Andrea Campbell and Kimberly Morgan. Delegated Governance in Health Policy

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Andrea L. Campbell and Kimberly J. Morgan, "Delegated Governance in Health Policy," in Health Politics and Policy, 5th ed. Jim Morone and Dan Ehlke (Cengage, 2014)

- health policy in the US relies heavily on non-state actors
- private actors play a crucial role even in public programs
- concept of "delegated governance" is used to analyze the intertwined nature of public and private authority in the American welfare state

The Nature of Delegated Governance

- "delegated governance": delegation of responsibility for publicly-funded social welfare programs to non-state actors
- directly governed programs: e.g., Social Security and public schools - public bureaucracies populated by government employees administer benefits and services
- delegated governance: government uses private entities to run programs and deliver services
- much of the governance of Medicare is delegated to private actors:
  - private insurance companies do day-to-day administration as government contractors
  - in Part D benefits are controlled by private insurance companies
- governing involves exertion of governmental power over citizens
- democracy: citizens consent to the government power
- modern state: delegation of authority from elected to unelected officials

- private actors are even further from elected officials, overseen by unelected officials
- similar delegation when federal government shifts responsibility to state and local governments
- four forms of delegated government:
  - responsibility for program management and service delivery is given to non-profit organizations and trusted professionals ("government-like" in their lack of pecuniary motives)
  - delegation to for-profit firms
  - "consumer choice" delegation: consumers receive subsidies to purchase services from social welfare marketplaces
  - delegation to state and local governments
- key question: who bears risk for program costs?
- contracting out of public programs is not a new phenomenon, already happened after WWII

The Factors Behind Delegated Governance

- little evidence that delegated governance results in more efficiency or savings
- three factors explain reliance on delegated governance:
  - public ambivalence towards the federal government
  - power of interest groups to block centralized governmental authority
  - fragmented and porous policy-making process
- delegating authority shifts burden of decision-making to non-governmental entities
- other countries that use delegated governance: Australia, New Zealand, the Netherlands
- distinctive in the US: often limited regulation of private actors
- no country delegates as much authority to private health insurance companies

The Consequences of Delegated Governance

- delegated government enabled the expansion of social protections in the postwar period
- important consequences for government functioning, the political environment, and policy outcomes
- delegated governance used because of hostility to growth in government size - can lead to missing regulatory apparatus
- "consumer choice" delegation is problematic if consumers make bad decisions
- delegated governance empowers private interests by giving a privileged place in the management of social programs
- delegated governance might obscure the role of the federal government in addressing social welfare needs and build support for non-state forms of social provision
- real political impact: provide an immediate solution to social problems, preempting the drive for a bigger role for government
- delegated government exemplifies the complex functioning of the American state
- politically expedient way to expand social programs in a nation hostile to large, visible government effort

Delegated Governance in Medicare

- Medicare is a major and informative example of delegated governance
- second largest social program in the federal budget
- three forms of delegated governance:
  - payment administration assigned to nonprofit BCBS and some other commercial insurers (only 5,000 new federal employees vs 60,000 people managing Social Security) (Medicare Parts A and B)
  - for-profit private managed care (Medicare Part C)
  - consumer-choice delegation (Medicare Part D)
- so much authority delegated to private actors that cost control and scrutiny of provider claims became issues
- cost control improved through more direct federal control

- CMS deliberately small and underfunded
- market-based reforms are not necessarily superior based on experience with Medicare Part D

Delegated Governance in the 2010 Health Reform

- the ACA is an example of delegated governance rather than government takeover of the healthcare sector:
  - leaves intact employer-sponsored insurance
  - subsidizes coverage for the uninsured through private insurance and state Medicaid programs which contract with private managed care companies
  - consumer choice delegated governance
- responsibility of health plan exchanges delegated to the states
- direct federal government involvement is truncated
- the factors that fostered delegated governance in the past shaped the ACA as well:
  - desire for greater social protections + suspicion toward the federal government
  - mobilization of lobbying groups against expansions of government control
  - delegation was a way to overcome Congressional resistance

Conclusion

- one of the questions in social policy-making: how a program will be administered
- particularly important in the healthcare sector: large number of individuals, organizations, and firms
- key debate:
  - federal government plays an important role in assuming risk for healthcare costs and assuring broad access to uniform coverage
    vs
  - one-size-fits-all government programs don't respond to individual needs; allowing lower levels of government and private actors to determine benefits enables greater responsiveness to individual demands
- competing views of government, interest groups pressures, and public sentiment all play a role in delegated governance arrangements