

Three Approaches to Cost Containment in Health Care Federalism

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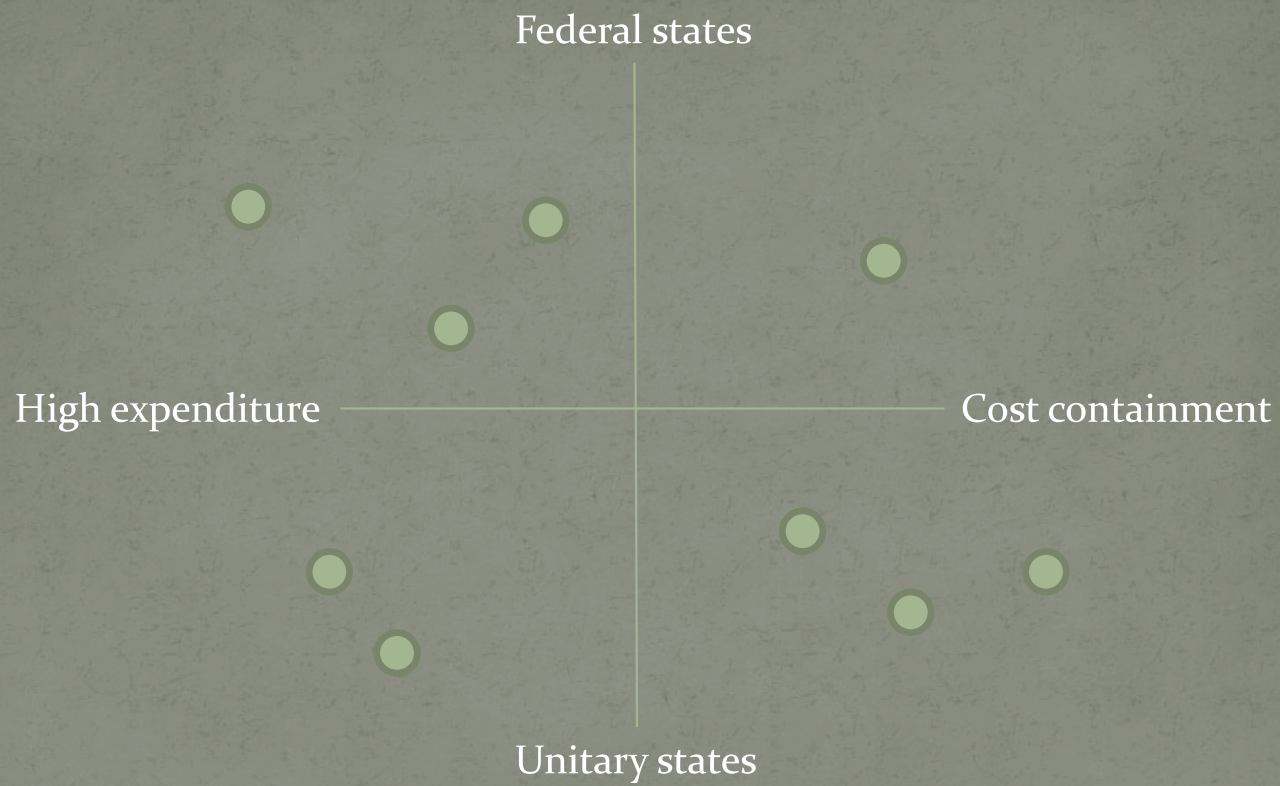
Institutional context matters.

How does the specific manifestation of federalism influence health care cost containment, and why do political actors attempt to recalibrate federalism in specific ways?

“There is no process. This is Ottawa’s position.”

“What is the
process
from here?”





1. Conditional federal spending



Criticisms:

i. Moral hazard:

“government spending responds more strongly to an extra dollar of income received by way of intergovernmental transfers than it does to an extra dollar of income received from voters” (Kneebone 2012)

ii. Distortion of provincial priorities

iii. Jurisdictional overlap

2. Decentralized competition



The fundamental political dilemma of an economic system is this: a government strong enough to protect property rights and enforce contracts is also strong enough to confiscate the wealth of its citizens. Thriving markets require not only the appropriate system of property rights and a law of contracts, but a secure political foundation that limits the ability of the state to confiscate wealth.”

(1995:1)



Market-preserving federalism

(F1) There exists a hierarchy of governments with a delineated scope of authority (for example, between the national and subnational governments) so that each government is autonomous in its own sphere of authority.

(F2) The subnational governments have primary authority over the economy within their jurisdictions.

(F3) The national government has the authority to police the common market and to ensure the mobility of goods and factors across subgovernment jurisdictions.

(F4) Revenue sharing among governments is limited and borrowing by governments is constrained so that all governments face hard budget constraints.

(F5) The allocation of authority and responsibility has an institutionalized degree of durability so that it cannot be altered by the national government either unilaterally or under the pressures from subnational governments.

