

## *Original Paper*

# Analysis on the Retirement Model of “Medical Combined with Nursing” for Commercial Insurance Companies to Cope with the Demographic Situation in China

Jin Zhang<sup>1</sup>

<sup>1</sup> School of Economics, Hubei Business College, Wuhan, China

Received: June 11, 2023

Accepted: July 29, 2023

Online Published: August 10, 2023

doi:10.22158/ibes.v5n3p121

URL: <http://dx.doi.org/10.22158/ibes.v5n3p121>

### ***Funding***

This research relied on the Guiding Project of Science and Technology Research Program of Department of Education of Hubei Province, “Research on the Path of Supply-Side Reform of Elderly Service Industry under PPP Mode” (B2019335).

### ***Abstract***

*China’s population is characterized by an aging problem and a widespread situation where elderly people live with illnesses, which leads to a constant increase in the demand for medical and nursing resources among the elderly. In 2014 September, National Development and Reform Commission together with the Ministry of Civil Affairs, the Ministry of Finance and nine other departments jointly issued the “Notice on Accelerating the Promotion of Health and Elderly Services Project Construction”, formally referred to the “medical combined with nursing” expression for the first time. Since then, various industries have been actively exploring the retirement model of “medical combined with nursing”, the insurance industry has also been actively participating in exploring the layout. The retirement model of “medical combined with nursing” can integrate medical and nursing resources to effectively address the reality of China’s demographic situation. In this context, this paper analyzes the participation of China’s commercial insurance companies in the retirement model of “medical combined with nursing” and puts forward some suggestions.*

### ***Keywords***

*population aging, medical combined with nursing, commercial insurance companies, insurance + service*

## **1. China's Demographic Situation Has Given Rise to the Retirement Model of "Medical Combined with Nursing"**

### *1.1 Highlighting the Problem of Population Ageing*

With advances in medical technology, many diseases can be better treated and people's health has improved. The life expectancy of China's residents has continued to rise, from 71.4 years in 2000 to 77.93 years in 2020. Among them, the average life expectancy of women has always been slightly higher than that of men, and reached 80.88 years in 2020, broke through 80 years.

At the same time, the population mortality rate has fluctuated little in recent years, basically stabilizing at around 7‰. With the development of the economy and the improvement of living standards, there has been a shift in people's concepts of childbearing and their willingness to give birth, and the birth rate of newborns has continued to fall. The birth rate fell from 14.03‰ in 2000 to 7.37‰ in 2022. The natural growth rate has declined sharply with the birth rate and has been negative for the first time in 2022.

Under the multiple effects of average life expectancy, birth rate and death rate, the problem of population ageing in China has become more prominent. By the end of 2021, China's total population was about 1.412 billion, of which the total number of elderly people over 65 years of age has exceeded 200 million, accounting for 14.9% of the total population. This figure has exceeded the 7% moderate aging ratio stipulated by the United Nations and reached the 14% severe aging ratio, proving that China has stepped into a moderately aging society.

### *1.2 The Prevalence of Survival with Illness in the Elderly*

The quality of life of elderly declines with age and longevity. Despite the current phenomenon of "longevity" in the population, many older persons face the problem of "living longer but not healthier". It is very common for older persons to live with illness.

About 190 million older persons in China suffer from chronic diseases. Among them, 75% of older persons aged 60 and over suffer from at least one chronic disease, and 43% have multiple coexisting diseases (two or more diseases at the same time). Chronic diseases do not necessarily pose a serious life threatening, but are characterized by long-term accompaniment and difficulty in curing, which can put a certain amount of physical and financial pressure on the elderly. In addition, the number of semi-disabled and disabled elderly people is also rising gradually. According to the data released by China National Committee on Aging, in 2020, there will be more than 42 million incapacitated elderly people over the age of 60 in China, accounting for about 16.6% of the total elderly population. Disabled elderly people are those who have lost the ability to take care of themselves. Disabled elderly people need specialized care, but due to the implementation of China's population policy, the "4-2-1" and "4-2-2" structure of the family has become the mainstream of society, and thus the problem of elderly people being left unattended has arisen again.

Due to the serious problem of population ageing in China and the increase in the life expectancy of the population, the number of elderly people "living with diseases" will increase in both number and years,

and the demand of the elderly for elderly care and medical services will also increase significantly. The elderly demand for nursing and medical treatment is increasing. China's existing home care, community care and institutional care can only meet the simple life care needs of the elderly, but cannot meet their medical needs and long-term rehabilitation care needs. Medical institutions, on the other hand, focus on the treatment of serious and acute illnesses, and are unable to provide services for chronic illnesses, incapacity, and other conditions that require long-term care for the elderly. Medical and nursing institutions are independent of each other, which makes it difficult for the elderly to move from one institution to another. As a result, China's demographic situation has given rise to the retirement model of "medical combined with nursing".

