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# A Study on the Evolutionary Process and Path Selection of China's Multi-Tiered Medical Security System

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**Abstract:** Establishing a multi-tiered medical security system represents the core objective of the reform of China's medical security system. By examining the developmental trajectory and current state of China's medical security system, this paper identifies several persistent issues, including incomplete coverage and low levels of protection, limited effectiveness of the multi-tiered system, an underdeveloped core tier, insufficient attention to the intermediate tier, and underdeveloped outer tiers comprising commercial health insurance and charitable medical assistance. Achieving the goals of constructing a multi-tiered medical security system necessitates robust top-level design. This involves not only establishing a vertical institutional framework with basic medical insurance as the core, medical assistance as the safety net, and commercial health insurance and charitable donations as supplementary components, but also clearly defining the roles and responsibilities of diverse governance entities—including the government, market, and society—from a horizontal perspective. Concerted efforts from all parties are essential to create a favorable operational environment for the development of the multi-tiered medical security system.

**Keywords:** Medical Security System; Multi-Tiered Medical Security System; Policy Evolution; Reform Pathways; China.

## 1. The Development Course of China's Medical Security System

### 1.1. Development of Basic Medical Insurance as the Core Layer

The development of basic medical insurance in China has undergone three stages: the period of free medical care and labor insurance medical care, the stage of social medical insurance, and the current stage of a multi-tiered medical security system[1].

#### 1.1.1. The Period of Free Medical Care and Labor Insurance Medical Care (1951-1998)

The primary characteristic of this stage was the adoption of systems including free medical care, labor insurance medical care, and cooperative medical care.

In the early years following the founding of the People's Republic of China, China was at a relatively low stage of economic development, with constrained fiscal capacity and limited medical resources. Medical coverage was primarily provided to urban residents, including employees of government agencies, public institutions, and state-owned enterprises. Between 1951 and 1960, free medical care and labor insurance medical care systems were established in urban areas. However, a corresponding medical security system was not established in rural areas. From 1956 to 1966, urban medical security systems were further developed and standardized, and preliminary progress was made in establishing rural cooperative medical care systems. By the mid-1960s, China had established a government-led basic health service system covering the vast majority of urban residents and most rural residents. This system, characterized by high coverage and low protection levels, was well aligned with the economic and social development standards of the time. Since the 1980s, with economic development and the deepening of reform and opening-up, the traditional medical security system began to exhibit a series of drawbacks, such as heavy financial burdens, waste of medical resources, and a low degree of socialization in management services. Consequently, medical security system reform became imperative. In 1994, the State Council formulated an implementation plan for medical insurance system reform, proposing a basic medical insurance system for urban employees and initiating pilot programs in Zhenjiang City, Jiangsu Province, and Jiujiang City, Jiangxi Province—commonly known as the "Two Cities Pilot Program."

#### 1.1.2. The Social Medical Insurance Stage (1998-2006)

The most significant achievement of this stage was the formal shift of China's medical security from a free welfare model to a contributory model, thereby marking the end of the absence of social insurance coverage for farmers.

At the end of 1998, the "Decision of the State Council on Establishing the Basic Medical Insurance System for Urban Employees" was issued, formally establishing China's basic medical insurance system for urban employees and defining its social insurance model[2]. Between 2000 and 2001, the basic medical insurance for urban employees was rolled out nationwide, establishing a medical insurance system combining social pooling and individual accounts. Basic medical insurance contributions were jointly paid by employers and employees.

In 2002, the central government proposed the gradual establishment of a new-type rural cooperative medical care system in rural areas.

#### 1.1.3. The Multi-Tiered Medical Security System Stage (2007 – Present)

The primary characteristics of this stage are the coordination of urban and rural systems, institutional integration, and the pursuit of universal medical coverage under the medical security system[3].

