

Where does learning take place? The role of intergovernmental cooperation for policy diffusion in Switzerland *

Katharina Füglistner[†]

2009

Abstract

Dear participants of the comparative politics workshop. This paper is part of my on-going dissertation project on policy diffusion in federal states. So far, I have analyzed the diffusion of a particular policy, namely health insurance subsidy policies, among the sub-national units of Switzerland. I am now focusing on factors that enhance (or hinder) policy learning. That is where this paper is situated. I'm grateful for any comments.

ABSTRACT: Although it is widely accepted that a decentralized system can enhance policy learning and the spread of best practices, a yet underresearched question is where that learning process takes place. Using data on the diffusion of health care policies in Switzerland, this paper analyzes the role of institutionalized intergovernmental cooperation and its impact on the spread of successful policies.

*Paper for presentation at the Comparative Politics Workshop on March 27 2009, Department of Political Science, University of Michigan .

[†]PhD candidate at the University of Lausanne, Switzerland. Currently visiting scholar at the Center for Political Studies, University of Michigan. Email: katfug@umich.edu

1 Introduction

It is widely believed that a significant advantage of federalist over unitary states is that decentralized policy-making encourages policy innovation and the spread of best practices. The implicit assumption is that policy-makers learn from each other's success or failures and adopt policies after having assessed how they have performed elsewhere. While policy diffusion has been largely discussed in the literature on US federalism (McVoy 1940; Walker 1968; Gray 1973; Berry and Berry 1990; Case, Rosen, and Hines 1993; Mintrom 1997; Mintrom and Vergari 1998; Volden 2006; Karch 2007; Shipan and Volden 2008), a yet under-researched question is what policy makers learn from and where the learning takes place. This lack of knowledge is problematic, since ignoring the condition under which learning occurs bears the risk of finding evidence for policy diffusion where in fact the policy change was simply a result of independent choices of the policy makers (Volden, Ting, and Carpenter 2008), or finding evidence for learning where in fact the diffusion was caused by another mechanism, such as for example emulation which might lead to less appropriate outcomes. This paper focuses on the question where learning takes place and proposes to have a closer look at institutionalized intergovernmental cooperation when analysing policy diffusion. It argues that an understanding of where policy-maker exchange or acquire their information will contribute to the comprehension of the factors that enable policy learning and therefore contribute to distinguish empirically what mechanism lead to the spread of policies.

The questions on the conditions of policy learning are highly relevant for the study of health policy in Switzerland. In this highly decentralized system the implementation of health care policies lies entirely in the competence of the cantons (sub-national units in Switzerland). With the Health Insurance Law of 1994 (LAMal), Switzerland introduced a mandatory health insurance with uniform premiums for each person irrespective of their financial situation. In order to reduce the social inequalities, the LAMal introduced mechanisms for the reduction of individual premiums not only for the poorest but also for a larger part of the population with modest economic means. The LAMal defined a rather loose framework for subsidy policies, which the cantons were free to adapt. The cantons have exploited this grey area and have developed 26 unique subsidy policies, differing in the eligibility criteria, generosity of subsidies and the payment procedure. Despite several attempts to harmonise the system, the cantons insisted on maintaining their sovereignty in defining subsidy policies. Nevertheless, it can be observed that the cantons adapted their policies during the period following the reform and that they implemented instruments already used in other cantons. While these adaptations are certainly based on canton-specific factors, they are also determined by a diffusion process where the choices of the different cantons have been interdependent.

Using a dyadic event history approach, the present paper analyses the spread of the health insurance subsidy policies among Swiss cantons. Given the impor-

tance of cooperation in the Swiss federal system and the increasing attempt of cantons to coordinate their activities in order to avoid centralization, it focus specifically on the role of intergovernmental cooperation in the diffusion process. In the field of health care, the Conference of the Cantonal Directors of Public Health (CDS) holds an important role as co-ordinating body and discussion platform. I expect it to be a place where policy makers exchange their experience with the implementation of subsidy policies and learn from their peer. I therefore analyse whether a joint membership in one of the bodies the CDS has an impact on the spread of successful policies.

