

The Evolution Logic, Realistic Dilemma and Promotion Path of the Sustainable Operation of Huimin Insurance

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Abstract

As a city-customized supplementary medical insurance bridging basic medical insurance and commercial health insurance, Huimin Insurance has expanded to 30 provinces and served 168 million people within four years, emerging as a phenomenal success in China's inclusive insurance landscape. This paper examines its evolution, operational mechanisms, and effectiveness, identifying core challenges including declining participation and renewal rates, adverse selection, uneven benefit compensation, and insufficient information disclosure. It proposes sustainable development pathways across five dimensions: government role, financing and payment, product stratification, service value-added, and technology empowerment. The study demonstrates that the future of Huimin Insurance will likely evolve towards a model characterized by provincial-level co-ordination, stratified benefit design, dynamic pricing, and integrated health management. Its success or failure will ultimately determine the integration depth of China's multi-tiered medical security system and significantly impact the realization of common prosperity goals.

Keywords: Huimin Insurance, Inclusive Insurance, Multi-level Medical Insurance, Adverse Selection, Sustainable Development

Competing Interests:

The authors declare that there is no conflict of interest.

1.Introduction

The report of the 20'th National Congress of the Communist Party of China elevates the sound coverage of the whole people, overall planning of urban and rural areas, fair and unified, safe and standardized, and sustainable multi-level social security system to the national strategic level. It is not only a systematic summary of the experience of previous medical insurance reform, but also a beacon for the next stage to complete the shortcomings of the system and achieve common prosperity. Between the basic and high-end , a huge security gap exists for a long time: the high cost outside the basic medical insurance catalogue, the payment gap between innovative therapies and rare disease medications, and the urgent needs of low-and middle-income groups for health security, which together constitute the real risk of poverty caused by illness and returning to poverty due to illness. It is in this context that the urban customized commercial supplementary medical insurance, Huimin Insurance, which is guided by local governments, co-insured by insurance companies and operated by third-party platforms, came into being. With the distinctive label of low threshold, low premium, high insurance amount and wide coverage, it quickly swept across the country, covering 30 provinces and serving more than 100 million people in just four years. It has become a phenomenon-level product in the field of inclusive insurance and is also regarded as the adhesive key to connect the multi-level medical security system(Liao et al., 2024).

However, any institutional innovation cannot escape the tension between the expansion of fast variables and the constraints of slow variables . Since 2023, many Huimin Insurance projects have experienced warnings such as declining participation rates, insufficient renewal rates, and broken compensation rates, and some cities have even been forced to raise prices or reduce their responsibilities twice. The lack of sense of gain for young healthy groups, the adverse selection of accelerated aggregation of elderly people with diseases, the compensation gap caused by uneven distribution of regional financing and medical resources, the trust crisis caused by lagging information disclosure, and the incentive distortion caused by blurred boundaries between government and market. Multiple challenges interweave, making Huimin Insurance move from tuyere to crossroads. How to achieve a rebalancing between inclusiveness and commercial sustainability, and how to avoid the death spiral through institutional reshaping and technological empowerment, is not only related to the rise and fall of a product, but also directly affects the integration depth of Chinas multi-level medical security system and the realization of the goal of common prosperity(Zhu 2025). On the basis of combing its evolution context and operation mechanism, this paper attempts to analyze the root causes of pain points and explore a sustainable way of success.

2 Concept Definition and Dvolution Dontext

2.1 Concept definition

Huimin Insurance refers to the urban customized commercial supplementary medical insurance for urban and rural residents and workers who have participated in the local basic medical insurance, which is provided by local government guidance, insurance companies to form a co-insurance body, and third-party technology platforms to provide full-process digital services. It takes low threshold, low premium, high insurance, wide coverage, sustainable as its core characteristics : no physical examination, no age limit, and insurance with disease ; premiums from tens of yuan to hundreds of yuan can leverage a million-level protection ; the scope of responsibility covers high costs inside and outside the medical insurance catalogue, specific drugs for major diseases, innovative therapies for rare diseases and advanced treatment technologies such as proton and heavy ions ; at the same time, through government endorsement, data sharing, individual account payment, charity and other mechanisms, both fairness and efficiency are taken into account. Compared with traditional commercial health insurance, Huimin Insurance highlights the three-dimensional collaborative governance of government + market + society, which not only retains the actuarial and risk control core of commercial insurance, but also introduces the universal and redistribution functions of public policy, and becomes the middle layer system innovation connecting basic medical insurance and high-end commercial insurance(Zhu .et al., 2025).

