

Insurance Enables Home-based Care and Improves the Pension Security System

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Abstract

This paper explores the pivotal role and practical approaches of insurance in empowering home-based elderly care and enhancing the pension security system. By analyzing current challenges such as funding shortages and service gaps in home-based elderly care, it highlights the unique advantages of insurance in risk diversification, capital mobilization, and service integration. The study also identifies existing issues in insurance-enabled home-based elderly care, including product homogeneity and insufficient coordination. Countermeasures are proposed from perspectives of product innovation, policy support, and service collaboration, aiming to promote deeper integration between insurance and home-based elderly care, establish a more robust pension security system, and meet the diverse needs of the elderly.

Keywords

Insurance; Home-based Elderly Care; Pension Security System; Insurance Empowerment; Service Innovation.

1. Introduction

1.1. Research Background

China is currently experiencing an unprecedentedly rapid and extensive aging population. Data from the Seventh National Population Census shows that by the end of 2023, the number of people aged 60 and above had reached 297 million, accounting for 21.1% of the total population—a figure far exceeding the internationally recognized threshold of 10% for an aging society. More critically, China's aging population exhibits two distinctive patterns: 'aging before prosperity' and 'low birth rates with advanced aging.' The total fertility rate dropped to 1.09 in 2023, while the average household size shrank to 2.62 people, making the traditional 'raising sons to support the elderly' model unsustainable. Against this backdrop, the home-based elderly care model, with its unique advantage of 'staying close to family without leaving home,' has met the care needs of over 90% of the elderly, becoming the cornerstone of China's '9073' elderly care service system [1].

However, the reality of challenges cannot be ignored: According to a survey by the National Health Commission, there are over 44 million elderly individuals with partial or complete disabilities, while the coverage rate of community day care centers is less than 40%. The average monthly cost of home hospital beds exceeds 5,000 yuan. In the field of medical care, there is a significant gap in services such as chronic disease management and rehabilitation training. In terms of psychological support, the coverage rate of mental health intervention services for empty-nest elders is less than 20%. The existing pension security system exhibits "three major shortcomings": the replacement rate of basic endowment insurance has dropped to 43%, below the 55% warning line recommended by the International Labor Organization; the coverage rate of enterprise annuities is less than 7%; and long-term care insurance only covers 49 pilot cities [2].

As a cornerstone of modern risk management, insurance is demonstrating transformative potential. Commercial endowment insurance, through its "lifetime cash flow" design, effectively bridges the gap in basic pension funding. Long-term care insurance, employing a "physical + cash" payment model, has reduced caregiving burdens for disabled elderly families by 60% in pilot regions. Health management insurance products have innovatively integrated services like home adaptation for aging populations and 24/7 telemedicine monitoring [3]. The newly launched "Home-Based Elderly Care Security Plan" exemplifies this approach: through an "insurance + service" model, it provides an annual nursing allowance of 200,000 yuan while collaborating with community elderly care stations to deliver 12 essential services including meal assistance and bathing support, achieving true integration of "insurance empowering life" [4]. These practices demonstrate that insurance serves not only as an economic compensation tool but also as a vital institutional innovation in enhancing the elderly care security system.

1.2. Research Objectives and Significance

This study focuses on the critical issue of insurance-enabled home-based elderly care and the improvement of the pension security system, aiming to systematically explore effective implementation pathways. Against the backdrop of deepening aging and the gradual weakening of family-based care functions, home-based elderly care has become the mainstream model in China, yet it faces practical challenges such as shortages of medical and nursing resources and high long-term care costs [5]. As an essential tool for risk management and economic compensation, the deep integration of insurance with home-based elderly care services holds tremendous potential and social value [6].

Through multidimensional and in-depth research, this project aims to achieve the following objectives: First, to thoroughly analyze the operational mechanisms of insurance in the home-based elderly care service system, revealing how insurance provides end-to-end support for home-based elderly care from perspectives such as risk protection, capital financing, and service integration [7]. Second, to employ data analysis methods to identify pain points and challenges in insurance-enabled home-based elderly care, particularly in product supply, service coordination, and policy synergy [8]. Third, to propose targeted solutions-including innovative insurance product design, optimized service delivery models, and strengthened multi-stakeholder collaboration mechanisms-by integrating international best practices with domestic practical needs [9].