The paper is structured as follows: In the second section, the theoretical background is presented. Starting with a overview of works on policy diffusion in federal states, this paper then focuses on the process of learning and more precisely on the conditions under which the learning can take place. The third section looks the federal system of Switzerland and presents the institutional settings of intergovernmental cooperation, where policy makers exchange their experience and coordinate their actions. The legislative framework of the health insurance policy in Switzerland is introduced in section four. Section five then presents data and research methods, while section six discusses the results of the analysis. Comments on how to improve the analysis are very welcome. In the conclusion the major findings and limitations of the approach are summarized. I would be particularly interested in discussing the importance of the latter during this workshop session.

2 Policy diffusion in Federal States

A fast growing literature has been analysing interdependencies among collective actors. Originally developed in sociology, the diffusion process has been considered as one possible explanation for policy change and successfully integrated in the literature of political science. A variety of studies in different subfields such as comparative politics as well as studies on federalism and international relations have been undertaken. Those studies analyze the spread of very different policies among actors at different levels, such as countries, sub-national units or even local entities. Despite varying perspectives, the definition of policy diffusion as a process whereby policy choices are interdependent, is now widely accepted. According to this definition, policy choices of states are conditioned by prior policy choices made in other states¹ (Simmons, Dobbin, and Garrett 2006). The outcomes of diffusion can be manifold, convergence is just one possible result of a diffusion process. Based on the experience of another state, policy makers might also decide to not implement the policy tested elsewhere.

¹This definition holds for policy diffusion at different levels. While Simmons, Dobbin, and Garrett (2006) refer to interdependencies between countries, I will use this same definition for policy diffusion among states in a federal system. It can also be used for policy diffusion between cities or cities and states, as it has been shown by Shipan and Volden (2008).

The focus of diffusion studies lies therefore on the process, rather than on the outcome².

Policy diffusion is of particular interest in federal states, where the sub-national units are given considerable autonomy in the organisation of the state and the implementation of federal law. An often stated advantage of federalist over unitary states is that decentralised states serve as policy laboratories where new policies can be tested and, if successful, spread to the whole country. Following this idea, federalism promotes policy learning. The implicit assumption is that policy-makers learn from each other's successes or failures, and adopt policies after having assessed how they have performed elsewhere. However, policies can diffuse for several reasons, not only because they have proven to be the 'best' solution. Although a variety of factors that cause a policy to spread are discussed through out the literature, four major mechanisms have been identified, namely competition, coercion, emulation and learning. Those mechanisms specify how policy choices in one state are influenced by the choices of other states, or in other words, how interdependencies affects a state's policy choice (Braun, Gilardi, Füglistner, and Luyet 2007). Which mechanism is at work, varies of course from one policy to another, and might also vary over time (Shipan and Volden 2008; Gilardi, Füglistner, and Luyet 2009). The following paragraph briefly describes those four mechanisms. For a more detailed discussion see (Dobbin, Simmons, and Garrett 2007; Braun, Gilardi, Füglistner, and Luyet 2007; Shipan and Volden 2008).

One possible mechanism is *competition*, where a state creates policy externalities, which will alter the relative effectiveness of policies for the other states. An often stated example is the tax competition between states: whereas higher taxes are beneficial for all states, an individual state might want to reduce the tax burden to attract economic activity. In order to stay competitive, other states will have to respond to this action. In the context of welfare state policies, it is often assumed that competition between states leads to a 'race to the bottom' (Volden 2002): to avoid the influx in of potential welfare beneficiaries, a state will keep its welfare benefits under the level of other (neighbouring) states. *Coercion* is a diffusion mechanism in which a state adopts a new policy because a powerful state makes it very costly for the former to maintain its old policy³.

²This focus on the process rather than on the outcome marks the difference between the literature on policy diffusion and convergence. For a discussion see Holzinger, Jörgens, and Knill (2007) and Braun, Gilardi, Füglistner, and Luyet (2007).