2.2 Three stages of evolution

(1) The embryonic stage (2015-2019) : the institutional experiment of the governments full subsidy

In 2015, Shenzhen launched the Supplementary Medical Insurance for Major Diseases, embedding the commercial insurance mechanism into the basic medical insurance system for the first time. Model characteristics : First, full financial subsidies, personal zero payment ; second, the scope of protection is limited to the high out-of-pocket expenses in the medical insurance catalogue ; third, the main body is the commercial insurance company, but the pricing, compensation and publicity are all decided by the government. At that time, the product form was single, the financing channel was single, the data interface was closed, and it was more like a local test of government purchase service . Subsequently, Guangzhou, Zhuhai and other places learned from the experience of Shenzhen and launched the critical illness insurance for citizens, which initially formed the prototype of government-led + commercial insurance contracting. The core value of this stage is to verify the financial feasibility of low premiums leveraging high guarantees , and also expose early pain points such as financial unsustainability, population adverse selection, and insufficient guarantee depth, laying the groundwork for subsequent market-oriented exploration.

(2) Exploration stage (2020-2021) : policy wind and market germination

In March 2020, Opinions on Deepening the Reform of the Medical Security System first proposed accelerating the development of commercial health insurance at the national

level, providing policy coordinates for Huimin Insurance. Chengdu, Suzhou, Zhuhai, Hangzhou and other cities have responded quickly, and three major changes have taken place in the product form : First, the financing method has changed from full financial payment to medical insurance personal account deduction and voluntary insurance, and the financial retirees guiding role; the second is to expand the guarantee content from high cost in the catalogue to compliance cost outside the catalogue and special drugs and rare disease drugs, to link up with medical insurance negotiation drugs and national negotiation drugs ; the third is that the operating subject moves from exclusive undertaking to co-insurance and third-party platform, and insurance companies begin to have the autonomy of product pricing, risk control and service. With the entry of Internet giants, new technologies such as online insurance, smart underwriting, and blockchain claims have been implemented on a large scale for the first time, and the duration of insurance has been compressed from hours to minutes. However, the rapid expansion has also brought about chaos such as large regional differences in rates, insufficient information disclosure, and exaggerated publicity, which has forced supervision.

(3) Outbreak stage (2022-present) : Normative finalization and institutional stratification

In 2022, the China Banking and Insurance Regulatory Commission issued a Notice on Regulating Urban Customized Commercial Medical Insurance Business, unifying the product name Huimin Insurance adding city's name for the first time, and setting the bottom line from four dimensions : product design, actuarial assumptions, retrospective supervision, and information disclosure. At the institutional level, the embryonic form of provincial co-ordination has emerged : Shandong, Zhejiang, Guangdong and other places are led by provincial medical insurance bureaus, unifying data interfaces, drug catalogues, and risk adjustment rules, and initially breaking the fragmented pattern of one city, one policy. At the product level, a two-tier structure of basic version + upgraded version is formed : the basic version focuses on high self-paid and key special drugs in the directory to maintain the low-cost inclusive positioning ; the upgraded version introduces high-end responsibilities such as proton heavy ions, overseas special drugs, and genetic testing to meet multi-level needs. At the technical level, medical insurance electronic vouchers, electronic medical record blockchain, wearable device health data access, to achieve insurance-diagnosis-claims-health management full-link digitization. At the governance level, the government, co-insurance companies, reinsurance companies, third-party platforms, and charitable organizations signed a five-party agreement to clarify the boundaries of responsibilities, rights, and rights in the form of franchising, and establish four major mechanisms for rate backtracking, earnings smoothing, charitable underpinning, and exit takeover. At this point, Huimin Insurance has completed the transformation from local pilot to system prototype, and entered a new stage with provincial co-ordination as the base, multiple responsibilities as the stratification,

dynamic actuarial as the leverage, and health management as the value-added.