2. Theoretical Basis and Mechanism of Insurance Empowering Home-Based Elderly Care

2.1. Theoretical Basis of Insurance Empowering Home-Based Elderly Care

Risk Management Theory: The core function of insurance is risk management, which involves pooling a large number of homogeneous risks and applying probabilistic statistical principles to disperse and transfer risks. In the context of home-based elderly care, seniors face various risks such as illness, accidents, and disability. Insurance can effectively disperse these individual risks across a broader scope, thereby reducing the economic losses that individuals and families may incur due to risk events.

Social Security Theory: Social security aims to safeguard the basic living rights of social members and maintain social stability. As an important supplement to the social security system, insurance can provide diversified economic security for home-based elderly care, compensate for the inadequacies of basic social security, meet the diverse elderly care needs, and improve the hierarchical structure of the entire pension security system.

Resource allocation theory: Insurance collects premiums to pool funds, which are then rationally allocated to elderly care service-related fields, such as investing in the construction

of elderly care facilities and supporting the operation of elderly care institutions. This achieves optimal resource allocation, enhances resource utilization efficiency, and promotes the development of the home-based elderly care service industry.

2.2. Mechanism of Insurance Empowering Home-Based Elderly Care

Risk Protection Mechanism: The insurance product provides risk coverage for home-based elderly individuals, including illness, accidental injury, and disability care. In the event of a risk occurrence, the insurance company will make compensation in accordance with the contractual terms, alleviating the financial burden on the elderly and their families, and ensuring that the elderly receive necessary medical treatment and daily care services.

Funding Mechanism: Insurance pools substantial capital through premium income, providing a stable financial foundation for home-based elderly care services. Commercial insurers develop pension insurance products to attract individuals and families to build retirement savings. Meanwhile, insurance funds can invest in elderly care industry projects, supporting the construction of home-based care facilities and the operation of service providers.

Service Integration Mechanism: Insurance institutions leverage their resource integration capabilities to collaborate with elderly care service providers and medical institutions, organically combining insurance products with elderly care services and medical services. This approach delivers comprehensive "insurance + service" solutions for the elderly, optimizing the allocation and efficient utilization of service resources, thereby enhancing the quality and accessibility of home-based elderly care services.

3. Current Status and Challenges of Home-Based Elderly Care in China

3.1. Current Status of Home-Based Elderly Care in China

Policy support has been progressively strengthened: In recent years, the Chinese government has issued a series of policy documents supporting home-based elderly care, injecting strong momentum into the industry's development. The 2019 "Opinions on Promoting the Development of Elderly Care Services" explicitly proposed supporting pilot reforms of home and community-based elderly care services through central fiscal special funds, providing construction subsidies and operational subsidies to qualified elderly care service institutions [10]. The "14th Five-Year Plan for National Aging Development and Elderly Care Service System" further refined requirements, offering tax incentives such as VAT exemption for elderly care services provided by institutions, and property tax and urban land use tax exemptions for non-profit elderly care institutions' self-used properties and land [11]. These policies not only provide practical support in terms of financial assistance and tax reductions but also establish clear standards for elderly care facility planning and community service infrastructure allocation, creating a comprehensive and multi-level policy environment for the development of home-based elderly care.

