

Discussion on China's Critical Illness Insurance System

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Abstract—In order to reduce the burden of medical expenses for urban and rural residents suffering from critical illness, China established a critical illness insurance system for urban and rural residents in 2012. From the perspectives of financing principle of social medical insurance and risk premium, this paper academically analyzes the critical illness insurance system for urban and rural residents. According to the analysis, it is unreasonable to solve the urban and rural residents' burden of medical treatment by establishing new systems, because the critical illness insurance system is basically the same as the basic medical insurance system. The basic medical insurance is essentially a basic medical insurance system for critical illnesses; the establishment of new critical illness insurance system independent of the basic medical insurance system is unnecessary and redundant. The correct approach is to improve the basic medical insurance system and emphasize its original meaning of "insuring critical illness".

Keywords—risk premium; moral hazard; capping line

I. INTRODUCTION

In order to alleviate the urban and rural residents' burden of medical expenses for critical illness and solve the prominent problems such as poverty due to illness and returning to poverty due to illness, on August 24, 2012, six departments, including China National Development and Reform Commission, Ministry of Health, Ministry of Finance, Ministry of Human Resources and Social Security, Ministry of Civil Affairs and China Insurance Regulatory Commission, jointly issued the Guiding Opinions on the Implementation of Urban and Rural Residents' Critical Illness Insurance Work (Fa Gai She Hui [2012] No. 2605) (hereinafter referred to as Guiding Opinions), and began to carry out pilot critical illness insurance for urban and rural residents. By the end of 2018, the critical illness insurance has covered all urban residents under basic medical insurance and new rural cooperative medical insurance.

Regarding the medical insurance for critical illnesses of urban and rural residents, the positioning given by the Guiding Opinions is "an institutional arrangement for further guarantee of the high medical expenses incurred by seriously ill patients on the basis of basic medical insurance, which can further amplify the effectiveness of guarantee. It is the expansion and extension of the basic medical insurance system, and a useful supplement to basic medical insurance."

On one hand, this positions the critical illness insurance as "the expansion and extension of the basic medical insurance system", that is, critical illness insurance is part of the basic medical insurance system or its proper meaning, which is also emphasized by the Opinions of the General Office of the State Council on the Full Implementation of Critical Illness Insurance for Urban and Rural Residents (Guo Ban Fa [2015] No. 57); on the other hand, it is positioned as a useful supplement to the basic medical insurance, that is, the critical illness insurance is an institutional arrangement independent of basic medical insurance. There is a contradiction between the two. Then, how to correctly understand the critical illness insurance system for urban and rural residents? What is its relationship with the basic medical insurance system? This paper attempts to form a clear and reasonable understanding of the urban and rural residents' critical illness insurance system academically through system analysis.

II. INTRODUCTION TO THE CRITICAL ILLNESS INSURANCE SYSTEM FOR URBAN AND RURAL RESIDENTS

The implementation opinions and plans on critical illness insurance for urban and rural residents in various provinces and cities in China are similar. This section introduces the urban and rural residents' critical illness insurance system from five aspects: financing standards, funding sources, overall level, guarantee object and scope, and guarantee level.

A. Financing Standard

In terms of financing standards, the Guiding Opinions stipulate that all places should combine the factors such as "local economic and social development level, medical insurance financing ability, high medical expenses incurred by critical illnesses, compensation levels of basic medical insurance, and guarantee levels of critical illness insurance, etc.", and comprehensively determine the level of funding. In practice, local practices can be divided into two types: relative standards and absolute standards. Shanxi, Fujian and other provinces adopt relative standards. For example, Fujian Province stipulates that "in principle, it should be arranged according to 5% of the financing standards for local urban and rural residents in that year"; Hubei, Jiangsu, Ningxia, Shaanxi and other provinces implement absolute standards, for example, Hubei Province clearly stipulates that "the guiding financing standard for critical illness insurance of

urban and rural residents in each city is 25 yuan/person in 2013".

B. Source of Funds

The fund sources for critical illness insurance mainly come from the basic medical insurance balance or financial subsidies, and individuals basically do not have to pay. The Guiding Opinions stipulate that "a certain proportion or quota shall be drawn from the urban residents' medical insurance fund and the new rural cooperative fund as the critical illness insurance fund. The areas where the urban residents' medical insurance and new rural cooperative fund have balances shall use the balance to raise funds for critical illness insurance fund; in areas where there is insufficient or no balance, the urban residents' medical insurance and new rural cooperatives improve fund raising to coordinate the funding sources, and gradually improve the multi-channel financing mechanism of urban residents' medical insurance and new rural cooperatives." In practice, most areas do not insist on the principle of not increasing the burden of urban and rural residents, and do not raise funds with additional charges. Some provinces even directly stipulate that when the fund balance is insufficient or there is no balance, financial subsidy is given. Therefore, "coordinating the solution of funding sources" mainly refers to the government's financial subsidies.