Criticisms:

- i. Questionable whether the conditions hold tightly enough
- ii. Elimination of moral hazard doesn't really address the important cost drivers
- iii. Competition between provinces can lead to significant cost escalation rather than constraint

3. Decentralized cooperation



Joint-decision trap



Where unanimity is required, policies cannot be abolished or changed as long as they are still preferred by even a single member.
(1988:257)





“We're going to do our work. The federal government is not needed for this work. They don't deliver health care. The expertise is in the provinces and the territories.”

“This is a bold move with real timelines. The message we want to send is that we are working together to innovate and provide better care for seniors and all Canadians.”

“Robert Ghiz is a scary man.”

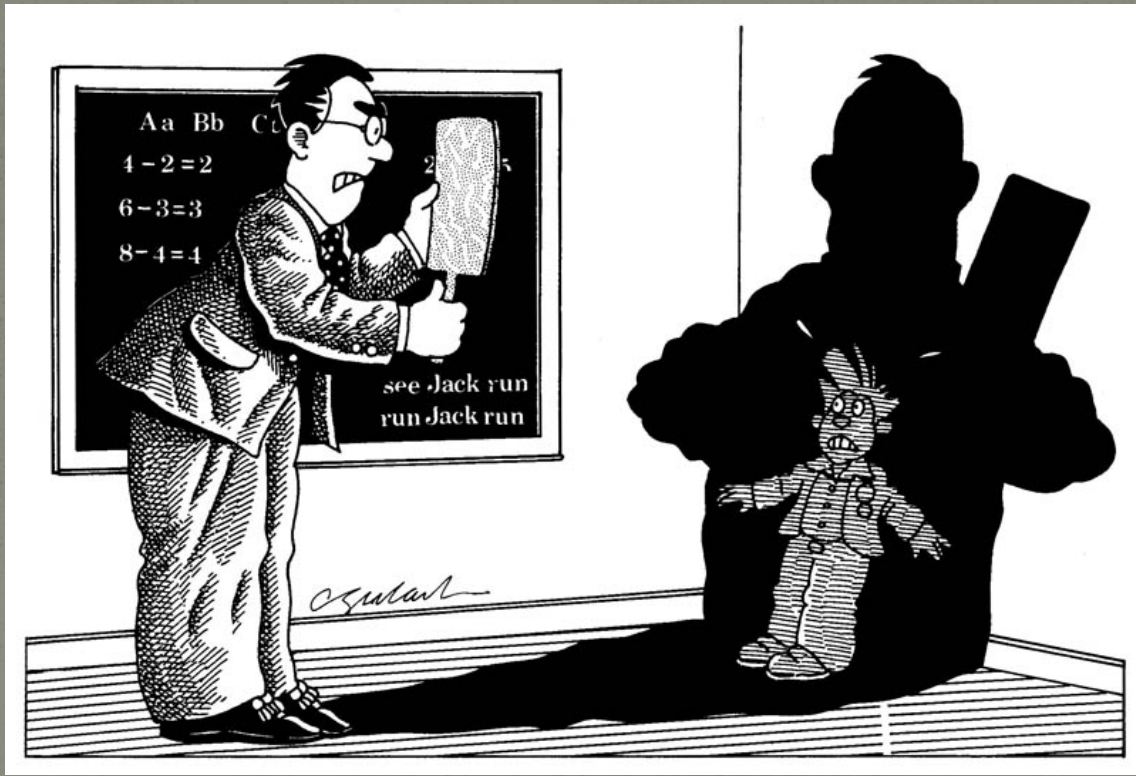
Principles of coordinated decentralization

1. The point is not to enforce action, but to facilitate communication (minimizes opportunity costs for participation).
2. Approach is discursive “convergence through persuasion”
3. Model of accountability is based not on hierarchical authority but upon public disclosure, transparency, peer review and public justification
4. Process is oriented around recognition of diversity, flexibility, revisability, and experimentation

□ “legally binding approaches that are precise and that delegate authority for interpreting and implementing the law” (Abbott and Snidal 2000)

□ “rules of conduct which in principle have no legally binding force but which nevertheless may have practical effects” (Snyder 1994)

The role of Ottawa



Context within which these principles can be employed most usefully

Crisis (or perceived crisis)

Recognition of interdependence

Areas of increasing complexity and uncertainty

Often coupled with rapid and unpredictable change

“Irreducible diversity” between participants or jurisdictions

Those with the ability to deal with an issue don't always have the jurisdiction to do so

Policy formulation is as specific as possible

Modes of operationalization

Use of specific procedural devices (such as the Open Method of Coordination) within overarching policy fora

Development of policy networks to assist in the design and operation of specific policies

Standing representative bodies of experts (comitology, PCPHN)

Occasional representative expert discussion groups
(High Level Reflection Processes, Royal Commissions)

Criticisms

Conclusion

Think about the institutional context

Examine motives

Consider the possibilities and opportunities
presented by critical junctures



Il faut cultiver notre jardin

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