
RESEARCH ARTICLE

Suggestions on the Development of the Health Insurance Industry during the Normalization Phase of COVID-19 in China: Based on the Comparative Analysis Method

Yue Lin¹ ✉ and Yixiang Fang¹

¹*Institute of Western Languages and Cultures, Beijing Language and Cultural University, Beijing 100089, China*

¹*International College, Wenzhou Business College, Wenzhou 325035, China*

Corresponding Author: Yue Lin, **E-mail:** katyalin@163.com

ABSTRACT

At present, China has gradually entered the period of normalization of COVID-19. Due to the raging pandemic, the domestic and international economic situation is not optimistic, and the health insurance industry is closely related to people's well-being, but currently, there is still little research on the development of the health insurance industry. Therefore, this paper revolves around the discussion of this industry. This paper first analyzes the current situation of the industry using the PEST analysis model and then summarizes some of the factors that drive the development of the health insurance industry and measures to promote the industry in different periods and regions using the comparative analysis method based on existing research. Given the above comparative analysis, this paper finds the fundamental points for development and gives development suggestions from three aspects: product innovation, technology development, and system reform.

KEYWORDS

Health insurance, COVID-19 epidemic, comparative analysis, PEST analysis model, developmental suggestions.

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1. Introduction

1.1 Research Background

The rampant COVID-19 outbreak in 2019 had a significant and far-reaching impact on China and the world and has severely hit the economies of various countries. The epidemic has brought challenges of varying degrees to the development of various industries, among which the health insurance industry, which is directly related to the lives and health of the population, has been the most affected. The Chinese insurance industry, which is steadily entering the normalized environment of the epidemic, should grasp the opportunities brought by the COVID-19 epidemic, promote corporate innovation and transformation of enterprises, and find new directions for development. This paper analyzes the current situation of China's health insurance industry from the perspective of the PEST macro-environment analysis model and seeks new development directions for the development of China's health insurance industry in the post-epidemic era by studying the insurance market during the transition period of epidemic normalization in other countries and the similar major healthcare crisis in China based on the comparative analysis method. Through this study, we hope to promote domestic health insurance companies to establish new mechanisms for similar major health emergencies in the future and encourage domestic health insurance companies to upgrade and transform.

1.2 Literature Review

This paper mainly reviews three types of literature.

From the perspective of research on the factors that promote the development of the health insurance industry: The journalist Yang (1994), based on the outline of PICC's work, clearly stated that the development of the insurance industry should be promoted from two aspects: reform and management. Ma (2002) pointed out six aspects to promote the healthy development of the health insurance industry: reform, regulation, openness, prevention, cultivation, and management. Wu (2003), guided by the "Three Represents" guiding ideology, proposed that the successful fight against SARS gained advantages for the insurance industry, emphasizing the influence of politics on the development of the industry. Shan (2019) integrates that policy guidance, economic development level, consumer awareness, industrial competition, and industry chain structure are indispensable for the industry.

From the perspective of the health insurance industry's promotion measures in different periods: Tang et al. (2021) studied the health insurance industry in the early stages of SARS and COVID-19 based on comparative analysis and pointed out the importance of combining health insurance and technology. Zhang (2021) analyzed the trend of the health insurance industry demand in the late stage of the COVID-19 epidemic from the perspective of residents' willingness to insure based on a confirmatory study of the Baidu index.

From the perspective of different cultures, i.e., promotion measures of the health insurance industry in different countries: Swiss Re Institute China Center pointed out that the global health insurance industry is currently experiencing a severe test in the macroeconomic environment, and based on this, it presents an outlook on global insurance market trends ("World insurance outlook," 2022). Harris et al. (2021) point out that the uncertainty of the COVID-19 epidemic will create challenges for the health insurance industry and analyze how life insurance companies changed pricing and offerings in response to COVID-19 using monthly data on term life insurance policies from Compulife.

2. The Current Status of the Health Insurance Industry in China

This paper will use the PEST macro-environment analysis model to break down the current health insurance industry so that it can give better advice about the health insurance industry.

