Lecture Notes in Education, Arts, Management and Social Science,
2026, Volume 4, Issue 6
https://bbwpublisher.com/journal/LNE
Online ISSN: 2705-053X
Print ISSN: 3083-1091

The Formation Mechanism and Optimization Strategies of China's Long-Term Care Insurance Policy: An Analysis Based on the Multi-Stream Theory

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Abstract: Long-term care for people with disabilities is becoming increasingly urgent against the backdrop of a rapidly aging population. Long-term care insurance is a key measure to improve the elderly care security system. This study proposes a multi-stream analytical framework based on local characteristics to analyze policy formation via problem, policy, and political streams and identifies challenges based on pilot practices. Population aging, family care burdens, and social care demands drive the problem stream; local pilot programs and accumulated research support the policy stream; and national strategies and public welfare needs drive the political stream. These three streams interact in an effort to facilitate policy implementation. However, challenges remain, including regional differences in coverage, unevenness in the supply and demand of care, limited sources of funding, fragmentation of policies, poor coordination between ministries, and low levels of public acceptance. This study suggests that stream coordination should be strengthened to facilitate the standardized, balanced, and sustainable development of long-term care insurance.

Keywords: Multiple Streams Framework; Long-term care insurance; Policy formation; Policy optimization

Online publication: June 26, 2026

1. Introduction

On July 28, 2025, the General Office of the CPC Central Committee and the General Office of the State Council issued the *Opinions on Accelerating the Establishment of a Long-Term Care Insurance System*, which was the official transition of long-term care insurance from pilot to nationwide implementation. The formulation of this top-level design further reflects the strategic importance of long-term care insurance policies in dealing with the aging population and improving the social security system. Experience with pilot schemes over the past decade indicates that the implementation of long-term care insurance policies has achieved remarkable results, but there are still some problems, such as institutional fragmentation [1], uneven distribution of care service resources between urban and rural areas [2], and lack of sustainable and

diversified financing mechanisms [3]. These deeply rooted constraints have weakened policy implementation effectiveness. Previous studies focus more on problems and implementation and less on policy formation. In this paper, the Multiple Streams Framework is used to analyze policy mechanisms and implementation difficulties. A long-term optimization mechanism is proposed to coordinate the three streams.

2. Analysis of the core concepts and applicability of the Multi-Stream Theory

2.1. Core concepts of the Multi-Stream Theory

The Multi-Stream Theory was proposed by the American political scientist John W. Kingdon in 1984. It is a classic theory in the field of public policy research that explains agenda-setting and policy change, and is widely applied in policy research across the globe [4]. The theory's central tenet posits that the formulation of public policy is the result of three relatively independent developmental trajectories—problem streams, policy streams, and political streams—which converge and interact at specific points in time, thereby activating the "policy window" and leading to a policy outcome.

2.2. Analysis of the theory's applicability

The development trajectory of China's long-term care insurance policy aligns closely with the multi-stream theory framework. In terms of the problem stream, practical issues such as the shortage of care resources and the heavy burden of family care resulting from deep aging [2] have compelled the introduction of the policy; the policy stream has accumulated rich experience through the model of "local pilot schemes followed by national summarization and promotion"; whilst the political stream, centered on the active aging strategy and public welfare demands, provides political momentum for the policy. However, traditional frameworks do not capture China's incremental policy implementation well. This paper enhances the explanatory power of the Multiple Streams Framework by adapting it to the context of aging in China and local pilot practices.

3. Multi-Stream Theory-based long-term care insurance policy development mechanisms

3.1. Roots of the problem: Real-world pressures behind policymaking

The deepening of population aging has led to serious care pressures. As urbanization leads to smaller and smaller 'empty-nest' households, the traditional model of home-based elderly care can no longer meet the huge demand for care, and there is increasing demand in society for professional care services. The structure of China's social security system is flawed, with medical insurance and pensions limited to medical reimbursement and financial subsidies and not including services such as long-term care and rehabilitation. Meanwhile, the distribution of old-age-care resources is uneven in different regions. Relevant policy measures have been adopted to address these practical issues.

3.2. Policy origins: Reserve of implementation plans for policy roll-out

Regarding long-term care insurance, domestic researchers have conducted systematic research on the main issues such as funding sources, coverage scope, and regulatory systems. They have rightly identified and highlighted practical difficulties such as lack of professional personnel and imbalances between supply and demand of services and thus proposed a series of reasonable recommendations for improvement [5]. In 2016, China

launched the first batch of urban pilot projects, using a variety of pragmatic approaches that take into account local conditions and accumulating a substantial amount of useful experience which can be drawn upon and replicated. Meanwhile, the deployment of long-term care insurance has been clearly outlined in several national specialized plans for elderly care and social security, with the policy framework being constantly refined to create a solid basis for the transition from pilot exploration to nationwide implementation.

