HEALTH POLICY AND FEDERALISM WORKSHOP

Sao Paulo, Brazil and Mexico City, Mexico

15-16 October and 18 October, 2001

THEMATIC REPORT

INTRODUCTION:

This report summarizes the major themes that emerged during two workshops sponsored by the Forum of Federations: one workshop held in Sao Paul, Brazil in association with the Fundap on October 15-16 October 2001 and a second workshop held in Mexico City in association with the Ministry of Health of the Mexican government on October 18, 2001.

Summarizing all of the themes that emerged over three days of discussion is a challenging task, and inevitably some selection is required. This report focuses on the federalism aspects of the workshops. Because many of the participants were health policy specialists, the conversations often shifted from the implications of federalism for health policy to general issues of health policy reform. Tracing all of the wider issues that emerged would be an impossible task, and this report sticks to the focus on federalism.

The report provides a composite view of common themes, and does not attempt to provide a separate summary of the events in Brazil and Mexico City. The different size of the two workshops and the different mix of participants at the two events naturally led to interesting differences in emphasis. Nevertheless, the central themes were similar, and they are emphasized here.

THE CORE FOCUS: DECENTRALIZATION

The central feature of the federalism aspects of the workshops was decentralization B in all of its different aspects B in the health care sector. The workshops discussed:

- the Adrivers@ generating pressure for decentralization
- the extent to which decentralization has occurred in practice, and the dimensions of health policy that have been decentralized most
- the fiscal mechanisms associated with decentralization

- $ the nature of the federated units (federal, state and/or municipal governments)
- $ the extent of symmetry and asymmetry among federated units
- $ coordination and intergovernmental mechanisms in health care
- $ social solidarity and regional diversity in health care services.

This report examines each of these seven elements of the discussions separately.

I) ***The Drivers***:

The drivers of decentralization clearly differ from federation to federation. In the northern countries that we discussed, decentralist pressures reflect cultural diversities and are greatest in multi-nation countries. In federations such as Canada and Belgium and quasi-federations such as the United Kingdom and Spain, the pressure is from Abelow,@ driven by strong nationalist movements in Quebec, Flanders, Scotland/Wales, and the Catalan/Basque regions. These movements seek greater autonomy for distinctive peoples, nations or countries within the framework of a larger state. In the case of Brazil and Mexico, the decentralist dynamic is rooted in political dynamics and represents a revolution from Aabove.@ In both countries, federalism and decentralization are seen as correctives to an authoritarian past, and are part of a larger project of democratization.

These different drivers produce very different dynamics and constraints. In the northern countries, demands for decentralization are led by sub-national governments or movements; and resistance to their agenda tends to come from political parties and governments that worry about cohesion across the country as a whole. In Brazil and Mexico, however, the federal government is leading the effort to transfer responsibilities to lower levels of government, and the constraints on the speed of change are to be found in the differential interest and capacities of state and municipal governments to take up additional responsibilities.

II) ***Extent and Dimensions of Decentralization:***

The extent of decentralization in health care that has actually emerged in practice varies greatly from country to country. Northern federations that were already decentralized have changed least in recent years. Despite strong debates over the issue, Belgium and Canada have seen relatively little change; and Germany and Australia have introduced some centralizing elements as part of their efforts to contain health care costs. Among the northern countries examined in the workshops, significant decentralization in health care has been limited to the United States (in the case of Medicaid) and B most dramatically B the new quasi-federal system of the United Kingdom, where decentralization to Scotland has been dramatic (less in the case of Wales).

Brazil and Mexico, by contrast, are decentralizing more extensively. These countries are moving away from a centralized, authoritarian past, and the intergovernmental mix is changing in both

countries. However, the process is marked by great unevenness in both countries. Some state and municipal governments have the political and administrative capacity to manage complex health care systems, but large parts of both countries lack such capacities.

In both sets of countries, there tends to be a division between two aspects of health policy. The central government tends to remain involved in the determination of the basic parameters of the health care system (decentralization to Scotland seems to be the one exception). Decentralization tends to be strongest in the actual delivery of health care services.

III) ***Fiscal Mechanisms***

The fiscal dimension of intergovernmental relations received considerable attention, especially in Mexico City. Presentations emphasized the importance of both vertical and horizontal balance in federations, highlighted differences between conditional grants and block grants, and pointed to the distinctive approaches to inter-regional equalization in different federations. Discussions here can be quickly complicated by the need for technical specificity, and this area seems a possible area for more focussed workshops in the future.

