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# On the Governance of the Basic Healthcare Security System and Economic Development in China in the Context of COVID-19

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**Abstract:** In response to the spread of COVID-19, China has taken a series of special basic health security measures aiming to restore and promote economic development. Based on analysis, it is believed that the institutional governance of basic healthcare security in China plays an important role in the economic development in the context of the pandemic in such aspects as safeguarding healthy labor, regulating and allocating resources, promoting economic growth and encouraging residents' consumption. The above practice has proven that basic healthcare security and economy can develop together and promote each other, the Chinese experience behind which includes: adhering to the principle and criteria of putting people and their interests first in all institutional arrangements and measures, improving governance flexibility and responsiveness with policies as the tools, promoting the reform of "medical treatment, medical insurance and medicine linkage" and forming the joint force of multiple systems with basic healthcare security as the link, thus promoting economic development and consolidating the multi-tiered basic healthcare security system to solve the problem of poverty and achieve common prosperity. However, while the basic healthcare security promotes economic development in China, problems and challenges in the future have been exposed, including how China's basic healthcare security system can better match the economic development level in the context of the pandemic, how to balance the sustainability of the basic healthcare security fund and public health investment, how to further improve the legalization and marketization of basic healthcare security governance, how to improve the fairness of the basic healthcare security system and how to avoid improper use of funds, etc.

**Keywords:** Economic Recovery and Growth, Basic Healthcare Security, Basic Healthcare Insurance and Medical Assistance, COVID-19, China

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## 1. Introduction

Since the outbreak of COVID-19 in 2020, it has swept the world with the characteristics of fast transmission, wide range of infection and great difficulty in control. The outbreak of COVID-19 has had a huge impact on the economy and society of various countries. As far as China is concerned, COVID-19 has also had a certain degree of negative impact on China's economic growth. Particularly, COVID-19, as an air infectious disease, has now had a certain degree of inhibiting effect on the consumer economy and the employment market [1]. But at the same time, thanks to the unified command and deployment of CPC and the Central People's Government, China has rapidly established a joint defense, control and protection mechanism

with the strength of the whole country. Thanks to this, COVID-19 has been controlled in a timely, comprehensive and effective manner, providing an effective "China model" for stabilizing China's social order, ensuring the healthy life of the people, maintaining the economy at a certain level, and continuously releasing the potential for economic growth. In this process, the governance and improvement of China's basic healthcare security system has played an irreplaceable role. Since the reform and opening up, China's basic healthcare security system has undergone more than 40 years of construction, and has built a multi-tiered basic healthcare security system for all people. In response to COVID-19, China has introduced a series of policies and systems related to medical insurance, such as temporarily expanding the payment

scope of basic medical insurance fund according to the needs of pandemic resistance, adjusting the prepayment indicators of the total amount of relevant medical insurance, proactively prepaying certain funds, and not affecting the treatment of patients due to medical treatment in different cities or adjustment of medical insurance payment policies. Not only have the introduction and adjustment of the above medical insurance policies solved the concerns of patients' treatment, improved the comprehensive ability of medical insurance in medical treatment and prevention & control, but they have also provided strong support and guarantee for the stable development of China's economy. In a sense, the governance of China's basic healthcare security system has an inherent logic of mutual promotion and common development for the economic growth in the context of the pandemic.

Most existing studies on the relationship between the medical insurance system and economic development and the problems therein in the context of COVID-19 focus on building model calculus data in a quantitative way, thus finding the relationship and logic between the medical insurance system and economic development. For example, some studies studied the impact of social health insurance (individuals, companies and governments) on savings, material capital, human capital and economic growth through a three-period overlapping generations' model [2]; through a computable general equilibrium framework, some research conducted numerical checking on the impact of the medical insurance reform in an aging society on the economy, and believed that economic growth and welfare could be promoted by encouraging private savings [3]; through the use of the structural time-varying parameter panel vector autoregression model to establish a multinational empirical model, some research studied the relevant data of 22 countries, and empirically tested the impact of changes in perceived health status on economic growth and medical insurance expenditure [4]. It is the key role and value embodiment of the social security system to provide compensation for those suffering direct economic losses during the pandemic. As pandemic and climate-related natural disasters become more common causes of unemployment and recession, it will gradually become important to view economic development and fiscal policies from the perspective of social security [5]. In view of this, this paper attempts to theoretically analyze the logical relationship between China's basic healthcare security system reform and economic development in the context of COVID-19 from the perspective of social security, economic law, policy science and other disciplines through the method of qualitative research, so as to summarize the Chinese model, find the existing problems, and expound the experience and lessons that can be promoted.