C. Overall Level

According to the Guiding Opinions, critical illness insurance can be coordinated at the municipal (prefecture) level or at the provincial level. According to the implementation opinions of various provinces and cities, most provinces, such as Guangxi, Anhui, Fujian, Inner Mongolia, etc., implement municipal-level coordination, and only some provinces require provincial-level coordination for critical illness insurance. Among them, the provincial level can be divided into two categories: "one step in place" type and "two stage" type.

The "one step in place" type means that at the beginning of the establishment of the system, it clearly stipulates that the urban and rural residents' critical insurance implement provincial coordination. For example, Gansu Province clearly stipulates that "the urban and rural residents' critical illness insurance shall implement provincial coordination, the urban and rural residents of the province shall enjoy equal critical illness insurance treatment and services according to the principle of 'unified funding standard, unified reimbursement ratio and unified implementation plan'".

The "two stage" type refers to the implementation of municipal-level coordination in the pilot process, and then to the provincial level. For example, in Hubei Province, in 2013, "urban residents' medical insurance and new rural cooperative medical insurance funds implemented municipal- (state-) level coordination, and "to the end of the '12th Five-Year Plan', the urban residents' medical insurance and the new rural cooperative medical insurance fund shall be gradually raised to provincial coordination".

D. Guarantee Object and Scope

The Guiding Opinions stipulate that the guarantee object is "the insured under insurance of urban residents and new rural cooperatives", and the scope is "in event of high medical expenses of the insured people incurred by critical illnesses, guarantee is given to the compliant medical expenses that should be borne by individuals after the compensation of the urban residents' medical insurance and NCMS." High medical expenses generally take the annual per capita disposable income of urban residents in the previous year and the annual per capita net income of rural residents as criteria, specifically determined by the local government; but there are also exceptions. For example, Jiangsu Province stipulates that "about 50% of the annual per capita disposable income of local urban residents in the previous year" is the payment threshold for critical illness insurance.

E. Guarantee Level

In order to reduce the catastrophic medical expenses of urban and rural residents, the Guiding Opinions stipulate that the critical illness insurance's "actual payment rate" is not less than 50%, and that "the payment ratio is determined according to the level of medical expenses, and in principle, the higher the medical expenses, the higher the payment ratio". According to whether there is a capping line, the practice is divided into two categories: "with no ceiling" and "with a highest payment limit".

Simply speaking, "with no ceiling" means reimbursement for the actual payment, for example, Gansu Province stipulate that "the amount of reimbursement is not capped". "With a highest payment limit" means that the reimbursement has the highest standard, and the part above the standard is not reimbursed by the critical illness insurance. For example, Shanxi Province clearly states in the implementation opinions that the critical illness insurance guarantees "accumulated compliant medical expenses paid by individuals above the payment standard of urban and rural residents' critical illness insurance and within the maximum payment limit", and the "maximum payment limit is 400,000 yuan".

III. THE GUARANTEE OF CRITICAL ILLNESS IS THE PROPER MEANING OF BASIC MEDICAL INSURANCE

A thorough understanding of basic medical insurance is a prerequisite for correctly understanding the critical illness insurance and identifying the relationship between critical illness insurance and basic medical insurance. This section returns to the original meaning of insurance, starts from the risk premium, and explores the original meaning of the basic medical insurance system.

A. The Critical Illness Is an Economic Concept

There are two arguments about how to define a critical illness: by the illness category and by the medical expenses incurred.

Classifying by the illness category, simply speaking, is to make a directory of critical illnesses, and illnesses belonging to the scope of the directory are critical illnesses. As early as in 2010, the Ministry of Health proposed to include 20 illnesses in the guarantee of critical illnesses of rural residents; in 2012, the Ministry of Health proposed to increase 12 illnesses of the critical illness insurance in one-third of pilot new rural cooperative areas. However, there are serious fairness problems in classification by the illness category: what is the basis for the classification of critical illness and minor illness. There are limitations in classification of critical illnesses by illness category, because "the scope of 'critical illnesses' is dynamic and unstable, and it is not static", and "man-made boundary of critical illnesses will still omit some patients."

