HOW THE PACE OF CHANGE AFFECTS THE OUTCOMES YOU GET:

THE CASE OF PHARMACEUTICAL INSURANCE IN CANADA, THE UK AND AUSTRALIA

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THE PUZZLE

• Canada: only country with a broad public health system that excludes drugs
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• Puzzling in light of
  • Similar welfare states and own public hospital and medical insurance
  • Early Canadian plans for health policy
  • Federal “Green Book” proposals in 1945 include pharmaceuticals as a “later stage”
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• Why? Accepted wisdom based on timing of technological change
  • In 1960s (when Medicare was implemented and post-therapeutic revolution), drugs were too expensive
  • Evidence from Canada: cost concerns present earlier; drug programs also considered later
GENERAL RESEARCH PROBLEM

• Changes to health programs proposed more often than adopted

• Why are they implemented in some cases and not in others?

• Why do certain types of change become more difficult over time?
GENERAL RESEARCH PROBLEM

- How does the approach to policy development affect outcomes?
GENERAL RESEARCH PROBLEM

• How does the approach to policy development affect outcomes?

• Distinguish between radical and incremental approaches
  • Radical: centralized institutions, principled ideas, electoral incentives
  • Incremental: these conditions absent, change still possible...
  • but outcomes are different
GENERAL RESEARCH PROBLEM

• How does the approach to policy development affect outcomes?

• Distinguish between radical and incremental approaches

• Over time, barriers increase: adopting an additional service is more difficult later in process

• New mechanism based on reciprocal relationship between elite ideas and public expectations
OVERVIEW

• Empirical puzzle
• Cases and outcomes
• Analytical problems
  • Why does the pace of change vary?
  • How does the pace of change affect outcomes?
• Main findings
• Contributions and future research
CASES AND OUTCOMES

- Liberal welfare states: Canada, the UK and Australia
- Similar “welfare moment” at the end of WWII
- Pace of policy development different
- Outcomes (comprehensiveness of health system) different
CASES AND OUTCOMES

- UK: quick, radical change; all health services simultaneously; comprehensive program
CASES AND OUTCOMES

• UK: quick, radical change; all health services simultaneously; comprehensive program

• Canada and Australia: slower, incremental change; one service at a time; no comprehensive program
  
  • Australia: Pharmaceutical Benefits Scheme 1950, no hospital or medical insurance until 1975-1984
  
  • Canada: Hospital and medical insurance 1957-1966, no pharmaceutical insurance
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1. PACE OF CHANGE: THEORY

• Radical approach when there is:
  • Centralized institutional authority
  • Principled elite ideas
  • Electoral incentives

• These conditions present in the UK but not Canada or Australia
1. PACE OF CHANGE: FINDINGS

UK:

• **Institutions**: Unitary system, centralized parliamentary government

• **Ideas**: New Labour majority government and Beveridge Report; consensus re: comprehensive service

• **Electoral motivation**: Policy popular and salient; 88% of voters in favour
1. PAC OF CHANGE: FINDINGS

Canada

- **Institutions**: Fragmentation key; focus on provincial flexibility
  
  - 1955: PM St. Laurent wished to avoid “federal interference in matters which are essentially of provincial concern.”

- **Ideas**: PMs Mackenzie King and St. Laurent deeply skeptical about public health insurance
Australia

• *Ideas*: 1943, PM John Curtin notes “it is impracticable in war-time to devise and introduce a comprehensive scheme for all these [health] services”
1. PACE OF CHANGE: FINDINGS

Australia

- **Ideas**: 1943, PM John Curtin notes “it is impracticable in war-time to devise and introduce a comprehensive scheme for all these [health] services”

- **Electoral motivation**: Neither Canadian nor Australian politicians prodded by public opinion on health

  - Health policies generally popular but low salience
1. PACE OF CHANGE: FINDINGS

- UK adopted all services, including prescription services, with the NHS in 1946
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- Canada and Australia took incremental approaches
  - Similar language re: proceeding in “stages” or “steps”
  - Process quickly stalled
  - Predictable: approach to policy development influences the creation of barriers to policy change
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2. BARRIERS TO CHANGE: THEORY

- Why do incremental processes stall; how do barriers to policy change arise?
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• Path dependence literature: policies tend to be self-reinforcing
2. BARRIERS TO CHANGE: THEORY

- Why do incremental processes stall; how do barriers to policy change arise?

- Path dependence literature: policies tend to be self-reinforcing
  - Alternative institutional arrangements in the absence of government programs
  - Private actors make investments and create networks that are difficult to displace
2. BARRIERS TO CHANGE: THEORY

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• Choice of policy approach: principled elite ideas and electoral motivations complementary

• Same dynamic works in negative way to stall incremental process
2. BARRIERS TO CHANGE: THEORY

- Choice of policy approach: principled elite ideas and electoral motivations complementary
- Same dynamic works in negative way to stall incremental process
- Incremental approach: no principled ideas, early public promises for services are vague
2. BARRIERS TO CHANGE: THEORY

- Incremental approach: no principled ideas, early public promises for services are vague
- Public does not develop expectations re: additional services
- Politicians’ ideas become more restricted
- Lack of elite ideas and public expectations reinforce one another over time to restrict the policy agenda
2. BARRIERS TO CHANGE: FINDINGS