A common theme emphasized, especially by speakers from Canada, is the critical importance of maintaining a balance between the distribution of program responsibilities and the distribution of fiscal resources. Admittedly, it is sometimes difficult to establish an objective measure of when such a balance is achieved in practice. As a result, the key issue is to attempt to maintain a working intergovernmental consensus on the fairness of the distribution of revenues. Failure to do so can generate a lot of collateral damage to intergovernmental relations in the country more generally.

The workshops also highlighted contrasts between northern and southern federations on the question of the overall level of health care funding. Presentations on the experience of northern federations highlighted the efforts of governments to slow the rate of growth in health care funding, and the complications that multi-level governance can pose for such efforts. Brazil and Mexico, however, are both struggling to enhance health care spending as part of their drive to approximate the universal health care services already in place in most northern countries. The federalism challenge confronting their efforts is the uneven fiscal capacity of different regions.

IV) ***Federated Units:***

There are interesting differences among federations in the nature of the federated units, that is, the units which have distinct constitutional status and authority. In northern federations, constitutional standing tends to be limited to the central and state-level governments. Municipal governments tend to have less or no constitutional status and authority (although the case is more complicated when a municipality is essentially a city-state, as happens in the case of some

German Länder). In the case of Brazil and Mexico, municipalities have much more standing, and represent a federated unit in the federation. This pattern is particularly marked in Brazil. The early stages of the decentralization in health care focussed primarily on municipalities, and there is now a greater effort to strengthen the planning powers of state governments, a trend that generates tensions between states and municipal governments.

These differences in federated units generate distinctive patterns in intergovernmental bodies, and the processes of maintaining intergovernmental collaboration. For example, national intergovernmental commissions in Brazil are tripartite in composition, and the challenges of building consensus are greater.

V) ***Symmetry and Asymmetry:***

The balance between symmetry and asymmetry among federated units differs from country to country. In northern countries with homogeneous countries, such as Australia, Germany and the United States, relations between the central and state-level governments tend to be relatively symmetrical. In countries with more culturally diverse regions, asymmetrical relations have emerged in Belgium, Spain and especially the United Kingdom (with very different governance systems in England, Scotland , Wales and Northern Ireland). In Canada, by way of contrast, pressures for asymmetry from Quebec are met with strong resistance from some other parts of the country.

In the case of Brazil and Mexico, asymmetry is extensive, but is based less on cultural differences across regions than the differential capacity of state and municipal governments to deliver health care. This produces a different attitude towards asymmetry. Whereas cultural diversity is seen as something to be preserved through asymmetry in some northern countries, asymmetry rooted in uneven economic development is seen as something to be overcome in southern countries.

VI) ***Coordination and Intergovernmental Relations***:

Presentations at the workshops discussed mechanisms of intergovernmental coordination in federations, emphasizing the extent to which coordination operates through both political parties and formal intergovernmental bodies, and discussing different models of intergovernmental coordination in different federations. However, these distinctions seemed to resonate less among Brazilian and Mexican participants, perhaps because decentralization is very much a central initiative, defined and led by the federal governments. At this stage of the evolution of their systems, intergovernmental decision rules may be less critical.

VII) ***Social Solidarity and Regional Diversity***

The debate about the role of health care in building social solidarity received considerable attention. Debates over this topic were on occasion passionate, especially in Brazil. Northern countries have established relatively comprehensive public health services which provide a common package of services across the country as a whole (the United States is a partial exception). In such countries, a social citizenship model predominates, and inter-regional variation in health care services is limited.

In Brazil and Mexico, however, economic gaps between rich and poor regions are extensive, dwarfing those in northern countries. These regional inequalities have generated significant inter-regional differences in the quality of health care available to citizens. Both countries have launched recent efforts to provide more universal health service coverage, but the challenge is large. One of the Forum presenters (André Medici) argued that to facilitate this process, public health care services should be focussed on the poor across the country as a whole. Other participants emphasized a social citizenship model, providing common health services to the most or all of the population.

CONCLUSIONS

The workshops produced serious and intelligent discussions of critical issues in these federal systems. An interesting question is whether the differences between the northern and southern countries under discussion were so great that the discussions, while intellectually interesting, could not yield much in the way of cross-national institutional learning. The question was posed most provocatively at the end of the first day in Brazil.

Certainly, a single conception of Abest practice@ in countries facing such different economic and institutional challenges is an illusion. However, participants were often struck by similarities in the challenges, practices and tensions in this diverse array of federal states. As one Mexican participant observed, Aalthough we are all federations, we do not really share the same institutions. But we do share similar experiences.@

The speakers sponsored by the Forum of Federations (Banting, Kelly, Medici, Velasco, Woods) were unanimous in reporting that they learned an enormous amount from the experiences of Brazil and Mexico. We hope that our southern colleagues found the discussions equally useful.