Classifying critical illness by the medical expenses incurred is to set a standard in advance, and those whose medical expenses exceed the standard are critical illnesses, otherwise they are not critical illnesses. The World Health Organization has proposed the concept of "catastrophic medical expenditures", that is, "a family's medical expenditure exceeding 40% of the remaining expenditures other than household non-food expenditures" is a disastrous medical expenditure.

Catastrophic medical expenditure is not only a cost concept but also a relative standard. It can better reflect the differences between households with different income levels. It is a good indicator to measure the impact of medical expenditure on a family, but its transaction cost is higher in actual operation. However, it is appropriate to take the level of medical expenses as a standard for the classification of critical illnesses. First of all, according to the level of medical expenses incurred, it is possible to avoid the unfairness caused by illness; secondly, medical expenditure is an expenditure standard and is operationally feasible.

B. The Financial Risk of Critical Illness Is Greater and Falls Within the Scope of Insurance Coverage

Uncertainty is a prerequisite for insurance. If everything in life is deterministic and can be planned, people can act according to the advance plan, and insurance does not have the necessity and meaning. However, the world is full of uncertainty: people can't predict when they will fall ill, what illness, and how much they will spend after falling ill.

The generation of insurance, in addition to uncertainty, also requires "risk premium". Risk premium is used to measure the benefits of insurance. The greater is the risk premium, the greater is the benefits that policyholders and insurance institutions can share, and vice versa. If the risk premium cannot exceed the premium, then people will not buy the insurance. In medical insurance, the risk of financial loss in the case of critical illness is high, and the risk premium of medical insurance is also high. Therefore, medical insurance should guarantee "critical illness" rather than "minor illness".

Basic medical insurance is also a kind of insurance, and should follow rather than exceed the coverage of medical insurance. Therefore, in essence, basic medical insurance is

also a guarantee for critical illnesses, rather than "minor illnesses". In practice, although basic medical insurance covers both critical illness and minor illness, "minor illness" is the result of social insurance institutions playing their strong negotiating role, rather than the job of basic medical insurance system.

C. Correctly Understanding the Guarantee of "Minor Diseases" of Basic Medical Insurance

In practice, there is a misconception about basic medical insurance that it is an "inclusive" system and a system for minor illnesses. Basic medical insurance is a kind of insurance, not welfare; it is an institutional arrangement that distracts the financial risks brought about by critical illness, rather than an inclusive system design. In the operation of the basic medical insurance system, we should adhere to the principle of "guaranteeing critical illnesses" and adhere to the "three directories" (Basic Medical Insurance and Industrial Injury Insurance Drug Directory, Medical Treatment Items of the Basic Medical Insurance, and the Scope of Medical Service Facilities of the Basic Medical Insurance).

In fact, China's basic medical insurance system, whether it is the basic medical insurance system for urban workers, or the new rural cooperative medical care system, or the basic medical insurance system for urban residents, emphasizes the guarantee of critical illnesses at the beginning of its establishment. Thanks to insisting on the principle of guaranteeing critical illnesses, the basic medical insurance system for urban workers has achieved great success, effectively alleviating the burden of medical expenses for urban workers. In contrast, the new rural cooperative medical care system and the basic medical insurance system for urban and rural residents gradually deviate from the goal of "guaranteeing critical illnesses" in operation, excessively emphasize "guarantee of minor illnesses" and benefit areas, incorporate the part that should be personally paid in the reimbursement scope of the basic medical insurance system, occupy the limited medical insurance fund, and result in insufficient capacity of the medical insurance fund to "guarantee critical illnesses". Over time, the basic medical insurance system¹ forms an embarrassing situation of "only guaranteeing minor illnesses but not critical illnesses". Such situation is caused by deviations in system implementation.

IV. ANALYSIS OF THE CRITICAL ILLNESS INSURANCE SYSTEM FOR URBAN AND RURAL RESIDENTS

A. Insurance Does Not Solve the Problem of Poverty Due to Illness or Returning to Poverty Due to Illness

The Guiding Opinions emphasize that the establishment of a critical illness insurance system is "an urgent need to solve the problem of poverty due to illness and returning to poverty due to illness". However, the critical illness

¹ If not specifically stated, the basic medical insurance system below refers specifically to the basic medical insurance for urban and rural residents, that is, the new rural cooperative medical care system and the basic medical insurance system for urban residents.

insurance system is not a “nostrum”, and it cannot solve the problem of poverty due to illness and returning to poverty due to illness.