Between 1998 and 2006, although the basic medical insurance system for urban employees was established, coverage was limited to basic medical security. Issues such as the absence of a major illness pooling mechanism, inefficient allocation of medical resources, and irregular medical

practices led to high medical service costs and difficulties in controlling expenditures. Consequently, a new round of healthcare system reform was initiated, with the goal of establishing a relatively comprehensive social medical security system by 2020. Since 2006, the new round of healthcare system reform has been continuously deepened and advanced. In 2007, the basic medical insurance system for urban non-employed residents was fully implemented. In 2009, the "Opinions of the Central Committee of the Communist Party of China and the State Council on Deepening the Healthcare System Reform" was officially released, followed by the issuance of the "Recent Key Implementation Priorities for Healthcare System Reform (2009-2011)," which proposed five key reform tasks: establishing a basic medical security system, establishing a national essential medicines system on a preliminary basis, improving the primary healthcare service system, promoting gradual equalization of basic public health services, and advancing pilot reforms in public hospitals. In 2010, the "Social Insurance Law of the People's Republic of China" was passed, marking the integration of social insurance reform into a legal framework.

To further expand the coverage of basic medical insurance, enhance protection levels, improve operational efficiency, and contain medical expenditures, the state issued the "Guiding Opinions on Carrying out the Urban and Rural Resident Major Illness Insurance" in August 2012. This policy aimed to further improve the medical security system for urban and rural residents, strengthen the multi-tiered medical security system, minimize the burden of out-of-pocket medical expenses, reinforce cost control and efficiency enhancement, and underscore the role of commercial health insurance within the multi-tiered system. In 2016, the State Council issued the "Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents," merging the urban resident basic medical insurance and the new-type rural cooperative medical care system[4]. In 2018, the National Healthcare Security Administration was established, further strengthening the top-level design of the medical security system and laying a solid foundation for enhancing governance capacity and maximizing the system's effectiveness.

## 1.2. Development of Commercial Health Insurance as a Supplementary Layer

Commercial health insurance constitutes an important component of the multi-tiered medical security system, serving as a market-oriented supplementary mechanism to statutory medical security[5]. It is provided by commercial insurers, with individuals as the insured, and operates through premiums payments that form insurance funds used to compensate for medical expenditures and income losses arising from illness or accidental injury. Against the backdrop of population aging, rapid advances in medical science and technology, and continuously expanding healthcare demand, medical security expenditures have risen substantially across countries, thereby elevating the strategic importance of commercial health insurance as a complementary pillar within the medical security systems.

### 1.2.1. Nascent Stage (1949-1993)

In 1949, China's first commercial insurance company was established. However, due to the dominance of the labor insurance and free medical care system, coupled with generally low public awareness of insurance, commercial health insurance remained largely undeveloped during this period.

### 1.2.2. Initial Development Stage (1994-2003)

With the deepening reform of the social medical security system, commercial health insurance began to develop at an accelerated pace. In 1995, critical illness insurance was introduced, marked by the launch of the first individual supplementary term critical illness insurance product. In 2002, the China Insurance Regulatory Commission issued the "Guiding Opinions on Accelerating Health Insurance," which encouraged commercial insurance companies to expand into health insurance, establish a comprehensive health insurance product system, and explore diversified business models. By 2003, over 60 insurance companies had become qualified to operate short-term health insurance business.

### 1.2.3. Standardized Development Stage (2004-2015)

In April 2005, PICC Health Insurance Company Limited was established as China's first specialized health insurance company, marking a significant step toward market specialization. In 2006, the Insurance Regulatory Commission promulgated the "Measures for the Administration of Health Insurance," the first sector-specific regulatory framework governing health insurance[6]. Subsequently, policy documents such as the "Several Opinions on the Development of the Insurance Industry" further encouraged the development of commercial health insurance, clarified its functional positioning within the multi-tiered medical security system, and expanded its scope of services.

### 1.2.4. Accelerated Development Stage (2015 – Present)

In 2016, the "13th Five-Year Plan for the Development of China's Insurance Industry" and the "Healthy China 2030 Plan Outline" explicitly proposed commercial health insurance as a vital pillar of the social security system. In 2017, the Insurance Regulatory Commission promulgated the "Measures for the Administration of Health Insurance," outlining further steps to promote the development of the commercial health insurance business[7]. In addition, the implementation of preferential tax policies for commercial health insurance significantly enhanced its attractiveness and marked the transition to a new phase of accelerated growth.