"P" stands for politics, and "E" stands for economy. Because of the intensive political and economic correlation in the current global situation, we decided to combine the two states. At present, the impact of global events is widespread, coupled with the continued COVID-19 epidemic, China has introduced a series of prevention and solution measures, including policies altered according to the time and situation to optimize the prevention and control measures, and China is now gradually moving into COVID-19 normalized society. Unfortunately, the economy still declined under the impact of all aspects: the economy slid, and various industries were affected. The economy suffered from the bankruptcy of enterprises to the unemployment of employees. Under such circumstances, the public's awareness of "Save your money for a rainy day" is more in place: consumption is reduced, savings are increased, and a large amount of money is invested in medical equipment, drug reserves, and personal health insurance. The government provides unified policy support for the industry, such as promoting the inclusion of commercial health insurance in medical insurance.

According to the data released by the China Banking and Insurance Regulatory Commission (2023) on January 11, regarding the operation of the insurance industry in November 2022, its industry revenue increased by 4.95 % year-on-year, the sum insured amount increased by 21.33 %, and the compensation expense shrank by 0.6 %.

"S" stands for society. First of all, according to the new data recently released by the National Bureau of Statistics of China (2023), in 2022, the per capita disposable income of residents nationwide was 36,883 yuan, a nominal growth of 5.0 % over the previous year, and a real increase of 2.9% after deducting price factors. Conversely, the per capita consumption expenditure of residents in the country was 24,538 yuan, a titular increase of 1.8% over the previous year and an actual decrease of 0.2% after deducting the impact of price factors. China's GDP reached 12.10207 trillion yuan in 2022, three points higher than that in 2021 (Zhu, 2023). According to the seventh population census of China, the total population reached 1,412.6 million, of which the proportion of people aged sixty and above reached 18.9 %, and the proportion of people aged 65 and above accounted for 14.2%. The above statistics show that China is gradually entering an aging society, as shown in Table 1.

"T" stands for technology. Chinese health insurance industry is closely related to medical and financial services. Commercial health insurance is gaining momentum, but there are still tons of drawbacks. Firstly, the operation of the health insurance industry is arduous. Secondly, there are long-term and short-term insurance products, which require specialized expertise for different products, this means that different insurers should find and sell the specialized insurance products they are best at, but there is

still a lack of a platform with more expertise, and there is still a slight gap in technology compared to some European and American countries. Therefore, the Chinese insurance industry is dominated by the life insurance sector. Moreover, there is a wide range of factors that determine health insurance premium rates; incidence rate, duration, mortality, underwriting habits, claims principles, medical conditions, etc., which will make insurance rates difficult to speculate.

Table 1: Population and composition at the end of 2021

| Index | Year-end number (Ten thousand people) | Proportion (%) |
|--|--|----------------|
| The national population | 141260 | 100.0 |
| Among: Urban residents | 91425 | 64.7 |
| Rural residents | 49835 | 35.3 |
| Among: Male | 72311 | 51.2 |
| Female | 68949 | 48.8 |
| Among: 0-15 years old (Including under 16) | 26302 | 18.6 |
| 16-59 years old (Including under 60) | 88222 | 62.5 |
| Age of 60 and above | 26736 | 18.9 |
| Among: 65 years old and above | 20056 | 14.2 |

Source: The data are from the National Bureau of Statistics of China and are preliminary summary data.

In general, the current political economy of China's health insurance industry suffered a blow, and the technology needs to be improved, but with the support offered by the government, there are also prospects. Under the impact of the COVID-19 epidemic, young and middle-aged people are placing more emphasis on life safety and health than ever before. Coupled with the year-on-year growth of the elderly population, we expect the demand for insurance to increase for the population as a whole.

C .3Comparative Analysis Approach

This paper uses the comparative analysis method because it provides an intuitive analysis of the changes in the industry from static and dynamic aspects through multiple data and expresses them quantitatively, thus helping to offer more targeted opinions on China's health insurance industry in the new stage of the COVID-19 epidemic. The static horizontal comparison is based on the situations of the global health insurance industry during the COVID-19 period; the dynamic longitudinal comparison takes the insurance industry during the SARS period as a control group of the health insurance industry today.