The guarantee degree of critical illness insurance is limited by the size of fund. The critical illness insurance system is a kind of insurance, and it is necessary to collect premiums and accumulate funds among different groups of people to form a “fund pool”, that is, the size of fund. The guarantee level of critical illness insurance is affected by the size of fund: the guarantee level cannot exceed the upper limit of the size of fund. In order to control the payment risk of the insurance fund, the system design generally stipulates the “cap line”, that is, the maximum payment limit. For example, the “maximum payment limit is 400,000 yuan” for the critical illness insurance in Shanxi Province.

The guarantee level of critical illness insurance is also affected by the proportion of reimbursement. There is a dilemma between insurance level and the control of moral hazard in the insurance field: the higher the insurance level, the more serious the moral hazard; and vice versa. The contradiction between insurance and incentives determines that the higher proportion of reimbursement the better is not the case; relevant research shows that the optimal reimbursement rate is generally 75%-80%. Even so, in the face of tens of thousands, hundreds of thousands or even millions of medical expenses, the remaining 15%-20% may lead to poverty due to illness and returning to poverty due to illness.

Addressing poverty is not the purpose of the critical illness insurance system. As far as the insurance itself is concerned, the critical illness insurance is an insurance system rather than a welfare system; it is not an institutional design to solve the poverty problem, but an institutional arrangement to spread the financial risks brought about by critical illnesses. Solving the problem of poverty is not the fundamental purpose of insurance, but merely an extended function in the process of insurance spreading financial loss caused by critical illness. The critical illness insurance cannot directly reduce poverty, but only reduces the probability of poverty through insurance compensation.

To solve the problem of urban and rural residents becoming poor due to illness and returning to poverty due to illness, the comprehensive function of a multi-level medical guarantee system is needed, and it is unrealistic and impossible to establish a critical illness insurance system alone.

B. Fund Balance Is Not the Reason for Establishing Critical Illness Insurance

Reducing the burden of urban and rural residents' medical expenses is an important consideration in establishing the critical illness insurance system. Since the establishment of the basic medical insurance system, on the one hand, it has effectively alleviated the burden of medical treatment in urban and rural areas; on the other hand, there is a phenomenon that the balance of basic medical insurance funds and the heavy burden of urban and rural residents' medical treatment still coexist. Because of the balance of the

basic medical insurance fund, the relevant departments have issued special opinions, requiring the establishment of a critical illness insurance system. However, as a short-term project, fund medical insurance should not have fund balances, and fund balances are not a necessary reason for establishing the critical illness insurance. It is not sustainable to use fund balances as the main source of critical illness insurance funds.

It is not reasonable to establish critical illness insurance with the balance of the basic medical insurance fund. As a short-term project, the basic medical insurance follows the principle of “reducing expenditure, balancing revenue, and slightly balancing” in the financing mechanism. However, in some provinces and cities, there are still a large number of fund balances in the basic medical insurance fund. There are two reasons for the balance of the basic medical insurance fund: the basic medical insurance reimbursement ratio is too low and cannot play the role of diversifying risks; the one-time payment in practice in some areas. Wu Ritu (2013) once pointed out that “according to the current policy, the medical expenses of some cruel and seriously ill patients are 100,000 yuan or even hundreds of thousands of yuan, but the reimbursement limit is as small as several thousand yuan, and not more than ten or twenty thousand.” The reimbursement amount is not enough to alleviate the financial burden of seriously ill patients. The low reimbursement rate coupled with the rigidity of policy adjustments have led to a balance in the basic medical insurance fund. This is the first reason for the balance of the basic medical insurance fund. However, fund balances caused by low reimbursement rates will naturally disappear after the reimbursement rate increases or the fees are reduced. Another scenario for the balance of the basic medical insurance fund is related to one-time payment. In practice, many places stipulate that after retirement or under certain conditions, basic medical insurance premiums may not be paid. At this time, the basic medical insurance is given a certain long-term property, and does not completely follow the way that current income is equal to the current expenditure. In the long run, there should be a balance in the basic medical insurance fund: some of the current payment is used to make up for future expenditures.

It is not sustainable to use the balance of the basic medical insurance fund as a source of funding for critical illness insurance. In the policy design, considering the fact that there may be no balance or insufficient balance of the fund, the method of financial subsidy is proposed. In practice, there are indeed provinces that stipulate this. However, the impact of transferring government subsidies on basic medical insurance and the sustainability of government finances are questions still doubtful.