# 2. Current State of the Multi-Tiered Medical Security System

With the issuance of the "14th Five-Year Plan for National Medical Security," the multi-tiered medical security system has been further clarified and systematically structured. According to the Plan, the system is composed of three interrelated layers. The core layer is based on basic medical insurance, supplemented by major illness insurance and medical assistance. The intermediate layer consists of social security arrangements targeting specific populations, such as maternity insurance and long-term care insurance. The outer layer comprises a market-oriented protection framework dominated by commercial health insurance, supplemented by mutual medical assistance and charitable donations.

## 2.1. Core Layer: Basic Medical Insurance as the Mainstay, Supplemented by Major Illness Insurance and Medical Assistance

Specifically, the core layer consists of government-led medical security arrangements, including basic medical

insurance and medical assistance. It is established by law and financed through fiscal inputs and basic medical insurance contributions paid by employers and individuals, aiming to meet the fundamental medical security needs of the entire population under principles of equity and compulsory participation. Medical assistance functions as a bottom-line institutional safeguard for economically disadvantaged individuals[8]. Funded by government budgets, it primarily provides subsidies for participation in basic medical insurance and additional reimbursement for out-of-pocket medical expenses, thereby ensuring access to essential healthcare services.

However, the core layer faces challenges in terms of insufficient benefit depth and limited standardization. Basic medical insurance operates through two systems: the urban employee basic medical insurance and the urban-rural resident basic medical insurance, resulting in differentiated levels of protection. Due to its orientation toward basic coverage, protection against major illnesses remains relatively limited, despite the presence of major illness insurance schemes.. Furthermore, the financing level of the resident medical insurance is considerably lower than that for employee medical insurance. Supplementary protection under the employee medical insurance largely depend on local governments and enterprises. Some cities and companies have introduced employee major illness insurance or supplementary medical insurance independently, such as certain state-owned enterprises in Beijing and Shanghai. However, these arrangements are not institutionalized at the national level and therefore require further integration and standardization.

## 2.2. Intermediate Layer: Social Security for Specific Populations

As a supplementary component of the multi-tiered medical security system, the intermediate layer provides protection for targeting specific population groups whose needs are not fully covered by basic medical insurance Currently, this mainly includes maternity insurance for female employees and long-term care insurance for individuals with disabilities. It also encompasses supplementary medical insurance schemes supported by government policies, under which enterprises may purchase commercial health insurance for employees, benefiting from preferential tax policies. These incentives, which involve tax benefits for eligible enterprises, aim to enhance employee welfare while maintaining a balance between fairness and incentive compatibility, and are generally implemented on a voluntary basis as part of occupational benefits. In addition, this layer includes policy innovations such as government purchase of commercial health insurance for the public as a supplement to basic medical insurance, as well as the use of funds from individual accounts in basic medical insurance by urban employees to purchase commercial health insurance.

Although basic medical insurance and supplementary medical security play critical roles in overall medical security, the development of the intermediate layer faces significant challenges. Population ageing and changing disease patterns have led to a rapid increase in disability associated with chronic diseases, imposing substantial long-term care burdens on individuals and families. Establishing a sustainable long-term care insurance system has therefore become a common challenge. The key constraints lie in financing mechanisms, eligibility assessment, and benefit provision, with financing representing the most critical issue. Long-term care insurance is expected to rely on shared contributions from the government, enterprises, and individuals. Given the weaker financing capacity of resident medical insurance, long-term care insurance is more appropriately piloted within the employee medical insurance framework. In terms of financing structure, long-term care insurance is typically funded through contributions shared between enterprises and employees on a relatively equal basis, in contrast to basic medical insurance, where enterprises generally assume a larger share. Regarding eligibility assessment, entitlement to long-term care insurance benefits generally requires formal certification of a disability state lasting six months following treatment in a medical or rehabilitation institution. Benefit provision is differentiated based on care levels and service types, meaning benefits require rigorous assessment and needs-based delivery.