## **2. The Contribution of China's Basic Healthcare Security System to Economic Development**

Since its formal establishment in the 1990s, China's basic healthcare security system has gone through the process of

starting from scratch and pilot exploration, and has now entered the development stage of universal coverage and a new round of improvement [6]. With the increasingly sound medical insurance system and the rising level of security, it has created a stable environment and support for China's economic development and social transformation. Not only has it improved China's health level and human capital level, but it has also enhanced the purchasing power and consumption power of the people, and reduced residents' preventive savings for medical care, elderly care, COVID-19 protection and treatment. In a certain sense, it has directly stimulated consumption growth. Therefore, the reform and governance process of China's basic healthcare security system in the context of COVID-19 has also been a process of promoting and maintaining market economy reform and economic growth with Chinese characteristics. Specifically speaking, the contribution of the governance of China's basic healthcare security system to economic development is in the following aspects.

### ***2.1. Guaranteeing Health: It Ensures That Chinese Society Can Stably Provide Healthy Human Capital***

Human capital includes intellectual capital and physical capital. Health plays an extremely important role in human capital. Having a certain degree and level of health can effectively ensure the continuous and stable provision of physical capital. For China, as a matter of fact, since the reform and opening up, the rapid economic development can not be separated from a large number of young, healthy, sustainable and cheap labor. The healthy and high-quality human capital has been an important factor for the rapid development of China's economy in a short period of time [7]. Data have shown that since the implementation and extensive development of the national basic health security system, it has played a huge role in continuously and rapidly improving people's health level and basic physical quality, steadily improving China's life expectancy from 45 years in 1949 and 67.9 years in 1981 to 76.5 years in 2016 [8]; in the meantime, the probability of improving one or more levels of citizens' self-rated health has increased, which is particularly significant for rural residents [9]. In particular, since the implementation of the basic medical insurance scheme for employees, it has been solving the problem of basic healthcare security for workers and staff in enterprises and public institutions, which also means providing healthy and stable productivity for the development of the entire social economy. In the face of COVID-19, the basic healthcare security system that China has built has played a great role. China's medical insurance model is different from the market-oriented model represented by that in the United States. Under the market principle, the price of high-end newly developed medical products and medical services can be very high, and the medical prices and service scale will continue to expand under the stimulation of COVID-19, yet most patients cannot afford it, let alone obtain it effectively and quickly through market regulation [10]. In contrast, with the system and model of multi-tiered basic healthcare security, the Chinese government can mobilize many superior resources to rapidly

gather human, material and financial resources, so as to maximize the prevention and control of the pandemic and meet the treatment needs of the patients. After the outbreak of the pandemic, the National Healthcare Security Administration of China and the Ministry of Finance jointly issued the Notice on Doing a Good Job in Medical Care for Pneumonia Caused by the Infection Novel Coronavirus, requiring the national medical insurance system to fully carry out pandemic response and provide treatment guarantee in accordance with the requirements of the "two guarantees", to ensure that patients would not be hindered from being treated in time due to cost issues, and to ensure that the treatment by designated medical institutions would not be affected by the management regulations on the total medical insurance budget. Subsequently, the National Medical Security Bureau and other departments jointly issued the Notice on Issues Related to the Payment of Medical Expenses for Foreign COVID-19 Patients, which stipulated the medical insurance expenses and related treatment for foreign confirmed and suspected COVID-19 patients.

### ***2.2. Resource Allocation: Through Institutional Allocation Arrangements, It Helps Enterprises to Resume Work and Production***

As an important social security system, basic health security system transfers individuals' risks and burden of diseases through social financing, and plays an important role in resource regulation and allocation. Especially with the outbreak of COVID-19, a large number of enterprises stopped their production, and some were even faced with the risk of layoffs or even failure to operate normally. In this context, how to promote the normal operation of enterprises and the normal work of employees is a crucial node in the normal virtuous circle from production to exchange and from distribution to consumption. Obviously, basic healthcare security is one of the key institutional arrangements for the normal operation of enterprises. In the face of the economic downturn caused by the pandemic, medical insurance can give full play to the role of anti-economic cycle allocation and regulation. By means of basic medical insurance fund, financial subsidies, and payment deferring, it can maintain the capital flow of enterprises, stabilize their production scale, and maintain their basic jobs, thus providing support for the recovery of the virtuous economic cycle. Therefore, China introduced a series of policies and improvement measures on the basic healthcare security system and its associated employment, industrial and commercial systems, so as to give full play to the role of medical insurance in resource allocation as much as possible, and ensure the basic life and medical treatment of the those unemployed due to or affected by the pandemic, so as to promote their re-employment and reduce the negative effects of unemployment. Specifically, the first is to ensure that the unemployed can normally pay basic medical insurance fund fees. After the outbreak of COVID-19, the Ministry of Human Resources and Social Security of the People's Republic of China, the National Medical Security Bureau, etc. promulgated relevant policies to ensure the basic livelihood of the unemployed and pay a certain amount of