C. Critical Illness Insurance Is a Welfare Rather Than an Insurance System

There is an essential difference between welfare and insurance: welfare is a one-way transfer payment, in which individuals do not pay, and it does not emphasize the equivalence of rights and obligations; insurance is a two-way behavior between the insured and the insurance institution,

which emphasizes the equivalence of rights and obligations, and the precondition for enjoying the guarantee right is to pay the insurance premium.

In principle, basic medical insurance and critical illness insurance should fall within the scope of insurance and should follow the principle of equal rights and obligations. However, judging from the Guiding Opinions and the implementation opinions and plans of relevant provinces and cities, a large part of the critical illness insurance funds come from financial subsidies. Some cities even explicitly stipulate that the critical illness insurance funds are directly drawn from the government's financial subsidies. For example, Xi'an City stipulates that "the critical illness insurance funds will be drawn from the newly added government subsidy funds when the urban and rural residents' medical insurance is raised annually". From the perspective of the equivalence of rights and obligations, in the case that individuals only enjoy the right not to perform the obligations, the critical illness insurance is not insurance in the strict sense, but a welfare system.

Reducing the urban and rural residents' burden of medical expenses after illness is the original intention of establishing the critical illness insurance system. The Guiding Opinions clearly stipulate that the critical illness insurance "guarantees the compliant medical expenses that should be borne by individuals after the urban residents' medical insurance and the new rural cooperative compensation." That is, the critical illness insurance mainly provides further guarantee for the part that the individuals pay. In the insurance field, the higher the degree of insurance, the more serious the moral hazard of patients. In order to reduce the moral hazard of patients, the "deductible line" and "co-payment ratio" methods are usually used in system design. Both involve the problem of individual self-payment. The guarantee of the individual payment part of the critical illness insurance may undermine the system design of reducing the moral hazard of patients, increase the moral hazard of patients, and lead to the increase of medical expenses, which further increases the patients' burden of medical expenses.

D. Introducing Commercial Insurance Does Not Mean Establishing a Separate System

The introduction of commercial insurance companies to participate in the basic medical insurance does not mean to make a fresh start independent of the basic medical insurance, and build a new critical illness insurance system. Several Opinions of the State Council on Accelerating the Development of Modern Insurance Service Industry proposes to explore "the full use of market-oriented mechanisms in the field of public services by purchasing services from commercial insurance companies, etc.", and makes a clear stipulation on the involvement of commercial insurance companies in social insurance matters, to "explore and promote qualified commercial insurance institutions to carry out various types of pension and medical insurance services". The opinions have not explicitly proposed to take part of the funds from the basic medical insurance fund to build a new critical illness insurance system; instead, it is

proposed to give full play to the advantages of commercial insurance companies in handling services.

Social insurance funds buying insurance from commercial insurance companies do not mean the establishment of a separate insurance system. In fact, in other social insurance projects, there are also cases in which part of social insurance funds is used to buy insurance from commercial insurance companies. For example, Changyang County, Hubei Province, uses industrial injury insurance funds to buy insurance from commercial insurance companies. Due to the special industrial structure, the incidence of work-related deaths in Changyang County is relatively high, and the payment for work-related deaths has brought great pressure on the work-related injury insurance fund; in order to spread the risk of work-related injury insurance, Changyang County has taken part of the work-related injury insurance fund to buy insurance from commercial insurance companies. However, this is only one way to take the advantages of commercial insurance companies to diversify the risk of funds, and it is to establish a separate work-related death insurance system independent of work-related injury insurance.

The profit-seeking nature of commercial insurance companies is incompatible with the non-profit nature of social insurance institutions. In order to coordinate the contradiction between the two, the Guiding Opinions propose to "follow the principle of balance of payments, break even and make meager profits, and reasonably control the profitability of commercial insurance institutions". In practice, in addition to the management cost, the profit rate of commercial insurance institutions is generally clearly defined. For example, Qinzhou City, Guangxi stipulates that "the profit and loss rate of commercial insurance institutions is controlled within 3%". Commercial insurance institutions have the motivation to pursue profit maximization, and it faces severe challenges in how to ensure that commercial insurance institutions comply with institutional requirements. In addition, the introduction of commercial insurance institutions is costly.

V. THE CRITICAL ILLNESS INSURANCE IS ESSENTIALLY BASIC MEDICAL INSURANCE

The Guiding Opinions point out that: critical illness insurance is not only a "development and extension of the basic medical security system", but also a "beneficial supplement to basic medical guarantee." In other words, critical illness insurance is both part of the basic medical guarantee and independent of basic medical guarantee. In this regard, the policy level and the theoretical circle have major dispute.