3.3. Political origins: The core engine of policy implementation

The political motivation for policy implementation is collectively derived from strategic deployments at the national level, management philosophies regarding people's livelihoods, and the opinions and demands of the general public. Population aging has been actively addressed within the national development strategy, and the establishment of a sustainable and stable care security system has become a key element for the implementation of the strategy. The 20th National Congress of the Chinese Communist Party explicitly proposed to enhance the multi-level social security system and promote universal access to elderly care services [6]. The policy protects the rights and interests of the elderly and eases the burden of care, and is in line with the development direction of common prosperity with full political legitimacy.

3.4. Coupling of the three streams: The opening of the policy window

The core idea of the multi-stream theory is the dynamic coupling of three streams to produce institutional change, and the development and evolution of China's long-term care insurance policy is the result of the combined efforts of these three streams. In 2016, the 'problem stream' (marked by the escalating crisis in care for the aging population and the intensifying shortcomings in the social security system), the 'policy stream' (embodied by mature academic research and established local pilot schemes), and the 'political stream' (driven by the progress of the national aging strategy) came together. For the first time, the deep coupling of these three streams opened the policy window for institutional pilots.

4. Practical challenges of implementing the long-term care insurance policy from various perspectives

4.1. Reasons for the problem: Imperfect settlement of practical contradictions and sharp disparities between supply and demand

The aging population continues to put pressure on care provision. Firstly, regional differences in the development of care provision are particularly pronounced. With well-developed service systems, coverage rates in the eastern regions are as high as 70–90 percent. Conversely, the central and western regions are under serious financial stress, with rates of reimbursement generally below 60 percent, and there is a lack of equity in social security provision across regions [7]. Second, the quality and structure of care service provision have shortcomings: there is a lack of professional care workers, high turnover rates among workers, and limited service resources in rural areas, and specialized care services for persons with severe functional impairment or dementia are relatively scarce [2]. Thirdly, the existing funding model is rather one-dimensional, with too much reliance on transfers from medical insurance funds [3]. As per the latest pilot data released by the National Medical Insurance Bureau for 2026, in more than 60 percent of the pilot cities across the country, long-term care insurance funds are reliant on the surpluses of the medical insurance pool by more than 50 percent, and an independent and stable funding system has not yet been fully established [3].

4.2. Policy origins: Failures in policy design and marked fragmentation

The main problems that hinder the high-quality development of the long-term care insurance policy are the shortcomings of policy design and the inadequacy of supporting mechanisms at the policy origin level. Policy design is not uniform and not authoritative, first. China has not yet formulated a special law and regulation for the national long-term care insurance policy, and the existing policy is only a departmental guidance document with low legal force. Policy fragmentation is a pronounced problem [1], which hampers coordination of cross-regional services and out-of-area settlement and compromises the policy's uniformity and fairness. Secondly, there is insufficient support for operational mechanisms. Lack of multi-department collaborative governance mechanism: The operation of the long-term care insurance policy involves multiple departments such as medical insurance, civil affairs, finance, and health. However, there are information barriers and overlapping responsibilities between departments, which leads to low implementation efficiency [8]. Furthermore, the absence of a standardized fund service supervision system also carries great risks to the fund operation.

4.3. Political context: low social acceptance and weak governance effectiveness

Various problems at the political level, such as the lack of public awareness campaigns, the limitations of traditional thinking on elderly care, and deviations in implementation at the grassroots level, have greatly hindered the realization of the benefits of the long-term care insurance policy for the public [9]. First, policy publicity is still ineffective, relying heavily on monotonous and passive methods such as notices and text messages, and lacking targeted and accessible outreach for the elderly. This limits the universal benefits of the policy since a lot of older adults do not understand it very well. Second, deep-rooted family-oriented attitudes toward elderly care hamper policy implementation, as the public is still accustomed to family-based care and shows little willingness to participate voluntarily. Finally, the limited coverage of beneficiaries has also further eroded the public recognition and social acceptance of the policy. Official data from the National Healthcare Security Administration in March 2026 said the number of people enrolled in the national long-term care insurance scheme had reached 308 million, but the overall policy benefit rate was just 1.08 percent. The low conversion rate of beneficiaries is vulnerable to misunderstandings and limits the effectiveness of grassroots elderly care governance.