medical insurance fees for them. It is estimated that by June 2020, Chinese enterprises had saved about 510 billion yuan in the normal expenditure of pension, unemployment and work-related injury insurance, and some relief policies had help enterprises save about 150 billion yuan [11]. The second is to ensure that front-line staff can receive effective treatment and industrial injury identification when infected with COVID-19. The Ministry of Human Resources and Social Security of the People's Republic of China, together with several departments, issued the Notice on Relevant Security Issues of Medical Care and Related Staff Infected with COVID-19 due to Performance of Their Duties, clarifying that medical care and related staff infected with COVID-19 due to the performance of their duties shall enjoy the treatment of work-related injury insurance according to law. The third is to defer the payment of basic medical insurance scheme for employees by stages. The National Healthcare Security Administration of China, the Ministry of Finance and the Tax Bureau jointly issued the Guiding Opinions on the Periodic Reduction of Basic Medical Insurance Premiums for Employees, suggesting that the basic medical insurance scheme for employees could be reduced under the premise of ensuring the balance of revenue and expenditure of the basic medical insurance fund, but the medical insurance benefits they enjoyed should remain unchanged, so as to reduce the economic pressure and burden on employees and enterprises, and effectively support the enterprises' resumption to normal work and production. The fourth is to further increase and enhance the purchasing power and social utility of basic medical insurance fund in pandemic prevention and control. In order to improve the efficiency of pandemic prevention and control as much as possible, under the unified call of China, many regions used spent some basic medical insurance funds for nucleic acid detection, basic pandemic prevention and control, etc. In addition, based on the actual situation of the prevention, control and treatment of COVID-19, the medical insurance drug catalog was adjusted in a timely, dynamic and gradual manner, so as to give full play to the purchasing power of the basic medical insurance fund, and promote the masses, especially the employees of enterprises working in the front line, to enjoy timely, safe and effective prevention and treatment of the pandemic.

### ***2.3. Growth Point Promotion: The Rapid Development of the Basic Healthcare Security System Has Fostered New Economic Industries***

In recent years, the demand for health, medical care, elderly care and other people's livelihood has gradually increased, and COVID-19 has further accelerated the construction of such basic public services and the investment of related resources. Particularly speaking, the following reforms and developments involving the basic healthcare security system have gradually spawned new economic growth points. First, industries engaged in the treatment and prevention of COVID-19 expanded rapidly. China has a huge population base, and the prevention and treatment of COVID-19 requires a large number of drugs and instruments. Especially in the

context of China's comprehensive implementation of the policies of "dynamic clearing" and "normalization of prevention and control", the rapid expansion of COVID-19 vaccine, nucleic acid testing and other industries has greatly driven the development of relevant industries and the economic trend. During the pandemic, drugs and medical equipment related to the treatment and prevention of COVID-19 received attention from consumers. The supply of masks and disinfectants was in short supply, many drug stores and online platforms were out of stock. In 2020, the main business income of the pharmaceutical manufacturing industry grew 3-5 percentage points higher than that in 2019 [12]. In this process, the basic healthcare security system optimized the medical and health market environment for pandemic prevention and control. Through centralized volume-based procurement and corresponding supporting measures, China has initially achieved a win-win and all-benefiting situation for pharmaceutical enterprises, medical institutions and patients, and promoted the benign development of industries in related fields. Second, long-term care has great market potential in the context of COVID-19. China has entered an aging society, and there will be a large number of elderly people to be taken care of. Under the impact of the pandemic, the elderly are extremely vulnerable to COVID-19 due to multiple factors such as their own low immunity, which may lead to related complications [13]. Therefore, in the context of COVID-19, a long-term care system for the elderly should be built and improved, so as to give full play to the advantages of the basic health security system, and form a joint force with the long-term care system. While meeting the needs of the elderly for health care, this can also enable some elderly to further consume, and create a lot more employment opportunities, thus driving the development of related markets and industries. Third, the role of commercial medical insurance in COVID-19 and economic development has gradually increased. While making every effort to improve and increase public financial input, the Chinese society has also implemented the policy of opening up to social capital, allowing some private capital to invest in public services. Commercial medical insurance plays an irreplaceable role in making up for basic healthcare security and further improving health. At present, China's commercial medical insurance is still in its infancy, which has great potential and development space.

#### ***2.4. Consumption Stimulation: The Basic Healthcare Security System Has Shared the Risk of the Pandemic, thus Bringing About Consumption Growth***

China has the largest middle-income group in the world, and the basic healthcare security system has effectively solved the basic medical care for the masses. According to statistics, the coverage of basic healthcare security in China increased from 568 million people in 2006 to 1.336 billion people in 2015, and the coverage of basic healthcare security reached more than 90%; in terms of per capita fund expenditure of basic health security, in 2004, the per capita payment of basic medical insurance scheme for employees was 83.98