3.1 Horizontal Comparison

3.1.1 Practical Implications of the Horizontal Comparison

The global economic outlook has darkened since the end of 2019 as the COVID-19 pandemic has impacted the global political and economic landscape, causing production shutdowns and shrinking demand worldwide. The macroeconomic environment restricts the development of the health insurance industry in various countries and hurts the insurance industry worldwide. Compared with China, other countries took diametrically distinct measures to combat the epidemic: On February 9, 2022, Sweden was the first to announce the cancellation of epidemic control, followed by a succession of countries declaring coexistence with the new crown and a slow economic recovery. On the other hand, China has insisted on strict control over the past three years and has gained achievements in epidemic prevention and control. Therefore, China entered the stage of epidemic normalization much later than other countries in the world. Now that China has just entered the epidemic normalization phase, we assume that the health insurance industry will experience changes in market demand and other aspects. Studying the development of the health insurance industry market in countries that have already experienced the normalization of the COVID-19 pandemic has significant implications for China's health insurance industry and will help China's insurance companies to seize opportunities and transform innovatively.

3.1.2 The Impact and Challenges of COVID-19 on the Global Health Insurance Industry

The impact of a major healthcare crisis, such as the COVID-19 epidemic, on the insurance market, cannot be ignored. On April 30, 2020, Swiss Re (2020) reported that the net loss in the first quarter was US\$225 million and that the COVID-19 epidemic had an impact of US\$253 million on operating performance. In the short term, the rapid spread of the epidemic has hurt global financial markets, leading to fluctuations in public income and consumption levels, reduced willingness to buy insurance, and a decline in the performance of insurance companies. Taking the United States as an example, after the announcement of coexistence with COVID-19 by the US White House on March 2, 2022, the number of health insurance policies in the second quarter of 2022 fell by 11% compared to the first quarter (LIMRA, 2022a), the number of insured policies decreased by 12% in the third quarter compared to the second quarter, and the annualized insurance premium reduced by 5% (LIMRA, 2022b).

The mortality risk from COVID-19 depends on many uncertain events, such as the availability of an effective vaccine, the tracing of close contacts, and innovations in treatment approaches. In addition to these factors, the conflation of health information with political considerations creates additional uncertainty in determining mortality risk. All these inherent uncertainties of the virus pose a challenge to the health insurance industry, which relies heavily on the correct estimation of mortality risk. In addition, the new business of insurance companies is developed primarily through offline business activities of marketing personnel. Affected by the COVID-19 epidemic, offline business activities cannot be carried out normally, and out of safety considerations, the willingness of marketers to actively sell insurance and the willingness of consumers to communicate have both declined significantly, negatively impacting the expansion of new businesses.

However, in the long run, medical and health crisis has strengthened the public's awareness of health risks. The higher individuals' awareness of health risks, the higher their willingness to buy insurance. Thus, it seems that health insurance companies should make reasonable use of this opportunity to promote relevant products and establish a good corporate image to attract potential customers.

3.1.3 Example of Health Insurer Responding to COVID-19 Outbreak Worldwide

During the COVID-19 epidemic, major health insurers were committed to helping prevent the spread of the COVID-19 virus and taken the initiative to assume social responsibility to protect the health and well-being of residents by taking a series of actions to ensure that residents have access to necessary prevention, means of detection and treatment. For example, Merchants Cigna provides PCR test and vaccination services to community members through the vaccine clinic and its 21 healthcare centers. The vaccine is purchased by the federal government and provided free of charge to individuals, with Cigna providing 100% of the expense of the vaccination. At the same time, Cigna offers benefits such as COVID-19 diagnostic joint testing and cost-sharing exemptions for COVID-19-related medical visits and treatments to members enjoying its health insurance products. Furthermore, Cigna is launching a pilot program to increase social connectivity among its Medicare Advantage (MA) customers during the COVID-19 pandemic. Through this pilot project, Cigna is proactively reaching out to its Medicare clients to monitor their overall health and well-being, as well as their daily needs during COVID-19, including food, housing, and transportation. Cigna will also use its comprehensive data and analytics to identify Medicare clients who may be at higher risk for health problems and complications to help answer questions about COVID-19 and conduct regular health screenings (AHIP, 2021).

Through the above measures, Merchants Cigna has conveyed to the public its commitment to social responsibility. These measures not only consolidated the relationship between Cigna and its long-term customers and increased their loyalty but also built a trustworthy brand image and attracted a large number of new customers. It is an excellent example of customer management strategies.

3.2 Longitudinal Comparison

3.2.1 Practical Implications of the Longitudinal Comparison

This section selected the SARS period as the control group for longitudinal comparison.