³Given its limited application, it is questionable whether –in a federal context– coercion should be considered as a diffusion mechanism. Since it is a top-down rather than a horizontal mechanism of diffusion it characterizes a dependency of one state from another rather than a mutual interdependence between the two. However, since there is also a 'soft coercion' that can operate through persuasion rather than through imposition, it can be argued that coercion should be taken into account when analysing diffusion pattern in a federal system. In an international context however, where coercion can for example be operated through trade practices or through sanctions by international institutions, coercion as possible diffusion mechanism definitely needs to be looked at.

Whereas these first two mechanisms induce a shift in incentives, the mechanisms of emulation and learning lead to change of ideas about the effectiveness of a policy (Dobbin, Simmons, and Garrett 2007). In the case of *emulation* —also referred to as imitation— the symbolic property of a policy matters more than objective criteria. A state adopts a policy because being an adopter changes its status, or because because a given policy has become the norm (Finnemore and Sikkink 1998) or it is simply taken for granted as best possible solution. And finally *learning*, of major interest for the present paper, can be defined as a process in which policy-makers update their beliefs on the effects of a policy through observation of the experience of others (Meseguer 2006). Learning can be highly rational, if policy-makers take into account all information in an efficient way, or more bounded, if they employ ‘cognitive shortcuts’, for example looking only at easily available information on the effects of a policy.

Since diffusion mechanisms such as coercion, competition and imitation can lead to negative outcomes or outcomes that are inappropriate for a given state, it is —also a normative perspective— important to understand what mechanism drives the diffusion process, followed by an assessment as to whether decentralisation in a specific policy field is appropriate. This then raises the question of how to find evidence that states’ choices are interdependent, and to determine whether diffusion is driven by a learning process.

Policy diffusion has been widely studied in the US federalism literature (McVoy 1940; Walker 1968; Gray 1973; Berry and Berry 1990; Case, Rosen, and Hines 1993; Mintrom 1997; Mintrom and Vergari 1998; Volden 2006; Karch 2007; Shipan and Volden 2008). Based on the assumption that states are influenced by what their neighbors do, the early studies have focused mainly on geographic proximities when explaining the ongoing diffusion process among the US states. More recent studies however, widen up the field and include other explanatory factors. Volden (2006) for example, looks at political, demographic and budgetary similarities between US states to analyse the diffusion of a specific policy. Other analysis include the idea to study diffusion not only between units at the same level, but also cross levels (cities, states, countries) (Shipan and Volden 2006), and look at the impact of federal decisions on the diffusion of policies (Karch 2006).

According to Volden, Ting, and Carpenter (2008), a major concern with the the empirical research on diffusion studies done so far is that those studies might find evidence for policy diffusion where, in reality, policy change has occurred as a result of independent actions of policy makers. Confronted with similar problems, states might simply react in a similar way without being influenced by their peers. Addressing this major problem, Volden et al. (2008) propose a shift in the empirical research to achieve greater focus on conditional patterns of policy maintenance or abandonment. This is particularly relevant for analyzing the assumption that states serve as policy laboratories. In order to gain more evidence of when and where learning occurs —and to distinguish it from other

mechanism—, Volden, Ting, and Carpenter (2008) propose focusing on behavior that merely emerges in a ‘cross-state learning environment’ (Volden, Ting, and Carpenter 2008, 329). In this regard, one possibility is to study policy success. For example in a study on the diffusion of the children’s health insurance program among the US states, Volden (2006) shows that more successful policies are more likely to spread. Success also matters in the adoption of anti-smoking policies, as has been shown by Shipan and Volden (2006). While focusing on success provides an answer to what states learn from, the question of where the learning takes place remains. I argue that gaining an understanding of where policy-makers exchange or acquire their information will contribute to the understanding of the factors that enable policy learning and therefore contribute to distinguishing empirically what mechanism drives diffusion. This paper attempts to shed light on the channels through which learning may occur and through what networks policies diffuse.