3. Operation Mechanism and Effectiveness Evaluation

3.1 Main structure

The governance structure of Huimin Insurance shows a distinctive feature of government-market-society ternary coordination. The five-year practice has polished the boundaries of the roles of all parties. The core positioning of the government is system designer and data provider. Its functions can be summarized into four progressive levels : first, policy endorsement. The provincial medical insurance bureau incorporates products into the multi-level security sequence with normative documents to resolve the trust deficit of the insured against commercial insurance ; secondly, data sharing. Under the principle of minimum availability, the municipal medical insurance department outputs the details of hospitalization settlement after desensitization to the co-insurance body, which provides a benchmark for the calculation of out-of-catalog expenses. The third is the opening of individual accounts, allowing insured workers to use their personal account balances to pay for themselves and their immediate family members, and further expand into cross-city mutual aid in some areas to reduce the pain of payment ; fourth, propaganda and mobilization, relying on the streets, community grid staff and medical insurance understanders volunteer team, the insured window is moved forward to the grass-roots service station, and the last kilometer of the policy implementation is opened(Xu et al., 2024).

3.2 Financing and payment

The fund-raising end has formed a multi-funnel of medical insurance individual account as the main, personal self-payment as the supplement, enterprise supplement and charitable fund supplement. Theinsensible payment of the employees personal account significantly reduces the insurance threshold ; enterprise group insurance appears in the form of welfare, which improves the stickiness of employees ; charitable donations and welfare lottery public welfare funds are targeted at the bottom of the subsistence allowances and special hardship groups to achieve full protection.

Payment rules take into account both serious illness and sustainability : the starting line is set according to a certain proportion of per capita disposable income of residents in various places, which not only eliminates small medical expenses, but also prevents excessive deductibles from hollowing out products ; the reimbursement ratio of special drugs and rare diseases inside and outside the catalogue was stepped up, and the ceiling line was matched with the level of regional medical expenses. In view of the characteristics of high unit price and small dosage of rare diseases, some cities have introduced the segmented progressive mechanism, which not only controls the total expenditure, but also reduces the cash flow pressure of patients.

3.3 Effectiveness of operation

First, the crowd has achieved remarkable results. Huimin Insurance has become an entry-level product for a large number of people who purchase commercial insurance for the first time. The proportion of rural and silver-haired groups is significantly higher than that of traditional commercial health insurance, and the expansion in the sense of universal benefit is initially realized.

Second, the cost reduction function is highlighted. The products form an effective secondary compensation for high medical expenses, the proportion of personal out-of-pocket payments has decreased significantly, the amount of single claims has hit record highs, and the risk of poverty caused by illness and returning to poverty due to illness has been significantly slowed down.

Third, innovation payment plays a prominent role. The list of special drugs continues to expand, and cutting-edge therapies such as CAR-T, rare disease high-value drugs, and proton heavy ion therapy are included in the scope of protection, becoming a test field for innovative drugs to accelerate their landing.

Fourth, the value of social governance appears. The co-insurance body and primary medical institutions jointly build a three high co-management center, embed health management into daily life through wearable devices and remote intervention, promote the management of chronic diseases from passive treatment to active prevention, reduce the hospitalization rate and average cost simultaneously, and initially realize the paradigm shift from passive compensation to active health. (Guo and Zhang, 2024)

4. Main Problems and Causes Analysis

4.1 Insured and renewal rate double low

The continuous decline of the renewal rate of Huimin Insurance is not simply price-sensitive, but the superposition of lack of sense of gain and expectation gap. The setting of the deductible line forms a natural barrier for young groups - their annual hospitalization expenses are generally lower than the deductible, forming a mental account of buying out of use. Propaganda speech puts low-cost high-insurance amount in the spotlight, but shrinks key information such as deductibles and past illnesses into small words, and the fragmented dissemination of short videos further amplifies the cognitive gap. At the same time, the Internet million medical insurance accurately intercepts the same customer group with zero deductible, instant compensation ; Huimin Insurance relies on offline grid promotion, with long insurance links and weak experience, and is losing ground in the young market(Sun and Huang, 2024).

4.2 Adverse selection and seath spiral

The lack of compulsory insurance mechanism in inclusive positioning makes the risk

pool present the adverse selection characteristics of old, sick and expensive : the proportion of elderly and sick people continues to rise, the contribution of compensation far exceeds the proportion of their number, and the healthy people are gradually squeezed out. Each rate increase is accompanied by the accelerated loss of young groups, and the death spiral of price increase-exit-re-price increase is looming. Some cities have tried to lock in the elderly customers with age-specific price increases, which has led to doubts about the fairness of the elderly population, and the willingness to renew has declined simultaneously.