Preliminary Establishment of Service System: Based on community support, China has initially established a comprehensive home-based elderly care service system covering the entire life cycle. In terms of daily care, government procurement of services and market-oriented operations provide door-to-door services such as meal assistance, bathing assistance, and cleaning assistance for elderly individuals with advanced age or disabilities. In the medical care sector, efforts are being made to expand and improve the coverage of family doctor contract services, encouraging secondary and tertiary hospitals to establish medical-nursing partnerships with community elderly care institutions, offering services such as telemedicine and regular outpatient visits [12]. For rehabilitation and healthcare, community elderly care service centers are generally equipped with rehabilitation equipment and collaborate with professional medical institutions to conduct rehabilitation training courses. In the cultural and

recreational aspects, activities such as calligraphy and painting, opera performances, and health lectures are organized through community senior universities and cultural activity centers. Meanwhile, cities like Beijing and Shanghai have introduced professional elderly care service enterprises to operate community day care centers through models such as public-private partnerships and private-public assistance, promoting the transformation of service supply from single to diversified [13].

The participation in elderly care services has become increasingly diversified. Beyond government-led initiatives, home-based care services have established a collaborative development framework characterized by "government guidance, market operations, and social participation." At the corporate level, insurance institutions are investing in establishing senior living communities and developing elderly care insurance products to participate in the service industry chain. Technology companies are leveraging IoT and big data technologies to create smart elderly care platforms, enabling real-time monitoring of seniors' health data and one-touch emergency alerts [14]. Social organizations are actively utilizing their professional expertise, such as senior-focused foundations conducting public welfare projects and social work agencies providing psychological counseling services for solitary elderly individuals. Volunteer groups are innovating mechanisms like "time banks," encouraging younger seniors to assist older ones with daily tasks. By accumulating service hours, they can earn future care services. This mutual assistance model has further enriched the supply of home-based elderly care services, fostering a vibrant scenario where the entire society collaborates in the field of elderly care.

3.2. Challenges in Home-Based Elderly Care in China

The funding shortage is a pressing issue: Significant investments are required for home-based elderly care service facilities and staff salaries, yet multiple challenges remain. Limited government funding, constrained by public budget allocations, fails to meet the full-cycle financial needs of such services. Social capital participation remains low due to factors like long investment cycles and unclear profit models, resulting in insufficient social capital involvement in projects like community day care centers and age-friendly renovations.

The quality of services in the elderly care sector remains inconsistent. The industry lacks unified service standards and regulations, and a nationwide service process or quality evaluation system has yet to be established, resulting in significant variations in service content across regions. The professional competence of service personnel is generally low. Management levels among service institutions vary widely, with some small-scale institutions exhibiting issues such as non-standardized service procedures and the absence of emergency response plans. These factors contribute to the uneven quality of home-based elderly care services, making it difficult to meet the growing demand for high-quality elderly care services. For instance, there is a severe shortage of services such as personalized care for disabled elderly individuals and chronic disease health management [15].

The integration of medical and elderly care services remains inadequate: There is a poor connection between medical services and elderly care in home-based elderly care scenarios, coupled with insufficient community medical resources. Elderly care institutions lack professional medical facilities and personnel, and most community elderly care stations are not equipped with basic diagnostic and treatment equipment, rendering them unable to provide routine physical examinations, rehabilitation training, and other services. The elderly face difficulties in accessing medical care, with transportation and accompaniment challenges exacerbating the burden of hospital visits. Additionally, the medical insurance reimbursement policies are poorly aligned with the context of home-based elderly care services, making it difficult to include the costs of home-based medical services in the insurance coverage, thereby affecting the overall effectiveness of home-based elderly care services [16].

4. Practical Exploration and Achievements of Insurance Empowering Home-Based Elderly Care

4.1. Practical Exploration of Insurance Empowering Home-Based Elderly Care

Facing rapid aging, insurers are innovating home-based elderly care insurance and building a multi-tiered protection system. They have upgraded long-term care insurance to a dual benefit-and-service model, offering cash subsidies and standardized nursing services. Some products combine smart wearables for real-time health monitoring and efficient claims.

The “insurance + service” model integrates protection and full-cycle services. Insurers partner with medical and care institutions to provide online consultations, health check-ups, priority treatment, and senior care reservations, forming a closed loop of prevention, treatment and rehabilitation.

Insurance capital also supports the elderly care ecosystem. Major companies build high-end care communities in first-tier cities and invest in community facilities to develop the 15-minute elderly care service network.