Focusing on individuals and institutions that promote policy change and the networks through which they communicate is of course not new. Already Walker (1968) emphasised the importance of analyzing policy communities in order to understand the diffusion process. He however, does not provide any empirical evidence to this claim. Criticizing the lack of attention given to the mechanisms through which policy ideas are communicated, and building up on a well established literature on social networks, Mintrom (1997) and Mintrom and Vergari (1998) focus on the role of policy entrepreneurs in the diffusion process. They distinguish between internal and external networks of policy entrepreneurs. In their analysis of the spread of school reforms they find evidence that external policy networks —composed by people across the nation— are important for facilitating agenda setting, whereas the internal networks —composed by actors in and around the state government— are crucial for the approval of policy innovations. By integrating the idea of policy networks to the study of diffusion, they shift the focus to the actors that can enable or hinder policy change. Their study, however, does not show how the policy entrepreneurs interact and does not shed light on the mechanism that led to the spread of diffusion. Balla (2001) focuses on professional associations and argues that such associations provide an institutional foundation for the development and dissemination of innovation. In an analysis on the state’s adoption of the Health Maintenance Organisation Model act, he finds that the participation of state officials in the National Association of Insurance Commissioners has a positive impact on the adoption of the policy. But left unexamined are the mechanisms through which such professional associations facilitate the diffusion of a policy. Although they do not provide empirical evidence, the underlying assumption of those studies is that policy networks and professional associations provide an environment where policy-makers exchange and learn from the experiences of others. However, the interaction in professional networks does not necessary lead to policy learning. Sustained interaction in networks can also have an impact on the socialization of the policy maker and result in less rational behaviour, such as emulation. Studies in international relations for example emphasise the impact

of intergovernmental organisations on states interests and behaviour. Bearce and Bondanella (2007), for example, show that intergovernmental organisations cause member-state interest to be more similar over time, and therefore promote interest convergence. They argue that regular and sustained interaction in the context of an international organisation has an impact on the state's behaviour. The effect of such socialisation can be relatively shallow when states simply learn to play the rules of a new social context, without changing their interests. The effect can be deeper if the social context changes a states identities and interests (Bearce and Bondanella 2007).

Building up on the above mentioned studies, I argue that policy networks, and policy specific associations or organisations can be channels through which policies diffuse. In order to obtain a more complete picture of the diffusion process, they should therefore be looked at. The impact of such networks on the policy-makers can be twofold: while the exchange with others might enhance a better understanding of the effectiveness of other policies and therefore be fruitful for policy learning, it might also lead to the development of common norms or even a policy being considered as taken for granted as the only possible solution and therefore lead to emulation. Looking merely at the existence of such networks, doesn't allow a conclusion on the diffusion process it enhances. However, if it can be shown that the participation in a policy network goes along with the adoption of more successful policies, it can be assumed that the network is a place where policy makers learn from other.

3 Intergovernmental cooperation in Switzerland

While there is a large body of literature on policy implementation in Switzerland, focusing on cantons (the sub-national unit) specific characteristics explaining implementation or looking at converging outcomes, little attention has been paid so far to the possibility that cantons might be influenced by each other and that, as a consequence, policy choices can diffuse (one exception is Kübler and Widmer (2007)). However, given the great sovereignty of the cantons, the importance of cooperation in the Swiss federal system and the increasing attempt of cantons to coordinate their activities in order to avoid more centralization, it seems relevant to focus more on the interdependencies of cantons. I argue that policy choices of cantons⁴ are conditioned by prior policy choices in other cantons. Moreover I argue that institutionalized intergovernmental cooperation provides a fruitful environment for exchange which in turn enhances policy learning and the spread of best practices. This section will give a brief overview on the specificities of the federal system of Switzerland and the institutionalized intergovernmental cooperation.

Similar to US federalism, Swiss federalism was designed to allow for diversity of social, economic and political organisation at the sub-unit level (Obinger,

⁴I focus here on the policy choice of the cantonal government.