Overall, while the intermediate layer plays an essential supportive and bridging role in the medical security system, its institutional design and implementation remain subject to ongoing refinement.

## 2.3. Outer Layer: Market-Oriented Protection Model

The outer layer focuses on market-oriented protection. Commercial health insurance operates on contractual arrangements between individuals and insurance institutions, with the insured person's health as the insured subject. When the insured falls ill or suffers accidental injury, it provides compensation for both direct or indirect medical-related expenses. It aims to satisfy individuals' diversified and personalized needs for illness treatment and health management, adhering to the principle of voluntary market transactions[9]. Social charity and mutual medical assistance are grounded in social donations and mutual support, aiming to alleviate medical burdens for disadvantaged groups, guided by the principles of social solidarity and charitable redistribution. Social charity involves donations from charitable organizations or individuals targeted at specific diseases, medications, or health-related causes, representing a form of tertiary distribution within the national income distribution framework, such as online charitable platforms (e.g., Alibaba Philanthropy, Tencent Foundation, and Shuidichou). Medical mutual assistance signifies collective risk-sharing through mutual support, commonly seen in programs organized by trade unions, providing benefits for hospitalization or major illness cases for participating members.

Over the long term, market-oriented commercial health insurance demonstrates significant growth potential, which is instrumental in consolidating the current multi-tiered medical security system. National policies also encourage product innovation in commercial health insurance and the integration of data between basic medical insurance and commercial insurance schemes. However, similar to resident medical insurance, the primary constraint on health insurance development lies in financing capacity. Currently, China's health insurance is divided into critical illness insurance and medical expense insurance. Critical illness insurance constitutes the dominant segment, holding over 60% of the market share. Although many critical illness products offer multiple claims, their core characteristic is indemnification triggered by the diagnosis of specified diseases rather than reimbursement based on actual medical expenditures. Since

policyholders receive payment independent of actual incurred costs, its supplementary role to basic medical insurance remains relatively limited. Moreover, the growth rate of critical illness insurance has declined in recent years, placing considerable pressure on the premium scale of commercial insurance.

Additionally, medical expense insurance, which is indemnity-based, comprises group and individual plans. The market growth potential for group plans is relatively constrained and slow, while individual plans, due to lower premium prices, contribute only marginally to the overall health insurance scale. Although medical expense insurance has been the primary driver of growth over the past five years, maintaining double-digit growth rates, it fails to offset the overall deceleration in premium growth caused by the slowdown of critical illness insurance. Furthermore, premiums for "Huimin Insurance" (city-customized supplementary insurance) are extremely low; for most residents, the premium accounts for less than 1% of local annual medical insurance contributions. Without sustained and rapid premium growth, reliance on this product alone makes it difficult to provide an effective supplement to the multi-tiered medical security system.

In essence, the core and intermediate layers fall under the social security domain, primarily driven and regulated by medical security authorities, while the outer layer functions as a market-based complement. The core layer, centered on basic medical insurance, constitutes the foundation of the multi-tiered medical security system. Expanding coverage of employee medical insurance and optimizing the financing structure for resident insurance will remain the primary drivers of fund accumulation, thereby further enlarging the overall fund pool. The nationwide expansion of long-term care insurance will promote the implementation of care protection; however, it is necessary to systematically design pathways for expanding the contribution base and extending coverage to resident basic medical insurance participants. While the premium scale of commercial health insurance appears large, the supplementary effect of critical illness insurance is limited and faces growth bottlenecks. Indemnity-based medical expense insurance is constrained by high distribution costs and low premium levels, resulting in a restricted insurable premium scale; consequently, its short-term supplementary effect on basic medical insurance is also limited.

# 3. Critical Challenges Facing the Multi-Tiered Medical Security System

From the analysis above, the construction and development of the multi-tiered security system face both structural and economic issues[10]. Specifically, the following challenges are evident.