dollars/year, and the per capita payment of basic medical insurance scheme for urban and rural residents was 3.99 dollars/year, which grew to 422.45 dollars/year and 83.24 dollars/year respectively in 2016; especially in recent years, the proportion of expenses shouldered by patients themselves has gradually decreased. In 2021, 84.4% of the inpatient expenses was paid by the fund within the scope of the average basic medical insurance scheme for employees policy in China, and 69.3% for the residents [14]. Since the outbreak of covid-19, China has issued relevant policies to gradually reduce the economic pressure brought to the masses by treatment and prevention, such as partial free nucleic acid testing, free vaccine injection, and gradually expanding the scope of COVID-19 drugs in the medical insurance catalogue and reimbursement. Because the basic healthcare security system has avoided catastrophic expenditure caused by diseases, it managed to ensure that the daily consumption level of Chinese residents remains stable, rather than seeing a precipitous decline. According to the data of the National Bureau of Statistics of China, in the past ten years, Chinese residents' income has maintained a rapid growth, which has driven the continuous improvement of consumption level and enhanced consumption capacity. In 2021, the per capita consumption expenditure of residents across the country was 24100 yuan, an increase of 12046 yuan over 2012, with an average annual real growth of 5.9%. At the same time, with the improvement of residents' income level and the continuous expansion of consumption fields, the consumption structure of residents has been continuously optimized and upgraded, especially the rapid growth of medical services and other consumption, and the proportion of consumption expenditure has gradually increased. In 2021, the per capita health care expenditure of Chinese residents was 2115 yuan, an increase of 152.3% over 2012, with an average annual growth rate of 10.8%, which was 2.8 percentage points faster than the average annual growth rate of the per capita consumption expenditure of Chinese residents, accounting for 8.8% of the per capita consumption expenditure, 1.8 percentage points higher than in 2012 [15]. Obviously, the provision of basic healthcare security can effectively reduce the burden of medical care, reduce the worries of the masses about medical care and epidemic prevention, reduce the impact on income, and ensure the stable expenditure of individuals and families. It is obvious that the consumption expenditure of households covered by basic healthcare security is more [16]. This can release people's consumption demand, promote consumption upgrading, realize the path of sustainable consumption growth, and form a stable large-scale consumption market.

### **3. Experience of China's Basic Healthcare Security System in Promoting Economic Development**

At a moment with COVID-19 being rampant, China's steady economic development has become one of the important pillars and stabilizers of the world's economic

development. In a word, China's basic healthcare security system has found a Chinese model suitable for its own practical experience for economic development in the context of COVID-19.

### ***3.1. Adhering to the Principle of Putting People and Their Interests First Is the Foundation of All Work and System Governance***

For more than 40 years since the reform and opening up, China has established a development strategy centered on economic construction. The fundamental purpose of economic growth and development is to improve and enhance the lives of the Chinese people, help them quickly get rid of poverty and achieve common prosperity. Similarly, for basic healthcare security, the original intention and foundation of its construction is to protect the health rights and interests of all people. When dealing with complex risk challenges, basic healthcare security in China has always regarded safeguarding the interests of all people, promoting social welfare and promoting social equity as the value theme and value basis of system construction [17]. Therefore, remaining people-oriented and putting people's interests first are also the substantial reflection of the value of China's basic healthcare security system. Article 1 of the Social Insurance Law stipulates "to safeguard citizens' legitimate rights and interests to participate in social insurance and enjoy social insurance benefits, so that citizens can share the fruits of development"; the first article of the Regulations on the Supervision and Administration of the Use of Healthcare Security Fund stipulates that "citizens' legitimate rights and interests in medical security shall be safeguarded", and the third article further stipulates that "people's health shall be the center in the use of medical security funds". Taking "people-oriented" and "adhering to the people's interests first" as the system principle and internal value, and stipulating them in the form of law highlight that China's basic health security system can ensure that every individual can share the benefits of economic development in the process of protecting people's health and preventing COVID-19, which is conducive to promoting social harmony and stability. In the practice of pandemic prevention and control, we need to solve multiple and complex contradictions and problems such as coordination of medical resource allocation, balance and stability of medical insurance funds, and safe resumption of work and production. The fundamental and measuring standard of China's model and experience is whether it is people-oriented and whether it can adhere to the principle of putting people's interests first. Only on this principle can we grasp the close internal relationship between the governance of the basic healthcare security system and economic development. Therefore, General Secretary Xi Jinping made the important instructions to "prevent the pandemic, stabilize the economy and seeking safe development". This is because ensuring people's health and adhering to the people centered development idea are the basic logical starting point of the relationship between basic healthcare security and economic development.

### ***3.2. Optimizing Policy Tools and Improving the Flexibility and Responsiveness of Basic Healthcare Security Governance***

