

The Political Economy of Health and Healthcare

The healthcare sector is one of the fastest growing areas of social and public spending worldwide, and it is expected to increase its government shares of GDP in the near future. Truly global in its scope, this book presents a unified, structured understanding of how the design of a country's health institutions influence its healthcare activities and outcomes. Building on the 'public choice' tradition in political economy, the authors explore how patient-citizens interact with their country's political institutions to determine the organisation of the health system. The book discusses a number of institutional influences of a health system, such as federalism, the nature of collective action, electoral competition, constitutional designs, political ideologies, the welfare effects of corruption and lobbying and, more generally, the dynamics of change. Whilst drawing on the theoretical concepts of political economy, this book describes an institution-grounded analysis of health systems in an accessible way. We hope it will appeal to both undergraduate and graduate students studying health economics, health policy and public policy. More generally, it can help health policy community to structure ideas about policy and institutional reform.

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The Political Economy of Health and Healthcare

The Rise of the Patient Citizen

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Preface

With the proliferation of academic journals and the increased importance attributed to research papers for academic careers, the tradition of writing book manuscripts has become less popular in social sciences. However, there still is a point in writing a book. Namely, to provide an ‘unified overview’ of a specific field of research. This is especially the case when the research produced in several disciplines, has set the foundations of an independent field of study which can be labelled as the ‘political economy of health and healthcare’.

Increasingly, scholars of different disciplines such as economics, politics, sociology and health sciences, among others, have produced a wealth of knowledge on how political institutions and processes influence the dynamics and performance of health systems. Most of these contributions, however, tend to be scattered, and often fail to communicate with each other when they probably should, for the discipline to continue advancing. The purpose of this book is to build a bridge between disciplines and help contribute to a unified perspective.

Our point of departure and cornerstone is that of designing a health system that attempts to improve the welfare of a ‘patient citizen’ (PC), which is the agent we focus our attention on. The PC is subject to at least two agency relationships which constrain its behaviour. First, as is typically acknowledged by health economists, citizens are (either current or potential) patients who engage in an agency relationship where a doctor acts as their advisor helping them navigate the health system and identify their healthcare demands. Second, in democratic states, with some statutory health insurance citizens have typically a constitutionally defined right to healthcare, pay mandatory taxes and other insurance contributions to help fund the health system. However, they also contribute with their votes to elect the representatives who will decide on their behalf with regards to

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health policy matters, including the organisation, financing and regulation of public and private health services. Government actions influence how much households pay for healthcare, whether they vaccinate their children at the right time and how many barriers they face in having access to healthcare services.

Although the health sector is one of the most dynamic areas of institutional reform, we still lack a ‘unified’ approach to examine health reforms that explicitly considers the role of political motivations in changing behaviour. To date, barely any book provides such a comprehensive overview of the role of political incentives in the functioning of health systems, that engages with wider and heterogeneous audiences. Although all the authors of this book are economists by training, we attempt to reach out beyond our discipline, and have done our best to avoid the use of equations and jargon. To that purpose, we have focused on describing general principles and empirical regularities rather than exploring in depth modelling and econometric applications. Intentionally, some of the evidence presented is descriptive, but we hope it can stimulate discussion on the matters examined, such as the role of democracies on health systems development, or the influence of a median voter, or whether a coalition of the ‘ends against the middle’ influences policy choices. It is worth mentioning that the book contains numerous citations for anyone interested in delving more deeply into each aspect discussed.

Much of the developments in the field of health economics has traditionally ignored the developments in political economy, and instead takes institutions as exogenous, and has centred around the principles of welfare economics or policy analysis. In contrast, here we are interested in the endogenous nature of policies and institutions, and we do not necessarily assume the existence of a planner, or a social welfare function. On the other hand, political science and sociological research in health does not attempt to engage with economists either, and the literature, to date tends to be very United States (US) centred. Finally, health research adopts a

more pragmatic and empirical perspective, and often lacks the theoretical grounding that is typically developed by social science disciplines. This book can help to lay out some conceptual understanding of how to examine health reforms. For instance, we will attempt to identify under which circumstances lobbying benefits the patient citizen, and hence is welfare improving; or how different types of regulatory ‘capture’ lead to government failure; or the extent to which a country that engages with corruption will end up wasting important resources in the health system.

Inevitably, in writing a book with such a vast remit, we had to make some tough choices. First, we decided to employ rational choice institutionalism as a framework, that is, we ground most of our analysis with the public choice tradition of institutional study. However, we do not disregard the study of processes let alone the role of the historical evolution of institutions, nor the rules of the game in a society. When possible, we acknowledge that strategies and behaviours are context specific. Similarly, we explicitly consider explicitly the role of ideas and ideologies in framing health policy decisions. Second, we have mainly focused on those questions where there is already some research, often opting out of aspects that are not yet well researched or venturing to answer some questions tentatively. This has allowed us to identify areas for further research, which we plan to contribute ourselves in the future, and we encourage others to join us in the endeavour. Third, there have been important aspects such as the study of ‘bureaucracies in healthcare’ or the ‘interactions of public and private healthcare’ that could have deserved a full chapter, but this would have made the project ‘never-ending’.

In deciding which matters to focus on, we have chosen what in our view are the most critical contributions in the field, and hence the book structure chosen is inevitably biased. However, this book is written to be a ‘first edition’, and we hope that soon we will write a new one that addresses some of the aspects on which we could not devote more space to this time around. In some circumstances we had the feeling of trying to hit a moving target, which just signals the great

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interest and attention that researchers in growing numbers around the world are paying to these topics.

The authors' order reflects their leading role in steering the book project, as well as historical additions to the project. While we consider this work a joint effort, Costa-Font took the lead on a first draft of Chapters 2, 3, 4 and 9, Turati on Chapters 1, 7 and 8, Batinti on Chapters 5, 6 and 10. All chapters have been co-written, and discussed at length.

This book could not have been possible without the encouragement of Roger Congleton, Adam Oliver, Alistair McGuire and the support of the Department of Health policy at the London School of Economics (LSE). We are very grateful to Jacob Lang for the enormous effort devoted to helping us with editing, putting it together and turning it into a coherent piece, as well as friends at the Cambridge University Press office, especially Phil Good and Tobias Ginsberg. We also thank three anonymous external reviewers for very valuable comments which helped us improve the book. We are indebted to the participants to the European Public Choice Society (EPCS) meeting in Cambridge, back in 2014, where we had the chance to discuss a number of matters around the political economy of health. To our knowledge, this was one of the very first dedicated sessions on the topic, and surely the place where the seed of this book was planted. Since then, almost every year, EPCS and American Public Choice Society (PCS) meetings have progressively included parallel sessions on health and healthcare. We see the interest in the political economy of health and healthcare as an upward trend as public health budgets are becoming increasing shares of government activities around the world, and not only in high income countries.

We hope you, the reader, enjoy the content of the book, which only attempts to make a first step towards the development of a fruitful area of interdisciplinary analysis of health policy and healthcare institutions. After all, all of us really are patient citizens looking for the best organisation of the healthcare systems in our countries.