## 3.1. Incomplete Coverage and Low Level of Protection

Currently, basic medical insurance in China has not achieved universal coverage, leaving a residual segment of the population without medical security. Simultaneously, issues such as the insufficient coordination among basic medical insurance, medical assistance, and commercial insurance, weak supervision of contracted medical institutions and pharmacies, fragmentation between urban and rural schemes, and inconsistencies within the resident basic medical insurance system, as well as difficulties in contribution payments, medical expenses for retired employees, and inefficiencies in medical insurance fund operations, collectively exacerbate the structural problem of low effective coverage and limited protection levels[11]. Overall, the policy objective of "broad coverage with a modest level of protection" has not been fully realized.

## 3.2. Lack of Substantive Effectiveness in the Multi-Tiered Medical Security System

Currently, while China has largely established the framework for a multi-tiered medical security system, shortcomings remain in its substantive implementation. First, issues concerning rural residents' participation in basic medical insurance remain unresolved. The shortage of high-quality rural medical resources significantly undermines the effectiveness of insurance coverage. Specifically, the limited reimbursement for outpatient services and diagnostic examinations increases the out-of-pocket burden for rural populations. Second, the operation of different tiers of medical insurance has not shown significant results. Basic medical insurance suffers from relatively low operational efficiency, attributable to high contribution rates, lagging legislative frameworks, and the absence of effective incentive and constraint mechanisms. Commercial medical insurance remains underdeveloped, with some institutions exhibiting risk-selection behaviors, such as favoring younger insured groups over the elderly, providing payouts upon death but not survival, denying renewal for long-term illnesses, and excluding high-cost self-funded medications while covering minor expenses. Supplementary medical insurance has not fully optimized its role in complementing social and commercial medical insurance, inadvertently creating gaps in the medical security system. Third, there is a lack of clearly defined policy objectives and scientifically grounded system planning. Given China's structural characteristics—a large population base, significant urban-rural disparities, and uneven regional development—the development of the medical security system requires long-term, system-level strategic planning[12]. Currently, China has not yet achieved optimal allocation of medical resources nor fully leveraged the co-existing and complementary roles of different systems.

## 3.3. Drawbacks Emerge in Medical Security System Reform

During the process of medical security system reform, basic medical insurance remains the cornerstone, indirectly reflecting the relatively underdeveloped status of medical assistance and commercial medical insurance. Within the basic medical insurance tier, the coexistence of differentiated schemes and benefit structures for civil servants, urban employees, urban residents, and rural populations perpetuates urban-rural divides and class distinctions, thereby intensifying social inequity. Concurrently, against the backdrop of medical insurance reimbursement reform, the tension between the profit-driven incentives of medical institutions and their public welfare orientation has become increasingly pronounced. In the absence of effective supervision and cost-containment mechanisms, profit-seeking behaviors may lead to the over-prescription of high-cost pharmaceuticals, the recommendation of unnecessarily expensive treatment plans, and price inflation in drug production and distribution, all of which undermine patient

welfare and consumer rights. On the demand side, some insured individuals exploit institutional loopholes through fraudulent claims, giving rise to moral hazards. Additionally, unclear government responsibilities—manifested in simultaneously encouraging the development of commercial medical insurance while reducing investment in healthcare—coupled with a lack of systematic planning, exacerbates the burden of medical expenses on residents amidst an aging population, further straining medical insurance funds and hindering progress in the medical security field.

# 4. Strategies for Improving the Multi-Tiered Medical Security System

The above analysis indicates that although the institutional framework of a multi-tiered medical security system has been established in China, its practical effectiveness remains limited. To advance its development, the key lies in strengthening top-level design based on the requirements of the new era, undertaking a system-wide structural optimization, and fostering a favorable operational environment through concerted efforts from multiple stakeholders.