From a policy perspective, the policy documents of the central and local provinces and cities regard the critical illness insurance as an independent insurance, and they believe that the critical illness insurance provides a higher level of guarantee above the basic medical guarantee, mainly to "give guarantee for the compliant medical expenses that still need to be borne by individuals" after enjoying basic

medical guarantee when the insured person suffers critical illness and high medical expenses.

The theoretical circle believes that in terms of the guarantee content, critical illness insurance and basic medical insurance both emphasize the guarantee of critical illnesses. From this point of view, critical illness insurance and basic medical insurance come down in one continuous line. The guarantee of critical illness is the proper meaning of basic medical insurance, and it is meaningless and necessary to establish critical illness insurance for critical illnesses. Jin Weigang (2013) pointed out that "the main function of the basic medical insurance is to provide basic guarantees for the expenses of critical illnesses, and it is the core and foundation for the guarantee of critical illnesses". The critical illness insurance is an "organic component of basic medical insurance", and should be gradually "integrate into the existing basic medical insurance". Wang Yuan (2013) pointed out that "'critical illness insurance' is the proper content and basic function of the basic medical insurance system", and "establishing a critical illness guarantee mechanism is an important part of a sound national medical insurance system, rather than establish an independent 'critical illness insurance' system outside the basic medical insurance system".

In fact, at the beginning of the establishment of the basic medical insurance system, it insisted on the principle of critical illness guarantee. "Guaranteeing critical illness", rather than "guaranteeing minor illness", is the original meaning of the basic medical insurance system. However, due to errors in cognition and other reasons, during the implementation of the system, the principle of "guaranteeing critical illness" is gradually deviated, and it is misunderstood as the system "guaranteeing small illness". If a "critical illness insurance system" is established independently of the basic medical insurance, it will further strengthen the misunderstanding of the basic medical insurance as "guaranteeing illness". What's worse, it "further covers up the original meaning of basic medical insurance for guaranteeing 'critical illness, strengthens its aspect of 'guaranteeing minor illness' and eventually ruins the hard-won basic medical insurance system" (Lu Guoying, 2013).

VI. CONCLUSION

The basic medical insurance system is the basic medical insurance system for critical illnesses. The establishment of a critical illness insurance system independent of the basic medical insurance system is neither necessary nor redundant: the basic medical insurance system is the institutional arrangement for "guaranteeing critical illnesses", and the establishment of a new critical illness insurance system will cover up the basic medical insurance's original meaning of "guaranteeing critical illnesses", further strengthen its aspect of "guaranteeing minor illnesses". Moreover, only through the establishment of a critical illness insurance system cannot solve the problem of urban and rural residents becoming poor due to illness and returning to poverty due to illness. In practice, the burden of medical expenses for urban and rural residents suffering from critical illness is still relatively heavy, which is largely caused by problems such as one-

sided emphasis on the benefit side during the implementation process. By returning to "guarantee basics" and so on, the basic medical insurance can basically solve the problem of heavy burden of medical treatment for urban and rural residents. Due to the low level of guarantee and one-time payment, the basic medical insurance fund has a balance in practice; however, this fund balance is not the reason for establishing critical illness insurance, nor can this surplus fund be used to build a critical illness insurance system.

In order to alleviate the burden of medical expenses for urban and rural residents suffering from critical illnesses, this paper believes that efforts should be made in the following aspects: Firstly, clarify that basic medical insurance is the basic medical insurance for critical illnesses. Raise the deductible line, gradually narrow down the scope of "guaranteeing minor illnesses", and concentrate on "guaranteeing critical illnesses"; clarify that the basic medical insurance is a kind of insurance, not welfare, which spreads the financial risks after suffering from critical illness. Earnestly adhere to the "three directories" of basic medical insurance and guarantee the high medical expenses that meet the policy requirements. Secondly, dilute the wording of critical illness insurance, gradually merge the critical illness insurance and basic medical insurance, and return to the basic medical insurance's original meaning of "guaranteeing critical illnesses". Thirdly, improve the multi-level medical guarantee system. Do a good job of connecting and supporting the system, so that the basic medical insurance system, the supplementary medical insurance system and the medical assistance system will work together to help solve the problem of excessive medical burden when suffering from critical illness, and jointly solve the problem of poverty due to illness and returning to poverty due to illness.

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