Canada

- Pharmaceuticals low priority by 1950: “all experience to date indicates that it is almost impossible to control the cost in such services”
- Idea was persistent and stifled further discussion
2. BARRIERS TO CHANGE: FINDINGS

Canada

- Late 1950s: High drug prices were on the agenda
- 1966: Federal government starts separate program to curb prices through patent law
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• 1966: Federal government starts separate program to curb prices through patent law

• Consensus about “problem” of pharmaceuticals: only about prices and patents
2. BARRIERS TO CHANGE: FINDINGS

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- Consensus about “problem” of pharmaceuticals: only about prices and patents
- 1972: DHW proposes national pharmacare but politicians’ ideas are limited by previous consensus on drugs
2. BARRIERS TO CHANGE: FINDINGS

Canada

• 1972: DHW proposes national pharmacare but politicians’ ideas are limited by previous consensus on drugs

• Lack of electoral pressure: Canadians have no experience with drug insurance and no public discussion of issue

• Barriers to the late adoption of an additional service too high
2. BARRIERS TO CHANGE: FINDINGS

Australia

• First priority service was pharmaceuticals: an option that “will not involve any significant additional drain on professional man power”

• Additional services received limited attention
2. BARRIERS TO CHANGE: FINDINGS

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- 1949: new government elected, opposes broad public health insurance
2. BARRIERS TO CHANGE: FINDINGS

Australia

• Find reciprocal relationship between elite ideas and public expectations can affect outcomes quickly
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- Legislation passed by Labour government in 1944 but BMA refused to cooperate

- Liberal government chose to implement in 1949 despite general opposition to government insurance or benefits
2. BARRIERS TO CHANGE: FINDINGS

Australia

• Early 1946: Constitutional challenge, PBS legislation struck down

• Late 1946: Constitutional referendum and amendment to give federal government power over pharmaceutical benefits

• 1947: New legislation, still not implemented

• 1949: Second constitutional challenge
2. BARRIERS TO CHANGE: FINDINGS

Australia

• High profile conflict affected voters’ expectations for free medicines

• Change in expectations fed back into electoral motivations

• Even before policy implementation, reciprocal relationship between ideas and expectations allowed for unexpected outcome
SUMMARY OF FINDINGS

Why doesn’t Canada have pharmacare?

- Institutional, ideational and electoral factors produced incremental approach to health policy
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- Similar dynamic helps explain why Australia only had pharmaceutical benefits for so long
SUMMARY OF FINDINGS

• Relationship between elite ideas and public expectations also suggests how barriers are (sometimes) overcome

• Small changes take on characteristics of radical reforms as barriers to change increase

• Require centralized institutional authority, principled ideas and electoral motivation to reach agenda and overcome barriers
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CONTRIBUTIONS

• Approach to policy development matters

• Even if they start with similar goals, incremental versus radical approach will produce different outcomes

• Dynamics of different approaches help conceptualize the barriers to policy change we expect to see
CONTRIBUTIONS

• Reciprocal relationship between elite ideas and public expectations help explain policy stability and change

• Elites tend to develop “blind spots” about a policy over time

• This also affects the way the public thinks about the policy area
FUTURE RESEARCH

• What does this mean for current health policy?
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• Implications for the adoption of additional services
• Predict will require three conditions for radical change
• Preliminary evidence to support: Australian hospital and medical insurance 1975-1984
FUTURE RESEARCH

• How does the initial pace of change influence opportunities to reform existing services?
FUTURE RESEARCH

• How does the initial pace of change influence opportunities to reform services?

• Motivated by convergence and divergence of pharmaceutical programs in Canada, the UK and Australia
  • Canada is still an outlier, but coverage has expanded through provincial programs
  • UK and Australia applied different types of solutions to similar cost pressures
FUTURE RESEARCH

• How does the initial pace of change influence opportunities to reform services?

• Expect conditions that produce a radical pace of change initially would also make services more difficult to retrench

• Preliminary evidence to support: attempts to introduce patient charges for prescriptions in the UK and Australia
THANK YOU!
CASES: FEDERALISM

• Institutional fragmentation should lead to a slower pace of change and radical outcomes
• Does it provide a full explanation?
• Centralized authority: what a government can do but not what it does
• Also consider role of ideas and electoral motivations to explain process of policy development
REAL SPENDING PER CAPITA: 1975

Source: Morgan 2009, based in CIHI data
REAL SPENDING PER CAPITA: 2008

Year 2008 Dollars Per Capita

- Hospitals
- Physicians
- Other Institutions
- Other Prof.
- Medicines
- Capital
- Public Health
- Administration

Source: Morgan 2009, based in CIHI data
PRESCRIBED DRUG EXPENDITURE BY PROVINCE: 2008

Source: based on CIHI 2009 data
AUSTRALIA’S SECOND STEP

• Medibank first introduced 1975
• After 25 years of no health policy development, this was a **radical** step, requiring:
  • Centralized authority: Commonwealth government financially if not constitutionally supreme
  • Principled ideas: new Whitlam Labor government and plan by Melbourne Uni economists
  • Electoral motivations: Increasing dissatisfaction with private plans *and* popularity of new proposals