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Global trade and the future of national health care reform

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Abstract

As a result of economic globalization, health care reform is no longer strictly a matter of domestic health policy and politics. This paper argues that international trade agreements impose institutional constraints on governments' abilities to implement health care reform, and, if left unchallenged, could frustrate social reforms. The thesis is developed through three case studies that examine the implications of various trade agreements for health care reform in the United States, Canada, and Australia. The findings are discussed in the context of theoretical debates concerning the impact of globalization on the autonomy of nation states and the relevance of national politics.

Keywords: Globalization; Health care reform; World trade; Political process

1. Introduction

National public policy debates over the relative efficacy of market-based versus state-managed methods of ensuring that citizens have access to health care services have been controversial for many years. As a result of these debates, and the social, economic, and political agendas that drive them, there is a considerable degree of cross-national variation in the institutional structure of national health care systems. Some states assume exclusive responsibility for providing health care services or underwriting national health insurance, while other states rely to a greater degree on individuals, private insurance, and competitive markets to allocate health care resources. Institutional arrangements for delivering health services remain in flux today as nations seek to reform health care financing and delivery systems, in often contradictory ways. However, although contemporary policy debates over the appropriate roles for market competition versus state intervention in health care are often fractious, both sides generally assume that health care

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reform is a matter of domestic public policy, formulated at the national or sub-national level through democratic processes.

That assumption is becoming increasingly untenable. In the era of economic globalization, health care reform is no longer strictly a matter of national policy and democratic mandates. Multilateral, bilateral, and regional free trade agreements governing trade in health insurance, pharmaceuticals, and health services are being negotiated, which have the potential to pre-empt national debates over health care reform. With little public scrutiny, decisions affecting domestic health policies are being made within trade forums where trade negotiators are establishing binding trade rules that limit the policy options available to states to achieve health care policy objectives. Moreover, since the objective of these trade pacts is to eliminate barriers to trade and promote the development of global or regional markets, the free trade agreements naturally privilege market-based over state-managed approaches to health care reform. If left unchecked, these agreements could bind future generations to market-based systems of financing and delivering health care services.

This paper develops the thesis that free trade pacts have the potential to impose significant legal and institutional constraints on the ability of democratic societies to implement, sustain, or expand non-market based health care systems, such as national health services, national health insurance programs, and other health policy initiatives that limit the access of transnational insurance and pharmaceutical companies and other providers to domestic markets. The same agreements impair states' abilities to regulate private sector delivery of health services, and make it difficult for nations to reverse course once they have opened health care markets to competition. The argument is developed by showing how trade deals impact health care reform in three countries: the United States, Canada, and Australia.

In the US case, the research explains how a multilateral trade agreement, the World Trade Organization's (WTO), *General Agreement on Trade in Services* (GATS), could obstruct initiatives to implement national health insurance in the United States. The Canadian case describes how a regional trade agreement, the *North American Free Trade Agreement* (NAFTA) could limit Canada's ability to expand its existing public health insurance program to cover new services such as home health or prescription drugs. Both the US and Canadian examples show that trade agreements make it difficult for countries to move from market-based health care financing and delivery systems to publicly funded health care programs once health care markets are opened to competition or privatized. The Australian case illustrates how a bilateral trade agreement, the *Australia-US Free Trade Agreement* (FTA), could jeopardize Australia's Pharmaceutical Benefits Scheme, an innovative subsidy program designed to control drug prices. While these three examples by no means constitute an exhaustive description of the multiple ways that free trade pacts affect health policies,[1] they serve to demonstrate how arcane, technical provisions of the free trade pacts can constrain state autonomy in health policy making and privilege market-based approaches to health care reform.

The research draws from multiple data sources. The US case study is based on original research on the GATS using primary source materials, including legal texts and working party reports and minutes obtained from the World Trade Organization's documents archive (Arnold & Reeves, 2006). The Canadian and Australian examples draw from secondary sources that have studied the implications of NAFTA for the Canadian health care system (Canadian Centre for Policy

[1] Price, Pollock, and Shaoul (1999), and Pollock and Price (2000), for example, have argued that the GATS could threaten the British health care system.