The construction of China's basic healthcare security system follows the path of "policy construction, pilot exploration, and legal summarizing". The maintenance of medical insurance rights, fund revenue and expenditure mechanism, sustainability and constitutional commitment are the inevitable direction of improvement in the future. However, in the context of the pioneering and flexible economic and social system in China's transition period, when facing social risks and emerging problems, the basic healthcare security system can only experiment and explore first, and then constantly make policy choices and improvements. If a single model is established arbitrarily, or even cautiously, and a certain governance model is implemented in the form of law, the current cost of system implementation and the cost paid by Chinese society will be huge [18]. Especially in the face of complex and changeable epidemic impact and economic risk, in the process of improvement and reform of basic healthcare security system, policy priority and innovation must be put in the first place. In the face of patients and suspected patients, rescue and treatment measures beyond the medical insurance directory need to be taken, and the centralized prevention and control treatment medical care centers established temporarily and quickly need to become designated hospitals for medical insurance; for some patients, the government needs to adjust and relax the conditions of medical insurance benefits they enjoy when treating COVID-19; during the period of quarantine and observation, patients and suspected patients need to enjoy medical insurance benefits in a timely manner; in order to resume work and production, medical insurance benefits should be paid in advance or basic medical insurance fund should be deferred; under special circumstances, a certain amount of interest should be reduced or exempted. If all the above control measures to deal with the pandemic follow the normal operation procedures, the insured in urgent need of medical insurance may not be able to enjoy the medical insurance benefits, and the temporarily built hospitals with the greatest need of support may not be supported by the basic medical insurance fund. In this way, the people-centered goal of the basic healthcare security system will fail, and it will be difficult to give play to its advantages and role in regulating and allocating resources through the medical insurance system in a timely manner, and it will be more difficult to match the economic operation and its trends. Therefore, in the face of COVID-19, China has given full play to the flexibility, emergency and other advantages of policy tool governance, and established the National Medical Security Bureau in 2018, which integrates medical insurance, relief, and centralized volume based medicine functions [19]. Together with the Ministry of Finance of the People's Republic of China and other relevant departments, it issued relevant guidance policy documents in a timely manner, which provided specific operational basis for rapid solutions to the

above problems and played a key role in stabilizing the economy and restoring order.

### ***3.3. Forming the Joint Force of Various Systems with the Basic Healthcare Security as the Link, Thus Promoting Economic Development***

Due to the impact of the epidemic, China's GDP growth and fiscal revenue slowed down, while the growth of medical expenses and medical insurance expenditure far exceeded the economic growth rate, which actually created an unfavorable environment for medical insurance. The growth of medical expenses can be divided into reasonable growth and unreasonable growth. The former generally includes the increase brought about by the improvement of income level and medical insurance benefits, the aging of population and the change of disease spectrum, while the latter is often caused by the abuse of medical services and inadequate medical reform (resource allocation, extensive development, price distortion) caused by third-party payment [20]. To a large extent, the independent operation of various departments in China's medical and health reform has led to fragmentation of medical reform policies, functional duplication and poor information. If the top level design and organic integration of medical insurance, medical treatment and medical policy can not be used to unify the organization, implementation and management, so as to truly realize the overall governance pattern of "medical treatment, medical insurance and medical linkage", China will be unable to effectively control the unreasonable and rapid growth of medical expenses, improve the efficiency of fund use, and the medical insurance system will not be sustainable. Therefore, in the process of building the basic healthcare security system in China, it gradually transitioned from simply building a single system to the coordinated development pattern of medical treatment, medical insurance and medical linkage reform, that is, the reform of the medical insurance system, the health system and the drug circulation system. Among them, the basic healthcare security system, as the link between the medical service provider and those with demand, carries out leverage adjustment through the price mechanism, negotiation mechanism, payment mechanism, etc., such as carrying out regular joint price limited procurement of drugs to reduce the inflated price and effectively reduce the problem of expensive medical services for the public, fully implementing the government's responsibility for public health services such as capital construction of public hospitals and purchase of large equipment, and incorporating large expenditures into the government budget [21], so as to establish a high-quality and efficient integrated medical and health service system in an all-round way. Therefore, "medical treatment, medical insurance and medicine linkage" managed to further effectively guarantee the COVID-19 vaccine and treatment resources, effectively guarantee the supply of drugs in the context of the pandemic, effectively guarantee the supply of nucleic acid detection reagents, and effectively guarantee the stability of drug market prices. In the process of coping with COVID-19, it has always maintained the adaptation and

balance between medical insurance benefits and related price levels by means of system cost control, so as to match the overall economic development level of society as much as possible. In this cycle of mutual promotion and interaction, the basic health security system prevents COVID-19, promotes the normal operation of society, and thus becomes an important factor supporting China's economy to get rid of difficulties and continue to grow. At the same time, China's economic recovery and development benefit all the people through a series of measures in the basic health security system, such as risk shouldering, financial support, budget subsidies, etc.

### ***3.4. Consolidating the Multi-Tiered Basic Healthcare Security System, Solving the Problems of Poverty and Achieving Common Prosperity***