Armingeon, Bonoli, and Bertozzi 2005). The Swiss Federal Constitution⁵ guarantees the autonomy of the cantons with the only constraint being that the canton's constitutions must respect the basic principle of the Federal Constitution. Given their fiscal sovereignty, the cantons have their own financial resources. According to the principle of subsidiarity, all tasks that are not explicitly assigned to the Confederation fall to the responsibility of the cantons. Substantial liberty is therefore given to the cantons. But whereas the inter-state federalism of the United States strongly emphasizes a healthy competition between states, the Swiss federalism is hardly competitive. Rather cooperation is an important component of the vertical and horizontal federalism in Switzerland. The federal government co-operates with the cantons as it relies on the cantonal administrations for the implementation of the policies. In the field of health care for example, the Confederation enacts legislation, the implementation of which is carried out by each canton.

Cooperation among the cantons is very pronounced. This 'horizontal federalism' allows cantons to defend their interests in relation to the federal state, to co-ordinate policies that are the responsibility of the cantons and to exchange experiences concerning implementation. Good co-ordination of cantonal policies is in the interest of the cantons, as it can contribute to hold competencies at a low level of state and contain federal influence (Bochsler and Sciarini 2006). The institutionalised cooperation between cantons mainly takes two forms, one consists of the so-called 'concordats', which are intergovernmental treaties at the cantonal level (for a discussion see Bochsler and Sciarini 2006), the other includes formalised Conferences of cantonal executives. Currently, such Conferences exist in fifteen different policy domains, one of which is health care, the focus of the present research. The Conference of the Cantonal Director of Public Health (CDS) serves as the co-ordinating body of cantonal health care policies, gathers information and serves as discussion platform⁶. Except in the field of professional education, where it enacts binding norms, the CDS merely releases recommendations. The CDS is organised as well on the national as on the regional level, where in four regional conferences the cantonal ministers of health of the same region are represented and coordinate region specific issues. As the major intermediary between the federal administration and the cantonal health administration and the contact point for different national health associations, the CDS has become an important institution in the field of health care politics.

In light of the above mentioned argumentation, I expect that institution-

⁵Art. 3 Constitution

⁶The CDS was founded in 1919. The plenary assembly of the CDS is composed of the 26 ministers of health, who meet twice a year and decide upon all important issues of the CDS (CDS 2005). From its members the assembly elects the board of directors and its president for a term of four years. The board prepares the major issues for the assembly, makes requests for resolutions and decides upon minor businesses which can be carried out by the permanent secretariat. The CDS has several working groups in the major fields of health care, one of which concerns the implementation of the health insurance law, which is particularly important in the context of this research.

alised intergovernmental cooperation plays a role in the diffusion process. Moreover, I assume the national and regional CDS and its commissions to be a place where cantonal health ministers exchange their experiences with the implementation of health insurance subsidies and formulate their own opinions of which policies seem to be efficient and effective and that this leads to policy learning. Such as social context can of course also lead to the development of common norms or even a policy being considered as taken for granted as the only possible solution of implementation. However, if the joint membership in the bodies of the CDS leads to the spread of successful policies, we can act on the assumption that the CDS enhances policy learning.

4 Health Insurance Subsidies in the LAMal

Empirically, the present paper focuses on the diffusion of health insurance subsidy policies among Swiss cantons. The following section gives a brief overview of the legal framework of health insurance in Switzerland and of the cantonal implementation practices.

With the enactment of the Health Insurance Law of 1994 (LAMal), which came into force in 1996, Switzerland introduced mandatory health insurance with uniform premiums for each person irrespective of their financial situation. Coverage is provided by 94⁷ officially recognised private and public insurers, which have the obligation, to insure any person without reservation. Since the introduction of the LAMal, the average individual premiums in Switzerland have increased continuously (BAG 2005, 23). The premiums, however, differ considerably from one canton to another, as they are calculated on the basis of canton-specific evolution of costs. They also vary according to the insurers. In order to reduce the social inequalities created by per capita premiums and to ensure solidarity among people with different income levels, the LAMal introduced subsidy mechanisms to reduce individual premiums not only for the poorest, but also for a larger part of the population with modest economic means (BAG 2005), the definition of which has been left to interpretation of the cantons. The subsidies are financed jointly by the cantons and the Confederation⁸. In 2004, about one third of the Swiss population were beneficiaries of health insurance subsidies, with considerable differences between cantons. Initially, the Federal Council considered that health insurance premiums should not exceed 8% of the insured's income, but this proposition was not included in the LAMal⁹ and other attempts to harmonise subsidy policies were refused by the Federal Parliament, which preferred to preserve the freedom of cantons to determine both the social objective and the implementation of their premium

⁷Source: (BAG 2005)

⁸Art. 66 al. 1 LAMal.