4.2. Effectiveness of Insurance Empowerment in Home-Based Elderly Care

Insurance enhances elderly care security through diversified products: long-term care insurance eases care costs, health insurance reduces medical burdens, and annuity insurance ensures stable income, strengthening families’ ability to cope with aging risks.

Insurance capital strongly boosts the elderly care industry by investing in care communities, smart equipment and retrofitting projects, while pushing providers to improve service quality and attracting more social capital.

The “insurance + service” model optimizes resource allocation by integrating insurance, medical and care institutions. Using health data and big data, it matches resources precisely, connects online and offline services, improves efficiency, reduces waste, and provides full-cycle, convenient elderly care solutions.

5. Challenges in Home-Based Elderly Care Supported by Insurance

5.1. Insufficient Supply of Insurance Products

The home-based pension insurance market faces serious structural imbalance. Most products focus on accident and basic health insurance, failing to cover core elderly risks. Demand for long-term care, chronic disease management, rehabilitation and psychological support is soaring, but corresponding products are severely lacking.

Meanwhile, product design is oversimplified and inflexible, with high underwriting thresholds that exclude many seniors with chronic diseases or disabilities. Without adjustable mechanisms for dynamic care needs, the practicality of insurance is greatly weakened, resulting in a severe supply-demand mismatch.

5.2. Imperfect Service Coordination Mechanism

Insurers and service providers lack close collaboration: Currently, partnerships between insurance institutions and elderly care service providers or medical institutions are fragmented. Most collaborations are project-based or limited to single transactions, lacking strategic depth. This prevents effective resource integration and collaborative innovation for home-based elderly care needs. Furthermore, the absence of long-term benefit-sharing mechanisms makes short-term conflicts prone to disrupt cooperation, severely hindering the sustainable integration of insurance and elderly care services.

The lack of unified service standards in the elderly care industry has become a major bottleneck hindering insurance-enabled home-based elderly care. Without nationwide or regional service

standards, different care institutions exhibit significant variations in service content, operational procedures, and staff qualifications. Moreover, the industry lacks an authoritative service quality evaluation system and dynamic supervision mechanisms, forcing insurance providers to rely on subjective judgments or limited industry reputation when selecting partners. This makes it difficult to assess service quality through quantitative metrics. Such a situation not only complicates insurance product pricing but also increases the risk of service dispute claims during claims processing, ultimately undermining the market credibility of insurance products.

5.3. Insufficient Policy Support and Regulation

Policy support for insurance-integrated home-based elderly care is insufficient. While national guidelines exist, specialized policies are lacking. Tax incentives only apply generally to elderly care institutions, not to insurers developing targeted products. Fiscal subsidies mainly fund infrastructure, with little support for insurance innovation or premium subsidies. Complex cross-departmental approval also raises entry barriers and reduces insurers' investment enthusiasm.

The regulatory system is fragmented. No effective coordination mechanism exists among banking and insurance regulators, civil affairs, and health authorities, causing overlapping duties and supervision gaps. Unified pricing and service standards are absent, and poor data sharing leads to mismatches between insurance promises and actual services. This raises corporate compliance costs, harms consumer rights, and restricts the healthy development of the sector.

6. Conclusion

Insurance providers should step up R&D to build a comprehensive home-based pension insurance system, developing targeted elderly products covering emergency rescue, health management, chronic disease care and dementia support. They should explore "insurance + elderly care" models, offer flexible payment and simplified online claims, and adopt tiered pricing based on health assessment.

Insurers need to cooperate with professional care and medical institutions and build big data and information platforms for efficient services. The government should set unified service standards, provide tax incentives and purchase subsidies, and strengthen cross-departmental supervision to protect the elderly's rights. Public awareness should be promoted via multiple channels, and talent training should combine insurance and elderly care expertise.

Despite progress, challenges such as limited products and weak policy support remain. Promoting product innovation, closer collaboration, better policies and regulation will deepen the integration of insurance and home-based elderly care, improve the pension system, meet diverse elderly needs and address population aging.

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