After long-term practice and exploration, China has built a multi-tiered basic healthcare security system that conforms to its national conditions, which is composed of basic medical insurance scheme for employees, basic medical insurance scheme for urban and rural residents (the combination of the original basic medical insurance scheme for urban residents and new rural cooperative medical care system), urban and rural medical assistance, medical insurance for major and serious diseases, supplementary medical insurance (including commercial medical insurance, mutual medical care, etc.), urban and rural medical welfare, charity assistance, etc [22]. This huge system is characterized by multiple projects, multiple levels and multiple forms. Among them, basic medical insurance scheme for employees and basic medical insurance scheme for urban and rural residents are responsible for guaranteeing daily basic medical services; the medical insurance for major and serious diseases ensures that patients will avoid catastrophic expenditure in the face of serious illness; medical assistance provides basic medical care for the poor; other insurance methods, such as commercial medical insurance, supplement the above types of medical insurance. We can think that when there are special medical needs in the multi tiered basic health security system beyond the basic medical insurance scheme for employees and the basic medical insurance scheme for urban and rural residents, it can be filled by various internal systems of other medical insurance systems. Systems at different levels face and address the needs of different groups of people. At the same time, there is a coordination and networking relationship between systems. For example, for low-income poor people and disaster victims in special disasters, medical assistance is needed, but first of all, a large number of financial subsidies will be used to subsidize them, and further assistance will be provided for the part beyond basic health security; serious disease insurance also aims to further increase reimbursement and subsidies on the basis of basic healthcare security. This kind of medical security method, which turns "blood transfusion" into "blood producing", can effectively protect different groups, so that the poor people are no longer unable to access the most basic medical services due to economic problems, the middle class people no longer "suffer poverty"

and "return to poverty due to illness", so as to finally help people get rid of poverty and achieve common prosperity for all people. Data have shown that since China implemented the Three Year Action Plan for Poverty Alleviation through Medical Security (2018-2020), multi-tiered basic health security has made remarkable achievements in helping people out of poverty. In 2020, the National Medical Security Bureau has funded a total of 78.372 million poor people to participate in basic medical insurance, with a subsidy payment of 14.02 billion yuan. Various medical insurance poverty alleviation policies have benefited 180 million poor people seeking medical care, reducing the medical cost burden of the poor people by 118.83 billion yuan [23]. Only when people's basic living and survival needs such as medical care are guaranteed, can they improve their consumption level, increase their consumption demand, improve their quality of life, achieve common prosperity and help economic growth.

#### **4. Discussion: The Challenges Faced by China's Basic Healthcare Security for Economic Development**

China's basic healthcare security system has played a great role in and contributed to the economic development in the context of COVID-19, and has found experiences and models with Chinese characteristics. However, we should note that compared with the medical insurance system in developed countries or regions, China's basic healthcare security system is still in the primary stage, and there are still problems such as insufficient development and imperfect system. Faced with the impact of COVID-19, for China's basic healthcare security system to further improve and overcome its own difficulties, and to more effectively promote economic development, it at least faces the following challenges.

##### ***4.1. How Can China's Basic Healthcare Security System Better Match the Level of Economic Development in the Context of the Pandemic***

The medical insurance investment and operation effect in response to the epidemic will become the decisive factor affecting economic performance. According to the feedback from countries around the world, the degree of economic recovery has a great correlation with the effectiveness of the pandemic prevention. Countries that can strictly control the spread of the pandemic are obviously more resilient [24]. Therefore, the resource input and operation effect of China's basic healthcare security system directly affect the trend of economic development. According to statistics, China's total medical and health expenditure in 2019 has exceeded 6.5 trillion yuan, more than twice the amount in 2013, in which social health expenditure (including social medical insurance expenditure, commercial health insurance premium, social medical expenditure, social donation and assistance, administrative fees, etc.) accounted for the largest proportion, about 44%; from 2013 to 2019, China's GDP growth rate was about 6% - 7%, while the growth rate of total health

expenditure was far higher than that of GDP, reaching more than 11% [25]. Since the outbreak of COVID-19, China's total investment in health care has increased significantly. But we should also notice that although the growth rate is significant, the overall level of China's expenditure on public health is relatively low and its proportion in GDP is far lower than that in developed countries (between 2014 and 2018, the proportion of China's public health expenditure in its total fiscal expenditure was about 1/4 of that in the United States and Britain, and 1/6 of that in Japan), China has not paid enough attention to the prevention and treatment of major public health emergencies, and the imbalance and inequality in the allocation of public health resources among provinces are still expanding [26]. In fact, medical and health care is related to the life safety of the people and the stability of the country's social economy. Especially under the influence of the pandemic, the state must constantly increase its investment in this field with the economic development. In addition, at present, the world economy under the influence of the pandemic is facing risks and pressures such as low growth, low interest rates, and low investment, but new trends and opportunities are emerging, such as digitalization, informatization, and service-oriented industries [27]. At the same time, China's economy is facing challenges and opportunities such as structural adjustment, industrial upgrading and transformation of the growth mode. Therefore, the general trend of COVID-19 will further accelerate or force China to rapidly complete its structural adjustment and industrial upgrading to cope with the new normal economic development under the epidemic. This transformation has an importance significance to the reform and improvement of China's basic healthcare security system in the future. Therefore, how to further improve the public investment in basic healthcare security and related medical services, how to adapt the basic healthcare security system to the new normal economic development in the context of the pandemic, how to coordinate the development of the basic healthcare security system with the economic level, how to maintain and strengthen the elements that promote economic growth in the design of the basic healthcare security system, and how to design the scope and treatment standards of medical insurance for the emerging industrial structure and occupation are undoubtedly great challenges.