## **2. The Need for Commercial Insurance Companies to Participate in the Retirement Model of "Medical Combined with Nursing"**

### *2.1 Social Effect Dimension*

Against the background of the current demographic situation in China, it is no longer possible to meet the needs of social security by relying on social insurance alone. Facing the pressures of social pension security and health, the insurance industry should assume the responsibility of medical and health guarantee, so as to play the complementary role of commercial insurance.

#### **2.1.1 Improvement of the Pension Security System**

China's pension security system consists of three parts: basic social annual insurance, enterprise (occupational) annuities and individual commercial pensions. The first part, as the "pillar" of China's pension security system is overburdened with pressure. Although it covers a wide range of areas, the degree of protection it provides is low, and the pension replacement rate in China is only about 40%. The second part is the enterprise annuity and occupational pension, mainly for institutions and large enterprises to provide pension supplement for employees, obviously covering too few people. Individual commercial pensions, as the third part of the retirement security system, are voluntarily participated by individuals, and the funds are operated by commercial insurance companies. As the first part is under great pressure and the second part bears little responsibility, the third part should play an important role. The participation of commercial insurance in the "medical combined with nursing" model reduces the burden of China's aging population and plays an important role in promoting the sound development of China's pension security system.

#### **2.1.2 Promotion of Population Health Management**

Commercial insurance companies have formed a strong health ecosystem with their large customer base, years of claims experience data and actuarial technical support, and have taken a place in the health management field. With the gradual deepening of insurance companies in the field of health management, insurance giants have begun to further expand their own medical resources and set up health management centers and physical hospitals through acquisition or self-built, to lay out the in-depth development of the health industry. They not only provide health insurance protection and

medical treatment services for customers, but also provide health education and health management services, as well as targeted innovation and optimization of insurance products. The participation of insurance companies in the field of health management helps to explore a good path for whole-life health management and plays a positive role in promoting the health management of residents.

## *2.2 Industry Development Dimension*

The current crisis of population aging in China has intensified the pressure on social pension and health, which has promoted and catalyzed the continuous development of commercial annual insurance and health insurance, and is a new growth opportunity for the insurance industry.

### *2.2.1 Extending the Insurance Service Industry Chain*

Commercial insurance companies can transform virtual insurance products into physical medical and nursing services by designing different policy designs as well as providing diversified and personalized services in physical medical and nursing, providing customers with richer, more diversified and full-life-cycle service methods and contents. The retirement model of “medical combined with nursing” can effectively integrate retirement resources and medical resources to meet the diversified retirement and medical needs of the elderly, and match different classes and types of retirement needs, design different insurance products to meet different customer needs, and at the same time, it will extend the insurance service industry chain to provide customers with full life-cycle services.

### *2.2.2 Finding New Business Growth Areas*

The traditional insurance business of commercial insurance companies is constrained by the “non-thirstiness” and “catastrophic associations” of insurance, as well as by people’s traditional concepts, so the demand for China’s insurance market has not been fully aroused. There is still a gap between the insurance density and depth of China’s insurance market and that of the developed countries in the world, and there is much room for development. With the aging crisis of China’s population coming to the fore, the pressure of medical care demand is increasing, “medical combined with nursing” elderly care service industry will gradually become one of the sunrise industries in China, and will usher in the industry dividend. Although a large amount of capital investment is required in the early stage, based on the large amount of insurance funds and the characteristics of the funds can be used for a long period of time, it is also very suitable for investment in the medical and nursing industry. Therefore, commercial insurance companies to enter the “medical combined with nursing” in the field of elderly care services is in line with the trend, can bring new business growth point for insurance companies.

## **3. Analysis of the “Insurance + Service” Model of Elderly Care by Commercial Insurance Companies**

Commercial insurance companies are actively involved in the layout of “insurance + service”, and continue to promote the “medical and nursing” model of retirement, and actively respond to the reality of China’s demographic situation. How to combine virtual insurance with physical services is an

important crux. At present, a number of large commercial insurance companies have adopted the approach of “virtual insurance + physical services”, realizing the close integration of insurance products and medical and nursing services to meet the diversified needs of the elderly in medical care and nursing, forming the “insurance + service” model of elderly care. However, due to the different financial strength and development strategies of each company, there are obvious differences in the way of participation in medical care and the type of investment in retirement organizations. At present, China’s commercial insurance companies to participate in the “medical combined with nursing” service mainly has two modes. One is home elderly care, and the other is institutional elderly care.