⁹Message of the Federal Council of november 6th 1991, regarding the Federal Health Insurance Law.

reduction policies¹⁰. Thus, the Federal Parliament has merely defined the annual contribution of the Confederation and the corresponding amounts that the cantons are obliged to add, as well as the minimum services that cantons have to provide. As long as the minimum social objective is achieved¹¹, cantons are free to reduce their contributions to a minimum of 50%; in this case the contribution of the Confederation is reduced by the same amount. According to the legislature, this flexibility in subsidy policies should allow each canton to implement a system that fits with its social and tax legislation, and to use the subsidy system that was in place before the introduction of the LAMal.

As a consequence of the significant freedom given to cantons, 26 different subsidy policies have been developed since the LAMal came into force. According to (Balthasar 2003, 336), cantonal practices vary mainly in terms of the eligibility criteria, the methods used for the payment of subsidies, the extent to which the basis of eligibility calculations is up to date and in the exhaustion of the federal contribution¹². Within these five domains, cantons have changed their practices several times during the last ten years. There have been some tendencies towards convergence, for example towards the use of a percentage model to define eligibility, or towards the payment of subsidies directly to the insurers in order to guarantee the earmarked use of the money. But despite these changes and several attempts to harmonise the system, differences between cantons remain: they continue to exercise their freedom in the implementation of the federal law and experiment with different practices.

Changes in the cantonal subsidy policies, however, are not just a reaction to attempts at harmonising the system. Rather, they are the result of exchanges among the cantons. It seems clear that the cantons' decisions to change parts of their subsidy policies have not been independent of each other, and that a policy diffusion process is ongoing. This assumption has been confirmed by the first results of this research project (Gilardi and Füglistler 2008). The results show that rather than geographic proximities, other similarities between cantons matter for diffusion and more importantly, the analysis gives evidence for policy learning: cantons with successful policies are more likely to be imitated. However, what remains unclear is where policy-makers exchange or acquire their information. There are of course multiple sources for learning. Given its importance in the field of health care and its role as discussion platform I expect the CDS to be such a source, and that is the focus of this paper. More precisely I expect that joint membership of policy-makers in one of its bodies to have a positive impact on the spread of successful policies.

¹⁰A second revision of the health insurance law, intending -among others- to define more clearly the beneficiaries of the health insurance reduction and to fix a social goal [Sozialziel] for the subsidising system failed the approbation of the National Council in 2003. A revision taking into account merely a reduction of the insurance premiums for children and young adults following a formation with a modest economic means, passed in 2005 and entered into force in 2006. This was so far the only successful harmonisation attempt.

¹¹Art. 66 LAMal

¹²See Appendix for a description of the five dimensions of cantonal subsidy policies.

5 Methods and Data

In the diffusion literature, most empirical studies have relied on event history analysis, where observations are country-years, the dependent variable is policy change defined as an event, and diffusion effects are operationalized through spatial lags (Berry and Berry 1990; Simmons and Elkins 2004; Brooks 2005; Elkins, Guzman, and Simmons 2006; Swank 2006). For the diffusion of health insurance subsidy policies in Switzerland, a standard event history analysis would take canton-years as units of analysis and would investigate which canton adapted or changed an aspect of health insurance subsidies in which year, as a function of a set of independent variables that would include diffusion effects. Recently, Volden (2006) proposed an alternative framework, namely the dyad-year approach, which allows the investigation of whether a given change in a policy moves a canton closer to another canton. In this approach the unit of analysis is not the canton-year, but the dyad-year, where a dyad is a pair of cantons (for example, Geneva-Zurich). This approach has several advantages. One in particular is the fact that relational variables (that is, variables that measure the relationship between the two members of the dyad) can be easily integrated in the analysis. This is especially useful in diffusion analyses, which focus precisely on the consequences of interdependencies.

