Editors' Note

Beyond Path Dependency: Explaining Health Care System Change

In July 2008 Lorraine Frisina sent me a note describing a conference she and others were organizing in Bremen, Germany. The conference would bring together political scientists, economists, and other social scientists in an effort to examine and explain the deep changes that were taking place in health care systems around the industrialized world. She asked whether JHPPL *might be interested in publishing a set of the papers that emerged from the conference. We were. The conference, held in early December 2008, brought together an extraordinary collection of health policy experts who together considered a range of theoretical approaches applied to an even larger range of health care systems. Following the conference, Lorraine and her colleague Mirella Cacace worked with Lawrence D. Brown and me to coedit this issue. Mirella and Lorraine then wrote the note below, which summarizes some of the themes presented and the papers written. It is an impressive collection. We even added a bonus highlight: an extremely engaging back-and-forth between David Wilsford and Larry Brown on the utility of path-dependence theory in explaining health system change. Enjoy.*

Michael S. Sparer

Editors' Note

Explaining history, beyond providing an understanding of the past, is key to improving the performance of economies in the present and the future.

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This tenet from Douglass C. North's 1993 Nobel Prize lecture also holds true for health care system change, the topic addressed during a workshop hosted by the TranState Research Center of Bremen University in Germany in December 2008. Health care systems face ongoing reform pressure as they grapple with the rising costs of medical-technological progress, ongoing demographic change, and increasing demands of ever-informed consumers that also affect the organization of health care systems. But what really drives health care reform as it has been unfolding over the past decades? Do rising demand, the limitation of economic resources, and globalization impel change or do health care systems simply follow their own rules, characterized by path dependency and institutional inertia and influenced by notoriously powerful interest groups? Finally, as for the nature of the policy process itself, transformation by means of purposeful and well-designed reforms is certainly not the only way health care systems change. The Bremen workshop participants reflected on these various issues; moreover, they posed the question of whether the state is still an important player in the post–golden age of the welfare state. Do we now need to direct our attention to different structures and new actors?

Our efforts to explain health care system change — its underlying causes, transformative processes, and (tentative) results — are what gave rise to the present special issue, launched on the basis of two major preconditions. First, though we recognize the need to move away from mere *description* if we want to achieve *explanation*, sound description must not be dismissed: the dependent variable, health care system change, needs clear specification before the roots of this empirical phenomenon can be identified. Most contributions collected in this special issue start, therefore, explicitly or implicitly from an empirical puzzle. Second, given the sheer complexity of the questions raised above, the concentration on one explanatory approach proves insufficient. To put it bluntly: those who expect to find one grand theory uniting this special issue will be disappointed. In sum, integrating these two aspects means making the puzzle of health care system change explicit before carefully linking theoretical approaches to specific empirical observations. That is what this collection aims to do.

But what are these so-called puzzles to begin with? Systematically, observations center around three major aspects of change. These are the *timing* of change, or, why change happened at a particular point in time; the *type* of change, that is, radical transformation versus incremental; and the *content* of reform as a policy solution or policy change more generally. Achim Schmid and colleagues, for example, emphasize the role of prob-

lem pressure resulting from the oil crisis in the 1970s as a primary trigger for change. Starting with the functional deficits in England, Germany, and the United States, the authors explain why these health care systems became more hybrid and therefore also more similar over time. While change derives from public and private actors' attempts to respond to similar imperatives, those responses vary according to the specific health care system type under consideration. Taking the spread of diagnosis-related groups as an empirical example, the authors show that because health care systems are different, they vary in their adaptive responses but finally tend to converge.

Distinguishing between triggering and structuring causes, Peter Starke, in his investigation of health care reforms in New Zealand, argues that institutions are not the only thing that matters. While admitting that formal institutions of the political system are able to explain the extent of reforms, he emphasizes the role of crisis in the timing of policy change, as shown by the radical restructuring of the delivery system along "more market" lines in 1992. However, as Starke further argues, a more agency-centered approach is appropriate for explaining the causes and timing of the changes witnessed at the beginning of the century for this case. Driven by electoral incentives and the low popularity of the market model among voters, the Labour Party scaled back the procompetitive push for internal markets instituted about a decade ago.

Meanwhile, the actor-centered explanatory approach of Patrick Hassenteufel and colleagues starts from the observation that—far from a "neoliberal convergence"—the decentralization of decision making and the introduction of market principles in France, Germany, Spain, and England led to the reassertion of state regulatory authority. How can this somewhat contradictory phenomenon be explained? Providing a sophisticated analysis of the policy process in these countries, the authors show that the role of programmatic actors is decisive as concerns the direction of change. Collective actors and their personal motives, which are strikingly similar across the observed countries, lead to commonalities in the content of reforms.

Simone Leiber and colleagues explore to what extent the German health reform of 2007 was influenced by the Dutch model. How does it happen that a highly path-dependent, contribution-based health care financing system allows for new layers, namely, flat rate premiums and tax financing? By applying John W. Kingdon's streams approach, the authors show that reform took place because the streams of problem recognition, policy proposals, and politics coincided. Most important, the window of oppor-

tunity opened as a consequence of changes in the sphere of politics, that is, the change in government in 2005. Consequently, the roles of policy learning and lesson drawing were less prominent in this case than they may appear at first glance when one looks only at the simple evidence of diffusion.