5. Strategies for long-term care insurance policy optimization in a multi-stream collaborative framework

5.1. Reasons for the optimization challenge: Narrowing the supply-demand gap and coordinating regional development patterns

First, set up a special transfer payment fund for long-term care insurance, with differentiated subsidies based on local fiscal capacity and the size of the functionally impaired population. Central and western regions and rural areas should depend on fiscal subsidies to improve reimbursement rates, while eastern regions should strengthen upgrading and refining care services. Use of top-level fiscal regulation should be used to equalize regional disparities in coverage such that inequities in coverage arising from autonomous local pilot schemes are resolved. Second, enhance mechanisms to train care professionals and guide resources to the grassroots. Educational institutions should develop training programs for care staff, with matching subsidies for practical training provided by the government; industry pay benchmarks should be set, and career progression pathways opened up to stabilize the workforce. In addition, rehabilitation and dementia care resources should be extended to villages and towns to fill the service gaps in rural areas and for those with severe functional impairments, so as

to address the current imbalance in service provision. Thirdly, a diversified funding system should be established, comprising a five-pronged approach: individual contributions, employer supplements, a government safety net for vulnerable groups, social donations, and the steady appreciation of the fund's assets. This will reduce the contribution of the funds of the medical insurance scheme and increase the fund's own resilience to risks.

5.2. Policy origins: Refining the top-level design and developing a standardized policy framework

First, establish criteria for disability assessment and standardize benefit payments through administrative regulations; standardize cross-regional settlement procedures; and restrict the scope for local authorities to make independent adjustments. This will remove fragmentation of local systems at the legislative level and will increase the uniformity of the system. Secondly, set up a cross-departmental joint governance task force, clarify the powers and responsibilities of the medical insurance, civil affairs, finance, and health authorities, build a nationwide unified information-sharing platform, and implement a quarterly joint inspection mechanism to solve the problem of implementation inefficiency caused by information silos and overlapping responsibilities between departments. Third, it shall work out detailed rules on institutional rating, fund supervision, and penalties for breach of trust at the same time, and establish a comprehensive regulatory system covering institutional entry, routine inspections, and accountability for violations. This will plug the institutional loopholes created during the pilot phase where the focus was on promotion rather than supervision and mitigate the risk of misuse of funds.

5.3. Deepen political roots: Build social consensus and improve the effectiveness of people-oriented governance

On the other hand, policy outreach should move from passive publicity to active engagement through community and village health clinics, including face-to-face briefings and door-to-door visits. Videos in local dialects and simple illustrated guides can make the application procedure more accessible for older adults. Drawing on local traditions of respecting the elderly, real-life care cases, and professional nursing expertise can also challenge the idea that families should be solely responsible for elderly care and encourage voluntary enrollment. Meanwhile, simplified disability assessment, home-based assessments, and tiered standards for mild, moderate, and severe cases can expand access, narrow the gap between enrollment and actual benefits, and enhance public confidence in the system.

5.4. Reinforcing the connections between the three streams: Developing a dynamic, iterative long-term mechanism

This core problem of the three streams working in silos—with problem feedback disconnected from policy adjustments—should be addressed by establishing a cyclical optimization mechanism. Grassroots governance bodies should regularly collect information on governance challenges (supply-demand imbalances, regulatory loopholes, etc.) to compile a 'ledger' of issues, while continuously carrying out public awareness campaigns to stabilize public sentiment; research institutions, working with pilot cities across the country, will collate feedback and demands from the front line and, drawing on practical experience, continuously revise the implementing rules; building upon the national strategy for active aging, governments at all levels should incorporate the balanced development of long-term care insurance into local assessments of people's livelihoods.

6. Conclusion

China's long-term care insurance policy was born, piloted, and evolved out of a synergistic, three-dimensional, multi-source force interaction. The state's proactive strategy to address population aging and the demands of society and the public has meanwhile provided significant impetus for the policy's advancement. The system has transformed from a pilot to nationwide implementation. Although long-term care insurance has achieved certain results, there are practical problems such as regional development imbalance, insufficient service supply, a single funding channel, policy separation, poor coordination among departments, and a low level of public acceptance. In response, efforts should be made to further optimize these three sources of influence, refine the system's top-level design and diversified funding mechanisms, promote the balanced allocation of care resources, strengthen inter-departmental coordination and policy oversight, and enhance public acceptance through targeted publicity and service optimization.

Disclosure statement

The authors declare no conflict of interest.

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