The present analysis follows the dyadic approach. The units of analysis, therefore, are dyad-years. Using a directed approach, each dyad appears in the data-set twice. In other words, Geneva-Zurich (for example) is considered to be different from Zurich-Geneva. More specifically, within each dyad, each canton is considered to be a potential ‘sender’ and a potential ‘receiver’ of a policy. For instance, in the Geneva-Zurich dyad, Geneva is the potential receiver (canton_A) and Zurich is the potential sender (canton_B) of a policy, while in the Zurich-Geneva dyad the reaction is reversed. The dependent variable measures to which extent the policy of canton_A moves closer to that of canton_B. It takes the value of 1 if canton_A adopts a policy that canton_B has already adopted, and of 0 otherwise. For example, if in 2000 Geneva adopts a policy that Zurich already had in 1999, the dependent variable for the dyad Geneva-Zurich in 2000 is 1, while it would be 0 if the policy adopted by Geneva was not already present in Zurich. As can be seen from this example, the dependent variable does not record policy changes in general, but policy changes that bring the policy of canton_A closer to that of canton_B.

The research question is therefore the following: which characteristics of the relationship between canton_A and canton_B, or simply of canton_B, increase the probability that canton_A will adopt a policy that canton_B already has? In this study, the dependent variable records whether canton_A adopts at least one of the policies of canton_B. Data has been collected on changes in the subsidy

policies of the 26 Swiss cantons from 1997 (that is, one year after the implementation of the LAMal) to 2005. Three sources are used: (1) information supplied by the Conference of the Cantonal Directors of Public Health, which publishes yearly synoptic tables on the policy instruments concerning the health insurance premium reduction practices of each canton (GDK 2006); (2) data available in the Monitoring reports published by the Federal Office of Public Health, which examine the effectiveness of the health care subsidies (BAG 2005); (3) Balthasar (2003) study of cantonal subsidy policies.

As outlined before, I expect that the spread of successful policies is conditioned by the joint membership of policy makers in one of the bodies of the CDS. In order to test this I use a multiplicative interaction model. My theory is that probability that canton_A adapts a policy that canton_B already has is a function of the success of the policy of canton_B, the joint membership of the two cantons in one of the bodies of the CDS and the interaction between these two variables.

$$Imitation = \beta_0 + \beta_1 Success_B + \beta_2 JointMembership + \beta_3 Success_B * Jointmembership + \beta_4 Controls(Similarities_{AB}) + \epsilon$$

The independent variables included in this model are outlined hereafter: For the conditioning variable, I collected data on common membership in the different bodies of the CDS. For each canton I firstly looked whether or not their minister of public health was member of the board of directors of the CDS. For each dyad and each year I coded if the two cantons were represented on the board of directors. Similarly I coded 1 if the two cantons were both in the same regional CDS conference. All information concerning the CDS were collected throughout the annual reports of the CDS (CDS 2005).

Measuring success of subsidy policies is much more complex. I use a variable we have constructed previously (Gilardi and Füglistner 2008). I will briefly outline the construction of the variable: We assumed that the relevant outcome of a subsidy policy is its generosity. We measured this by dividing the annual budget for insurance subsidies in each canton by the number of beneficiaries. The assumption is that the higher the amount, the better. While it is probably not accurate to assume that all cantons aim for higher generosity, it is worth reminding that most cantons fail to respect the informal standard set by the Federal Council according to which for no households should health insurance exceed 8% of revenue. In this sense, more generous cantons are closer to this benchmark, and therefore can to some extent be considered more ‘successful’. In addition, to assess the degree of ‘success’ we took into account a number of factors that are more or less ‘mechanically’ related to cantonal generosity levels, that is, that do not depend on the effectiveness of the specific policy mix. The first is the extent to which federal contributions are used. The federal level attributes to each canton a given sum for subsidies. In principle, cantons should throw in an equal amount, but they can reduce it by up to 50%. The more they make use of this possibility, the lower their budget, all else equal.