Searching for explanation of the radical changes after the fall of the Soviet Union, Michał Sitek reviews the strengths and limitations of the new institutionalism. Against the backdrop of the experience of the post-communist countries as exemplified by the Czech Republic, Hungary, and Poland, the author finds that these approaches are overly deterministic when it comes to explaining the extent as well as the content of reform. The author therefore adds two major observations. First, in these special cases where radical change was made possible by critical junctures in national politics, he finds that the health care system shaped the state and its political institutions (and vice versa), thereby confirming Theodore J. Lowi's observation that "policy determines politics" as an explanatory approach. Second, while the structuring role of formal institutions is widely recognized, Sitek reminds us that informal rules tend to be forgotten in the historical account of institutional change. In the context of post-communist transformation, social norms, expectations, and perceptions deserve special attention when it comes to explaining change.

The empirical puzzle Paula Feder-Bubis and David Chinitz approach with their examination of the Israeli case reveals why some breakthrough reforms happen and others, while no less pressing, do not. In the context of the authors' theoretical approach, the question is how to explain the coincidence of punctuated equilibrium and path-dependent elements. Why did the enactment of national health insurance, clearly a big change, happen, while procompetitive reforms in the hospital sector and the transfer of mental health institutions from government ownership, under the aegis of sickness funds, did not? Clearly, the lack of support by political actors is one possible explanation. Most interesting, however, is the authors' interpretation that some health reforms do not pass just because others do. In this interpretation, political actors sacrifice reforms in one sector to the greater whole. Thus Paula Feder-Bubis and David Chinitz enrich path-dependency and punctuated equilibrium arguments by focusing on the perception and cognitive variation of stakeholders, actors, and elites, who perceive the direction and trajectories of change in different ways.

Daniel Béland focuses on explaining incremental change in health care as systematically introduced by Wolfgang Streeck and Kathleen Thelen's concept of conversion, layering, policy drift, and legislative revi-

sion. While restricting the causes of path-departing changes to exogenous shocks, Béland emphasizes the role of ideas, through which actors give meaning to their environment in shaping the content and the timing of policy change. In their agenda-setting role, ideas impact health care system change as entities that promote a wider understanding of policy issues, as assumptions that guide the development and the selection of policy alternatives, and finally as framing devices that help actors legitimize particular policy decisions. By setting up a research agenda, Béland gives first impressions about the way in which the interplay between ideas, institutions, and policy change may be theorized and thus used to explain incremental changes in health care.

From a theoretical perspective, path dependency and punctuated equilibrium are central to the explanation of change discussed so far in this special issue. This approach comes under special scrutiny, with Lawrence D. Brown expressing skepticism about the explanatory power of this theoretical approach. Taking as an example the role of the state in the spread of health maintenance organizations and the following backlash against managed care in the United States, he argues for caution in using path-dependence theory as a tool for explaining health policy outcomes. In referring, for example, to Charles E. Lindblom's incrementalism and Kingdon's interpretation of the agenda-setting process, Brown raises doubts about whether the path-dependency concept adds much new to the scholarly debate. While admitting that the history of institutions and actors matters, he demonstrates the arbitrariness of this approach in explaining just why and how they matter. Consequently he asks the reader whether path dependency is not simply "too shallow to be false."

At the other end of the spectrum, David Wilsford contributes as a major advocate of path-dependence theory. According to Wilsford, the strength of path dependency, if properly understood, goes well beyond the understanding of simple reform blockades that result from institutional constraints. Increasing returns and lock-in are mechanisms to explain how and why incremental change happens. In trying to explain big changes, however, one must take a holistic approach, examining the interactions between structure and agency, with the latter becoming especially important at critical conjunctures or punctuated equilibriums in time. By definition, idiosyncratic actors and their volitional free will make these conjunctures one-offs and therefore not susceptible to any theoretical generalization. Consequentially, the restrictions of a path-dependency approach in explaining abrupt change and punctuated equilibrium do not reflect a deficit of the theory itself, but lie in the nature of the observation.

Finally, in the spirit of lively scholarly debate, we also publish the theoretical dialogue between David Wilsford and Larry Brown, who take up the question of the merits (or demerits) of path dependence.

Taken together, the contributions included in this special issue broaden and deepen our understanding of health care system reform and policy change. Since there is no one-size-fits-all explanation to be found, we are charged with looking very closely at the single events of a given policy context, thus testing whether one explanation is more suitable than another for a particular case. As the present articles strongly demonstrate, by being theoretically fussy, so to speak, one affords the possibility of enriching rather than depriving theory that deals with change. Indeed, it is by expanding monotheoretical accounts of policy change that we can achieve a richer and more robust understanding of our empirical puzzles, thereby creating unique opportunities for theoretical fusions and synergies to take place.

Mirella Cacace and Lorraine Frisina