##### ***4.2. How to Balance the Sustainability of China's Basic Healthcare Security Fund with Public Health Investment***

The essence of the basic healthcare security system is to spend the basic medical insurance fund efficiently and reasonably to achieve the leverage role of the basic healthcare security system. Under the impact of the pandemic, the sustainability of the basic medical insurance fund has been greatly challenged. On the one hand, the pandemic has affected employees and enterprises. Such problems as reduced demand for labor, stagnant labor flow, and shutdown of some enterprises have weakened the ability of employees and enterprises to pay for medical insurance to a certain extent,

resulting in a decrease in the base of the payment fund and damages to the fund income; on the other hand, in order to resume production as soon as possible, the central and local governments of China have successively introduced a series of policies to defer the payment of basic medical insurance fund. This policy can alleviate the economic pressure of enterprises and employees in the short term, but in the long run and from the macro perspective, it reduces the overall income of the basic medical insurance fund. After the pandemic, the recovery of the fund's income capacity has a certain time lag [28], which actually poses great challenges to the overall sustainability of China's basic healthcare security fund. On the whole, China's basic healthcare security fund has a balance every year. However, due to the huge differences between regions, the basic medical insurance fund in some poor areas has or will have the risk of income not offsetting expenses in the current period [29, 30]. In order to prevent and control the pandemic, the government is bound to increase expenditure on medical and health personnel, medical materials procurement, patient treatment, epidemic prevention and control, vaccine injection, etc. In this part of the financial budget in the medical and health field, there are differences between the public health field and the medical security field. The cost sources in the medical insurance field are mainly social financing contributions, supplemented by government budget subsidies; while the source of public health expenses is mainly from the government budget. According to paragraph 3 of Article 30 of China's Social Insurance Law, "expenses that should be borne by public health are not included in the payment scope of the basic medical insurance fund". At present, China has invested a large amount of funds in response to the epidemic, among which there is no clear distinction between public health costs and medical security costs. In order to solve the problem of unsustainable basic medical insurance fund, the central and local governments in China have increased their investment in medical insurance. This is bound to blur the boundary of public health investment, thus resulting in the failure of continuity and overall utilization of the two [31]. Therefore, how to maintain the balance between the sustainability of the basic medical insurance fund and public health investment is a major challenge.

#### **4.3. How to Further Improve the Legalization and Marketization of Basic Healthcare Security Governance**

China's policy governance is highly flexible and responsive, but it also has a certain degree of instability, which cannot guarantee the stability and expectation of the system. For example, whether the tax reduction and payment delay policies of basic healthcare security fees can be transformed into long-term emergency measures is with doubt, and in the face of such problems as how the medical insurance prepays part of the funds for the treatment hospitals during the period of pandemic prevention and control and how the relevant measures become a long-term emergency mechanism, it is necessary to further improve the stability and legalization degree on the basis of flexibility and emergency mechanism [32]. In particular, with the gradual deepening of the reform and development of

China's basic healthcare security system, and with the increasingly close connection and increasingly prominent interaction between the medical insurance system and economic development, the basic healthcare security system should not continue to be promoted and implemented through policy tools, otherwise it will undermine the predictability, standardization and unity of the positive effect of medical insurance governance on economic development. However, at present, China's basic healthcare security system has a low degree of legalization, and no special medical security law has been introduced; at the same time, there are few functional norms for the medical security system and economic and social aspects, and more norms have been designed for the internal construction of the system. In addition to the problem of low legalization, China's basic healthcare security system itself also has a low marketization level. It still has a lot of room for progress in dealing with pandemic prevention and control and promoting economic recovery and development. In essence, China's multi-tiered basic healthcare security system should be widely incorporated into the market, and social forces should participate in pandemic prevention and control and economic development through institutional arrangements. Typical potential market space such as commercial health insurance is extremely broad. Despite the strong support of the government, the active layout of enterprises, the gradual strengthening of residents' awareness, and the increasingly diverse product forms, the security borne by commercial health insurances is still very limited in China's total medical expenditure today [33]. In 2020, China's direct medical expenditure will be about 4.3 trillion yuan, including 2.1 trillion yuan for medical insurance, 2 trillion yuan for personal expenditure, and 0.2 trillion yuan for commercial health insurances (about 5% of the direct medical expenditure). It can thus be seen that commercial health insurances have not effectively reduced the medical burden of residents [34]. If the construction of the basic healthcare security system is completely handled by the government departments and lacks the operation of market rules, it will not be conducive to the reform process of the basic healthcare security system itself and the development trend of the world medical insurance, nor can it effectively control the medical expenditure. As a result, the profit seeking and illegal behaviors of medical institutions cannot be effectively restrained, and it will be difficult to effectively form a risk prevention mechanism and economic compensation mechanism for medical service quality. Therefore, if the participation of the whole society and market subjects is not high, it will have a negative impact on economic development.

