patterns and healthcare consumption habits. On one hand, broad coverage maintains the economies of scale in risk pools; on the other, within the overarching framework of "one city, one policy," they can explore limited, reasonable risk stratification. For instance, insurers could design age-based tiered premium structures or offer "no-claim incentives"—such as reduced deductibles or premium discounts—to healthy policyholders with consecutive claim-free periods. This would incentivize low-risk groups to maintain coverage, optimize risk pool composition, and prevent the "death spiral."

Finally, pricing strategies must deeply align with local characteristics to achieve true "customization." Insurers must conduct thorough localized research, comprehensively evaluating factors such as the local economic development level, reimbursement policies and coverage limits of basic medical insurance, medical cost levels at key hospitals, and prevalent local diseases. For instance, in cities with high aging populations, pricing should prioritize risks associated with chronic diseases and long-term care; in industrial hubs with concentrated blue-collar workers, specific occupational disease risks warrant attention. Through quantitative analysis of these factors, insurers can adhere to the "cost-covering with minimal

profit" principle, ensuring product coverage precisely matches local residents' actual healthcare burden pain points. This ultimately enables tailored supply—one strategy per region, or even multiple versions per region.

4.3 Strengthening market regulation to prevent malicious competition

In response to the disorderly competition that has emerged in the Huimin Insurance market, regulatory authorities should strengthen oversight and standardize operational practices. Insurance companies must be required to ensure data transparency, safeguard the legitimate rights and interests of policyholders, and thereby enhance social credibility, boost citizens' willingness to participate, and improve enrollment rates.

On June 2, 2021, the China Banking and Insurance Regulatory Commission (CBIRC) issued the Notice on Regulating the Urban Customized Commercial Medical Insurance Business of Insurance Companies, which requires insurers to strictly adhere to market-oriented principles and to design scientifically sound and feasible benefit schemes. The notice also explicitly stipulates that malicious underpricing, exaggerated advertising, and misappropriation of government endorsements are violations subject to strict investigation and punishment. Such measures are essential to maintaining orderly market operations and ensuring the stable development of Huimin Insurance.

Moreover, to safeguard the healthy and sustainable development of the Huimin Insurance market, additional measures beyond those explicitly stated in the Notice should be considered. The government is advised to increase its participation in Huimin Insurance projects, continuously monitor the operational performance of local programs, and exercise stringent supervision throughout the entire product lifecycle. Insurers should be required to subasic medical insurancet feasibility studies based on local market conditions and actuarial pricing reports prior to product launch. Companies should not recklessly lower premiums in pursuit of market share while neglecting other critical factors.

In addition, sales institutions must be strictly penalized for unreasonable delays or unjustified refusals in claim settlements. Each insurance cycle's financial operations should be reviewed to ensure the rational and compliant use of insurance funds. A system should also be established to regularly disclose enrollment and claims data to the public, thereby making Huimin Insurance more standardized, transparent, and trustworthy.

Only through enhanced regulatory supervision can commercial insurers continuously improve their product quality and management standards, truly embody the principle of “for the benefit of the people,” and win the trust of the public. In this way, Huimin Insurance can become a solid supplement to the Basic Medical Insurance system and achieve sustainable development.

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