Like Covid-19 today, SARS in 2002 influenced the life of people negatively and resulted in economic decline with industry impact. But compared with today, medical technology and national finance were worse in the past. For the health insurance industry in both periods, the same situation is that the industry is still related to people's livelihood, the difference is that the current industrial chain is more comprehensive, and the technology is more mature today. Beyond that, there is a difference between the two in duration: the former lasted for only one year, whereas the latter is probably immortal. Therefore, this section will study how the health insurance industry fought a good defensive battle during the SARS period and find out the key points that can be useful to develop the health insurance industry today.

3.2.2 Impacts and Challenges of the SARS Epidemic on the Domestic Health Insurance Industry

During SARS, the introduction of measures to reduce the flow of people and the frequency of gatherings restricted the offline business of the health insurance industry, undoubtedly greatly affecting the number of new orders. Even life insurance, the lifeblood of the insurance industry at that time and even today, was largely suppressed. For example, in April 2003, Shenzhen city had a total of 13,993 new orders, a year-on-year decrease of 28.13%; Since February of the same year, the growth rate of new contract business of personal life insurance in the city had shown a month-on-month and year-on-year downward trend, the most significant of which was in April: from February to April, the month-on-month growth rate of the city's personal insurance new order business was 29.04%, 15.05% and -50.25%, respectively. Its growth rate decreased by 14 percentage points in March compared with February and nearly 65 percentage points in April compared with March; The year-on-year growth rate was 113.41%, 88.41%, and 34.95%, and its growth rate was 25 percentage points lower in March than in February and 53 percentage points lower in April than in March (Zhang et al., 2003).

To maintain social stability, insurance companies have always retained measures such as not laying off employees and relaxing performance evaluation under the circumstance that the employee audience cannot participate in various evaluations and assessments. However, the offline business of employees has been hindered because of epidemic prevention policies, rapidly increasing the cost. Accordingly, the slack rate of employees who lose evaluation tasks will increase. Conversely, the quality of the company's team will decline.

There were also some benefits for the health insurance industry because the once underappreciated health insurance industry had gradually emerged in people's vision under the awareness of the importance of health enhanced.

3.2.3 Example of Health Insurers Responding to the Epidemic During the SARS Period

Facing the hard blow of the SARS epidemic, insurers accelerated the pace of strategic realignment, pushing their products and services to gain a solid location in a faltering industry.

China Life Insurance Company launched SARS disease insurance. Each premium was only 18 CNY, and each person could apply for up to 20 insurances. After paying for insurance, as long as the infection was contracted and the person was hospitalized within ten days of enrollment, the insurance company would pay the insured person's sickness benefit at 20% of the insured amount, but only once. For death during hospitalization, deducting bills before, the death insurance fund would be paid, and the insurance expiration date was one year. There was also yet another hospitalization allowance insurance policy. Following the pace of China Life Insurance, Ping An Insurance (Group) Co. of China Ltd. launched the first batch of property insurance anti-SARS insurance, and China Pacific Insurance (Group) Co Ltd. provided 500,000 yuan to sponsor the anti-epidemic frontline and gave the anti-SARS protection plan, that is, nearly 20 related products of the company can be directly regarded as anti-SARS insurance products without excluding claims caused by SARS ("Unite as one to fight against "SARS", China Life Insurance Company has launched the national life group infectious SARS disease insurance," 2003).

Nowadays, the three companies are undoubtedly already the top three giants in China's insurance industry, occupying most of the market of the industry. This demonstrates that the insurance industry following the government's policies and catching the chance, as well as the public sentiments and corporate reputation, can be better for paving the road for the industry's prospects. However, the increasing awareness of the public's ideology and life safety cannot be ignored; this awareness represents that the public will have their affection, dependence, and trust in these insurance companies that give help. With Shenzhen city first ringing alarm bells of the SARS epidemic, urban residents will be earlier alert to the severity of the epidemic than residents in backward areas. When people trust the insurance company, they will also increase their insurance efforts. For instance, life insurance companies in Beijing collected about 2 billion yuan in premiums in April 2003, an increase of 69.84% over the same period of the previous year, far higher than the average growth rate in the first three months of this year (Yuan, 2003).

4. Developmental Suggestions

4.1 Promote the Construction of Product and Service Innovation

After the impact of the epidemic, the government and the public's awareness of health protection was stimulated, and the willingness to buy insurance has greatly increased. It is recommended that the industry take advantage of this opportunity to promote catastrophe insurance and other natural disaster insurance. The government should also take this opportunity to support and encourage the supply and innovation of commercial health insurance products.