## 4.1. Executing Top-Level Design for a Comprehensive Overhaul of the Medical Security System

Given China's specific national conditions—characterized by uneven urban-rural development and socio-economic stratification—the central government should systematically evaluate regional implementation outcomes, and selectively establish a reasonable institutional framework. At the same time, it is necessary to comprehensively refine mechanisms related to enrollment, contributions, and reimbursement scope, thereby achieving a more effective alignment between healthcare supply and population demand.

### 4.1.1. Refining the Roles of the Core, Intermediate, and Outer Layers

The statutory medical security at the core layer should primarily reflect the government's leading role, adhering to the principles of equity, universality, and basic protection. Uniform benefit standards should be established nationwide to effectively address the basic medical security needs of the entire population. Efforts should be accelerated to address high medical expenses, establish a dedicated major illness insurance system, , and strengthen the rural medical security system. At the same time, it is essential to rectify corrupt practices within the Party and society, enhance social equity, guide the stable operation of the medical security system comprehensively. This process should also encourage active participation from individuals, society, and the government, fostering a multi-actor collaborative framework characterized by mutual assistance. Concurrently, major illness insurance should be re-integrated as a component of resident basic medical insurance, and its administration should be transferred from entrusted insurance companies back to social medical insurance agencies[13]. This is crucial for stabilizing the resident basic medical insurance system, while also creating space for commercial insurers to further develop differentiated health insurance products. Given that illness often leads to or exacerbates poverty, the medical assistance system should be continuously improved as a vital mechanism serving the relatively impoverished population. The government should increase fiscal investment to ensure more effective protection for low-income groups regarding hospitalization and medical care.

The intermediate layer, comprising supplementary social security for specific population groups, should place greater emphasis on expanding the contribution base and enhancing its linkage with resident basic medical insurance. Adhering to the principle of altruism, it serves as an assistance mechanism for social groups in need.

The outer layer, composed of commercial health insurance, addresses individuals' personalized medical security needs and should fully leverage market advantages to enrich the multi-tiered system. The key is to expand the coverage of commercial insurance. This involves, on the one hand, developing tailored products for different demographic groups, with meticulous design regarding insured populations, reimbursement limits, etc., to provide multi-tiered long-term protection, especially for specialized products like major illness insurance for the elderly, disability insurance, long-term care insurance, and medical liability insurance. On the other hand, it involves incorporating reasonable medical expenses not covered by the basic medical insurance catalog into the coverage of commercial health insurance and increasing reimbursement rates[14]. As a service-oriented industry, commercial insurance should also focus on forming an integrated service chain covering personalized customization, claims processing, and after-sale services to better safeguard the health-related interests of the insured population.

### 4.1.2. Ensuring Legal Guarantees for the Medical Security System

A robust legal framework is indispensable for the effective functioning of the medical security system, as it protects the legitimate rights and interests of both providers and beneficiaries and helps maintain order in the medical field. Based on the current medical security market conditions and assessing the actual circumstances of insured individuals, medical institutions, and insurance entities, the government should clarify legal frameworks in necessary areas, strictly manage the medical service market, improve protection levels, severely crack down on fraudulent and criminal activities, implement social management for administrative personnel in medical insurance institutions, and mandate regular social supervision and higher-level review. These measures will provide more precise and robust legal and policy support for the development of the medical security system.

### 4.1.3. Establishing a Comprehensive and Scientifically Grounded Evaluation System for the Medical Security System

The medical security system is deeply embedded in the everyday lives of the population, with multiple sectors performing their respective functions under institutional arrangements. However, following the implementation of new policies or system reforms, it is essential to establish a comprehensive, systematic, and scientifically grounded evaluation framework to assess policy outcomes and ensure sustainable development. Such evaluation should encompass key dimensions, including the coverage and status of the insured population, the service quality and management efficiency of contracted medical institutions, the utilization efficiency and sustainability of medical insurance funds, and the rational allocation of medical resources. Through rigorous evaluation, problem identification, and iterative policy adjustment, the system can be continuously optimized, thereby enhancing the overall performance and governance

capacity of China's medical security system.