#### **4.4. How to Improve the Fairness of the Basic Healthcare Security System and How to Avoid Improper Use of Funds**

For a long time, China's basic healthcare security system has focused on expanding dimensions, basically covering more than 90% of the people, but the fairness of the system has been ignored, which has led to such phenomena as the imbalance between urban and rural development, and social injustice. For example, from the perspective of financing and

payment, different insured people have different payment requirements. At the national level, China only has mandatory requirements for urban employees to participate in insurance, while there is no mandatory insurance requirement for some special groups such as urban and rural residents and flexible employees. In addition, there are some problems in China such as the interruption of basic medical insurance scheme for employees and the serious aging of the society, which make the equity of medical insurance financing insufficient and bring a certain burden to the sustainable operation and development of the basic medical insurance fund. From the perspective of treatment payment, the fairness of treatment between different types of insurances, different regions and different insured groups is also insufficient. For example, as far as the basic medical insurance scheme for employees is concerned, there are differences in the amount of medical insurance expenditure in different regions. The highest value is about 2.83 times the lowest [35], showing the difference in medical insurance benefits. Fair and appropriate basic healthcare security treatment is an inherent requirement for improving public health and well-being. The National Medical Security Bureau has constructed the medical insurance treatment list and treatment adjustment mechanism to adapt to the level of economic development. However, the fuzziness and unfairness of the financing responsibility of basic healthcare security, as well as the imbalance of medical and health resources and related conditions in different regions, have directly led to differences in the fairness of basic healthcare security treatment payment in practice. The aggravation of such development imbalance and social inequality will seriously affect the sustainable and healthy development of China's national economy [36]. In addition, China has long ignored the standardized use, supervision and management of basic medical insurance funds, which has led to the loss of a large number of basic medical insurance funds. In 2021, China promulgated Regulations on the Supervision and Administration of the Use of Healthcare Security Fund and a series of supporting specifications and policies. However, the situation of supervision of basic medical insurance fund remains challenging, which is because the all-round supervision systems such as social supervision, industry self-discipline and personal trustworthiness have not been fully established and improved [37]. Different economic systems determine the use of different basic medical insurance funds and the connotation of their regulatory models. In the era of China's planned economy, the model of medical insurance supervision was mainly administrative supervision; with the establishment of the socialist market economy with Chinese characteristics and the steady development of the economy, the medical insurance supervision will face more market and social subjects, and the fund revenue and expenditure scale will continue to expand. The impact of the pandemic will further exacerbate the risk, which will inevitably force the reform of the model of medical insurance supervision. Otherwise, it will lead to improper use of basic medical insurance fund, which will seriously affect the scale of the fund pool and the quality of medical insurance, thus

triggering the "butterfly effect" and affecting economic development.

## 5. Conclusion

In response to the negative impact of COVID-19 on economic development, China has introduced a series of policies and improvement measures based on the basic health security system, aiming to ensure basic medical treatment, maintain basic health and stability of life order, and maintain working capacity to restore the basic economic cycle of production-consumption. We can think that China's basic healthcare security system has played an incomparable and irreplaceable role in economic development. Based on analysis, they specifically include the important roles of ensuring healthy labor force, regulating and allocating resources, promoting economic growth and stimulating residents' consumption. In the context of the global economic downturn, China's economy is still developing steadily. As far as its basic healthcare security system is concerned, China has explored a model and experience suitable for itself. Specifically, this is reflected in the following aspects: First of all, in all institutional arrangements and improvement measures, China has adhered to the principle and criteria of putting people first and putting people's interests first; secondly, in order to quickly respond to the economic damage caused by the epidemic and promote economic recovery, it is necessary to improve and ensure the accessibility and universality of treatment and epidemic prevention for the general population as soon as possible. Therefore, with policies as tools, China improved the flexibility and urgency of its governance; thirdly, in order to reduce the medical treatment burden of the masses, improve the use efficiency of the basic medical insurance fund, and give full play to the leverage role of the medical insurance system, China continues to promote the reform of "medical treatment, medical insurance and medical linkage", and forms a multi system synergy to promote economic development with basic health security as the link; fourthly, China continues to consolidate and improve its multi-tiered basic healthcare security system to solve the problems of poverty and achieve common prosperity.

Of course, while China's basic healthcare security system promotes economic development, it also exposes problems that need to be solved urgently and severe challenges that will be faced. For example, how China's basic healthcare security system can better match the level of economic development under the epidemic situation, how to balance the sustainability of China's basic healthcare security fund with public health investment, how to further improve the degree of legalization and marketization of basic healthcare security governance, how to improve the fairness of basic healthcare security system, and how to avoid improper use of funds. In the future, China should further improve the top-level design of basic healthcare security system, especially the mechanism setting that can promote, restore and stimulate economic development; China needs to further improve fairness based

on the income and expenditure of the basic medical insurance fund, build a comprehensive governance pattern of the basic healthcare security fund, and clarify the usage boundaries of the basic healthcare security fund in pandemic prevention and future response to major public emergencies; China should further enhance the legalization and marketization level of its basic healthcare security system, and release the vitality of the medical insurance system to the economy on the basis of remaining market-oriented, etc.

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## Conflicts of Interest

The authors declare no conflict of interest.

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