In addition, the health insurance industry should analyze and summarize the changes in insurance demand during the COVID-19 epidemic, actively innovate products, fill the gaps in insurance types, and strive to provide protection for subsequent similar risks. For example, for those who are at higher risk of illness and have a wide range of contacts during the epidemic, such as medical and nursing staff, logistics workers, etc., special insurance policies or insurance systems should be established innovatively; in addition to health insurance, small and medium-sized enterprises face prolonged shutdowns and major losses during the epidemic, but few insurance policies on the market that provide coverage for business interruptions caused by the epidemic. Insurance companies should pay attention to the needs of the special period and launch relevant, innovative products, such as COVID-19-related medical insurance products and commercial insurance required by enterprises during the period, etc.

At the same time, insurance companies should provide good business training to sales staff and improve the quality of insurance services. It is recommended to strengthen insurance education, introduce insurance concepts, and promote existing and innovative insurance to the public through simple approaches. It will also help to standardize the solution to the more complex epidemic insurance problems in the future.

4.2 Promote the Construction of Insurance Technology

In the era of rapid technological development, the insurance industry should keep pace with the times. To reform the original traditional form of insurance coverage, the health insurance industry needs to develop online and offline services together, increase investment in the weak item- online service, and enter the "Internet+" era. It is suggested that health insurance companies promote through online advertising, live streaming, and other mainstream methods to raise public awareness of disease prevention; strengthen insurance purchase channels through online sales and customer service, online shopping malls, online appointments, etc.; launch relevant senior-friendly collaborative operating systems in an aging society.

However, protecting the security of customer identity information in digital construction is a responsibility that companies cannot ignore. Insurance companies need to take measures such as real-name authentication and strengthen control through network regulators to ensure the privacy, security, and interests of customers and insurance companies and to prevent problems such as monopoly and information leakage. At the same time, the health industry can strengthen online cooperation with the government and the medical industry to enhance inter-industrial data sharing. Under the supervision of government departments, the online insurance business can ensure the integration of people's health security. Residents can experience medical insurance services at home without having to go to relevant departments to establish medical insurance files; Through big data analysis, insurance companies can organize and analyze various data to create highly targeted and effective new health insurance products.

In terms of personnel supervision, companies can use the network database to organize real-name files and combine online screening exams with offline tests to ensure high-quality personnel and improve overall service levels.

4.3 Contribute to the Construction of Public Health Prevention and Control System

The insurance industry should participate in establishing a public health prevention and control system, which demonstrates the social responsibility of companies and improves public trust in the insurance industry. Insurance companies should strengthen cooperation with the government, accumulate data and experience related to public health risks, develop relevant products, and launch specialized services according to medical resources and risk levels in different regions to make up for the shortcomings of the public health service system; insurance companies should also provide financial support for the establishment of public health funds to meet the financial needs of medical research, public health system construction, medical supplies procurement, and professional training, etc. to improve the level of disease prevention and health protection.

Medical resource elasticity is the most pressing issue the government must face in times of massive epidemics. In the early days of the COVID-19 outbreak, a large number of medical resources, such as medical personnel, protective equipment, and drugs, were efficiently dispatched to Wuhan. Nevertheless, the huge demand for supplies and equipment such as masks and respirators from the public could not be met. The insurance industry, which is directly related to the personal health of the residents, should pay more attention to this problem, play an active role in the aggregation and distribution of medical resources, and discuss with the government to explore the effective way out of the problem. In the next stage of the COVID-19 epidemic, it is more important to pay attention to the long-term coexistence of viruses and vigorously support the construction of a long-term public health prevention and control system.

5. Conclusion

Based on the relevant literature in recent years, this paper believes that research on the development of the health insurance industry in the new stage of the COVID-19 epidemic is still lacking. Therefore, this paper mainly elaborates the opinions on the development of the current health insurance industry. By summarizing the current situation of the health insurance industry in China through various latest data, by comparing and analyzing the extent of the health insurance industry affected by COVID-19 in different countries such as Switzerland and the United States and the measures taken by insurance companies such as Merchant Cigna in response to COVID-19 epidemic, and by studying the corresponding approaches taken by health insurance companies in China such as China Life during the SARS period, this paper concludes that China's health insurance industry should further develop from three aspects: product innovation, construction of online insurance system, and participation in public health prevention and control system to ensure the sustainable development of the health insurance industry in the current international and domestic environment.

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