4.3 Uneven compensation and regional differences

Huimin Insurance presents a double gradient of high in the east and low in the west, high in the center and low in the periphery among regions. The unbalanced distribution of financing ability, medical resources and drug accessibility makes the same product appear the extreme coexistence of compensation for wear and compensation for not going out in different cities. The flow of medical treatment becomes an amplifier : in cities with a high proportion of local medical treatment, the cost is relatively controllable ; in cities with a high proportion of out-of-town medical treatment, high-value medical treatment and special drug expenditures have rapidly increased the pressure on compensation. The underlying logic of regional differences is the passive mapping of the basic medical insurance cracks in the supplementary layer.

4.4 Information disclosure and consumer trust

Lack of transparency continues to erode the basis of trust. The information disclosure of most projects stays at the level of overall compensation rate, lacks subdivision dimensions such as age, disease type and cost segment, and the release time lags behind. Information asymmetry leads to propaganda misleading and claims difficult becoming the focus of complaints. In typical cases, the short video platform promises to pay for discharge, but due to the delay of system docking, patients are forced to make high advances, triggering group rights protection. Negative word-of-mouth spread exponentially on social media, further depressing the willingness to renew.

4.5 Blurred boundary between government and market

The public-private partnership has slipped to two extremes in practice : on the one hand, the government has over-intervened-the administrative department directly specifies the drug catalogue and limits the proportion of compensation. The insurance company loses the pricing power and can only pass on the risk by reducing the protection or increasing the coefficient of past symptoms, which is labeled as policy arbitrage. The other end is the absence of government-only the red-headed file platform, the medical insurance data barrier is high, and the insurance company calculates the pricing by sampling, resulting in the loss of control. More difficult is that some areas will be included in the compensation rate of the peoples

livelihood assessment, below the threshold that is accountability, forced insurance companies to operate at a premium, the market signal is seriously distorted. The root cause of the ambiguity of the boundary lies in the lack of franchising agreements at the legal level, and the respective opportunism of the government and the market cannot be suppressed through contracts, ultimately undermining the sustainability of the system.

5. Policy Recommendations

With the core of provincial coordination, responsibility stratification, dynamic pricing and health management, we will promote the sustainable operation of Huimin Insurance from project system to system type.

First, provincial co-ordination, risk co-ordination. Led by the provincial medical insurance bureau, the unified security framework, data interface and regulatory rules break the fragmented pattern of one city, one policy ; at the same time, a provincial risk adjustment pool is established to dynamically compensate areas with high compensation rates through reinsurance and financial special funds, so as to narrow regional differences.

Second, responsibility stratification, product diversity. On the basis of the basic package to ensure the bottom line of inclusive benefits, the upgraded package, elderly package, children package and other optional responsibilities are introduced, allowing people of different ages and health conditions to sub-pool insurance and differential pricing. The basic package focuses on high self-paid and key special drugs in the directory, and the upgraded package covers innovative therapies and overseas special drugs to achieve the organic connection of basic + supplementary.

Third, dynamic pricing, two-way incentives. Establish a rate-risk-health behavior linkage mechanism : for groups with continuous insurance participation and no claims record, the next years rate is lowered or health management services are given ; the implementation of the risk premium and health management combination program for the sick body not only prevents adverse selection, but also reduces the actual compensation through intervention. Introduce a risk smoothing fund to smooth rate fluctuations over three to five years to avoid a death spiral.

Fourth, information disclosure, trust remodeling. The provincial medical insurance bureau uniformly formulated the information disclosure template, requiring the coinsurance body to disclose the quarterly compensation rate, special drug list, claim timeliness and complaint handling results. Based on the government cloud, a Huimin Insurance Data Cabin is established to provide the insured with a personal claims simulator to achieve transparent, visible and readily available.

Fifth, technology empowerment, health management. Wearable devices, Internet hospitals, and drug welfare management (PBM) were included in the coinsurance service package, and digital health records were established for the insured to carry out chronic

disease intervention and medication compliance management. By linking health management indicators (blood pressure, blood glucose, hospitalization rate) with premium discounts for the following year, the paradigm shift from passive compensation to active prevention is truly realized(Gong and Zhang, 2024).

6.Future Outlook

Looking forward to the future, Huimin Insurance will continue to iterate. The government, the market and the society will return to their respective positions^[8]. The three-dimensional integration of data, algorithms and services will jointly embed inclusive security into the big picture of common prosperity. As the old saying goes, Yu Ru Yu Cheng, only through the multiple tests of demand differentiation, technical honing and system carving, can finally become a reliable bridge connecting basic medical insurance and commercial insurance, and supporting the health and well-being of hundreds of millions of families.

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