### *3.1 Home Elderly Care is More Basic*

Home elderly care service is a family-centered service that relies on specialized services to provide the elderly living at home with socialized services focusing on solving their daily life problems, and its services are mainly in the areas of life care, medical services and spiritual care. The home care service provided by insurance companies allows customers to purchase relevant insurance products to obtain personal or health-related insurance protection and at the same time obtain the corresponding rights and benefits of home care services provided by insurance companies. The ability of home care to provide such diverse services at the customer’s home also relies on the advantages of the insurance company’s large health ecosystem, its ability to integrate resources and the information interconnection of the Internet platform. This model is represented by Ping an insurance (group) company of China.

Taking Ping an’s home elderly care as an example, it first provides customers with insurance products that dovetail with home care, and customers make front-end payments for senior care services through the purchase of insurance products, transforming virtual insurance products into physical services. When customers purchase the corresponding products, the insurance company will provide one-stop home care solutions, such as upgrading some age-appropriate equipment in the familiar home of the elderly, providing health education video programs, scientific health recipes, health consultation, emergency help and other services. It is also equipped with intelligent housekeepers and online doctors and professional consultants to cover multiple life scenarios of the elderly, which not only meets the general needs of elderly care and medical care, but also provides a full range of services in various aspects such as food, housing and transportation. It gives the elderly more peace of mind in their twilight years and their children more peace of mind.

For insurance companies, it is a good investment to provide medical and nursing services with their own resources and without high costs. For customers, home elderly care can realize that the elderly can live in their own homes and enjoy the services of a third party while being taken care of by their family members, which is in line with the traditional concept of “not leaving home in the old age” of the elderly; and the cost is lower than that of institutional elderly care. However, when the elderly live alone, they are not skilled enough in the use of some equipment and cannot use it in case of emergency, so the effect of this kind of home care service will be greatly reduced. Or when the elderly are in a state of incapacity and need specialized long-term nursing or medical care, home care is not an appropriate

choice.

### *3.2 Institutional Elderly Care Becomes High-End*

Institutionalized elderly care is based on the establishment of an elderly care facility, which provides diversified services to the elderly living in the facility by virtue of specialized medical and nursing services. This kind of nursing home is very different from the general nursing home, which is a new type of functional community that provides diversified senior services according to the needs of the elderly. Elderly community realizes the organic combination of medical care and elderly care, not only equipped with advanced medical equipment and professional nursing personnel, but also a wealth of interest activities and recreational facilities, a variety of types of elderly services in one functional facility, from the physical and psychological aspects of the provision of services. Therefore, it can also be called a retirement community model.

Customers can obtain medical resources and retirement services through the purchase of annual insurance products and medical insurance products, realizing the organic combination of medical care, retirement and insurance. This kind of senior care service model is also generally categorized into three modes, asset-heavy, asset-light and combination of light and heavy, which are applicable to different types of insurance companies. The asset-heavy model refers to the insurance company's self-built retirement community, which operates on its own with the help of its own strong medical and healthcare ecological resources. The profit model of this type is more complicated and difficult to operate, but it is also difficult to be easily copied by other companies. This model is led by Taikang Insurance Group, which has set up high-end senior living communities across the country with a migratory bird-style living experience. Based on the concept of "comfortable living, energetic aging and integration of medical care", the retirement communities have created a distinctive business card of Taikang, which has been widely recognized by customers and society. For insurance companies, this model is characterized by "high investment and high return". On the contrary, the asset-light model is usually a joint venture between an insurance company and other companies to establish a senior living enterprise and build a senior living community, where the insurance company is responsible for the design and development of insurance senior living community products, marketing and other businesses, and co-constructs and cooperates with other companies that have rich experience and resources in real estate, healthcare, etc. This model greatly reduces the investment cost of the insurance company in the retirement community, and the profit will be shared. Although this model is highly flexible and replicable, it has less participation in the retirement community and less integration of resources, and the advantages of the insurance company are not well reflected. The asset-light model is generally favored by small and medium-sized life insurance companies, and China Pacific Insurance Group has already been involved in the senior living industry through the asset-light model. The heavy asset model tests an insurer's strategic determination, capital liquidity, resource integration and cross-border operation ability. In contrast, the "combination of light and heavy" model can leverage large-scale senior care service provision with less capital, and is gradually being favored by more

insurers, such as China Taiping and China Life, among others.