## 4.2. Concerted Efforts from Multiple Parties to Create a Favorable Operational Environment

In constructing the multi-tiered medical security system, it is essential not only to establish a vertically integrated institutional structure characterized by coordinated development, with basic medical insurance as the foundation, medical assistance as the safety net, and commercial health insurance and charitable support as supplementary components, but also to clarify the functional roles and responsibilities of different governance entities—government, market, and society—from a horizontal governance perspective. This reflects the principle of co-construction and shared governance, whereby multiple stakeholders jointly cultivate a favorable operational environment and leverage the synergy and holistic nature of each entity.

### 4.2.1. Government: Transforming Governance Approaches

As the primary governing body for the core layer of the multi-tiered system, the government must exercise macro-level coordination and strategic regulation over pricing, payment mechanisms, benefit protection, and supervision within basic medical insurance. Firstly, the government should increase its focus on investment in medical services and provide fiscal subsidies to overburdened contracted medical institutions. It should also streamline and standardize basic medical insurance procedures, while strengthening supervision over all stages across the pharmaceutical supply chain to ensure quality and quantity while setting maximum drug prices. Simultaneously, efforts should be made to optimize the medical security service delivery system, promote integrated "one-stop" services based on a unified national information system, and create a streamlined and transparent medical insurance service system. The government should also promote the widespread adoption of digital tools such as Alipay's medical insurance electronic voucher, facilitate inter-regional transfer and continuation of insurance for various groups, and enable settlement of medical expenses incurred in different locations, promoting the implementation of information technology. Furthermore, the government must standardize medical practices among healthcare providers, establish clear benchmarks for medical service pricing, curb irrational or excessive payment behaviors, and implement well-defined incentive and penalty mechanisms to maintain fair competition and orderly market operation. For the insured population, efforts should also focus on public awareness, ethical standards, and compliance, in order to prevent fraudulent insurance behaviors.

### 4.2.2. Market: Enriching Governance Content

As a country operating under a socialist market economy, China should fully leverage the decisive role of the market in resource allocation. Within the multi-tiered medical security system, the market plays a role primarily through enterprise-based supplementary medical insurance and commercial health insurance products. To enable the market to function effectively, appropriate policy guidance is essential. Policies should explicitly encourage the expansion and innovation of commercial health insurance, thereby broadening its coverage scope beyond the essential drug lists and medical service catalogs defined by basic medical insurance, and better meeting the diversified and personalized healthcare needs of the population. At the same time, market competition mechanisms should be strengthened. With the goal of meeting the personalized needs of societal members, market actors should be incentivized to develop competitive, targeted, and sustainable health insurance products, while also enabling companies to achieve their profit objectives through such business ventures.

### 4.2.3. Society: Improving Governance Structure

Society, as the primary governance entity for charitable donations within the multi-tiered medical security system, should improve its governance structure and activate broader social vitality. Firstly, the independent operational capacity of charitable assistance should be strengthened, enhancing its ability to support vulnerable populations not fully covered by government aid and those with rare and major diseases, thereby forming a beneficial complement to government assistance. In addition, civil affairs departments should also collaborate closely with charitable organizations to establish digitalized, transparent, and socially accountable evaluation and supervision systems, including integrated databases and public evaluation platforms. These systems should enable real-time dynamic monitoring of beneficiaries' health conditions, treatment processes, and utilization of medical funds. By leveraging advanced technologies such as big data and artificial intelligence, it becomes possible to enhance oversight of charitable fund allocation, reduce the risk of fraud and misallocation, and ensure the effective use of relief funds.

In summary, only by accelerating the resolution of high medical expense issues, promoting the development of commercial medical insurance, establishing a dedicated major illness insurance system, and strengthening governance integrity across both governmental and societal domains, can China enhance equity and efficiency within its medical security system. At the same time, it is necessary to ensure the stable operation of the medical security system through coordinated institutional design, strengthen the active participation of individuals, society, and government, and foster a multi-stakeholder collaborative framework characterized by mutual support and shared responsibility. Only under such conditions can a well-functioning, resilient, and effective multi-tiered medical security system be fully realized.

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