Regardless of which of these three modes is used, the elderly can have a better experience in retirement communities, which can not only improve the quality of medical and nursing services for the elderly, but also enhance their quality of life. Retirement communities mainly adopt the CCRC model, which precisely matches the daily care needs of the elderly by providing them with integrated residential facilities and services for self-care, intermediate care, and assisted living, and by choosing different living quarters according to the different physical conditions of the elderly. However, this type of retirement communities generally charges higher fees, and its customers are targeted at the middle and high-end customer groups.

#### **4. Suggestions for Optimizing China's Retirement Model of "Medical Combined with Nursing"**

##### *4.1 Cultivating Professional Talents and Deeply Cultivating the Big Health Industry Chain*

The "medical combined with nursing" retirement care service industry will gradually become one of the sunrise industries in China. In order to deepen the health field and seize industry dividends, it is indispensable to establish a team of professional talents suitable for the "medical combined with nursing" model. On the one hand, insurance companies can strengthen school-enterprise cooperation with universities and local vocational colleges to open healthcare-related specialties and cultivate a large number of talents for the healthcare service field; on the other hand, the company can provide professional training for the existing staff to help them improve their business ability and refine the professional level of the staff. The combined effect of increasing quantity and improving quality will help insurance companies to deeply cultivate the big health industry chain.

##### *4.2 Expanding the Middle and Low-End Markets and Providing Multi-Level Medical and Nursing Services*

Since the demand for medical care for the elderly in China far exceeds the supply, those who can enjoy medical care services are still mainly middle and high-end people, and it is difficult to meet the medical care needs of the middle class and low-income people. Accelerating the participation of insurance companies in the retirement model of "medical combined with nursing" and focusing on expanding the middle and low-end markets can provide more elderly people with multi-level healthcare services. Insurance companies can expand the market by taking into account the wealth status of different groups of people and designing diversified insurance policies to match different levels of medical and nursing services.

##### *4.3 Participation of Government and Society to Build a "Public-Private-Partnership" Model*

Although a large number of insurance companies have participated in the "insurance + service" model of senior living, the service provided is far from enough to meet the needs of the elderly in China. And the construction of senior living community investment period is long, slow return on investment, insurance companies are generally faced with the problem of capital pressure. If the government and society can jointly participate in resource integration, and government funds and insurance company

funds operate together, on the one hand, it can greatly reduce the financial pressure of insurance companies, promote the construction and development of senior living institutions, and increase the supply of senior living services. On the other hand, government departments are responsible for regulating the price and quality of infrastructure and public services to ensure that public interests are maximized and that medical and nursing resources are fully utilized. This model of cooperation between the government and social capital in the field of senior care services is known as the “PPP” model, which has been successfully experienced in the United States, the United Kingdom, Japan and other countries, and China can make reference to it to a certain extent in the light of the actual situation.

## References

- Chen, Y. X. (2021). *TK Insurance Group, Study on the Combination of Medical and Nutritional Care Model of Elderly Care*. Nanchang: Nanchang University.
- Gao, X. Y. (2020). Exploration from the perspective of commercial insurance to crack the “bottleneck” in the development of health care integration. *Industry and Technology Forum*, 19(10), 89-90.
- Iwagami, M., & Tamiya, N. (2019). The long-term care insurance system in Japan: past, present, and future. *JMA Journal*, 2019(2), 67-69. <https://doi.org/10.31662/jmaj.2018-0015>
- Lei, L. Y. (2023). *Research on the participation of commercial insurance companies in the “combination of medical and nursing” retirement model in China*. Taiyuan: Shanxi University of Finance and Economics.
- Li, H. M., & Chen, Q. (2020). Exploration of commercial insurance participation in medical and nursing combination model. *China Insurance*, 2020(06), 35-38.
- National Development and Reform Commission. (2014). *Notice on Accelerating the Construction of Health and Elderly Service Projects [EB/OL]*. Retrieved from [https://www.ndrc.gov.cn/xxgk/zcfb/tz/201410/t20141010\\_964249.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz/201410/t20141010_964249.html)
- Shen, J. Y. (2023). *Research on the Participation Mode of Insurance Companies in the Construction of retirement Service System in China*. Taiyuan: Shanxi University of Finance and Economics.
- Wang, Y. (2023). Ping an home elderly care model visit. *International Finance Daily*, 2023-04-17(001).
- Wang, J. (2022). Effective supply path of combined medical and nursing care service under PPP model. *Journal of Economic Research*, 2022(36), 62-64.
- Zhao, X. (2019). Combination of healthcare and nursing under commercial insurance model--Taking Taikang retirement community as an example. *Labor Security World*, 2019(23), 38-41.