Second, cantonal variations in generosity are explained by differences in health insurance premiums: the higher the premiums, the higher the subsidies, all else equal. Third, cantons can choose whether to give more money to fewer people or less money to more people. Therefore, the share of the population that receives a subsidy is also a relevant factor that must be taken into account. The basic idea in our operationalization is that a ‘good’ cantonal policy is one that is more generous than the Swiss average, taking these factors into account. Following Volden (2006), for each year we have regressed generosity on the use of federal contributions, insurance premiums levels, and share of beneficiaries. These three factors are strong predictors of generosity levels: the R2 is above 0.9. We have then compared predicted and actual generosity levels. The difference between the actual and predicted values was then used as an indicator of success.

As controls, I included a set of variables measuring similarities between the cantons of one dyad. The first control variable records whether the cantons in the dyad have the same main language. Secondly information on health insurance premiums, beneficiary rates, and the urbanisation rates are included. Computed for each of these four indicators are the absolute difference between canton_A and canton_B . The absolute difference records to what extent the two cantons are similar, regardless of which canton has higher premiums. For the evolution of the health insurance premiums and the rate of the beneficiaries I relied on the statistics published by the Federal Office of Public Health (BAG 1997-2005), and data on the urbanisation rate from Vatter, Freitag, Müller and Bühlmann (Vatter et al.). All the independent variables are lagged one year. In other words, it is assumed that the probability that canton_A will adopt at time t a policy that canton_B already had is influenced by the similarities between these two cantons, as well as by the characteristics of canton_B , at time $t-1$.

6 Statistical Analysis

The estimated coefficients and standard errors of the logit models¹³ are shown in table 1. The units of analysis are dyad years, where dyads are pairs of cantons. The dependent variable takes the value of one if the ‘receiving’ canton (which is canton_A in the dyad) adopts a change in at least one of the instruments of its health insurance subsidy policy that the ‘sending’ canton (canton_B in the dyad) has already adopted, and zero otherwise. The explanatory variables refer to the relationship between the two cantons in the dyad, except for the variable success, which refers to a characteristic of the ‘sending’ canton and indicates the degree of the success of its subsidy policy. The first model shows how the impact of a successful policy on imitation is conditioned by the joint membership of the two cantons in the board of directors of the CDS. The model includes a multiplicative interaction term with the modifying variable being a dichotomous variable measuring the presence or absence of the joint membership in the board

¹³Using Stata 9.2

of directors of the CDS. The second model is constructed in the same way, the modifying variable being the joint membership of the two cantons in the same regional conference of the CDS. Both models include the same control variables. For a better understanding of the interaction of the variables ‘success’ and ‘joint membership’, figures 1 to figure 4 show how those two variables relate to the probability of imitation, that is the probability that canton_A adopts a policy that canton_B has already adopted. The figures have been constructed following the advice of Brambor, Clark, and Golder (2006) and Kam and Franzese Jr. (2003). For each model I looked at the marginal effect of a change from a unsuccessful to a successful policy and from a successful to a very successful policy.

Figure 1 shows the marginal effect of an increase from a successful to a very successful policy in canton_B on the probability that canton_A adopts a policy that canton_B has already adopted, as a function of the joint membership of the two cantons in the same regional conference of the CDS. As can be seen from figure 1, if the two cantonal health directors are not represented in the same conference, the 90% confidence interval around the marginal effect of success includes the value of zero. In the absence of a joint membership, the marginal effect of success is therefore not distinguishable from zero. However, if the policy-makers are present in the same regional conference, the marginal effect of success is statistically distinguishable from zero. The joint membership is positively related to an spread of very successful policies. Figure 2 illustrates that the same conclusion holds for an increase from an unsuccessful to a successful policy, although the marginal effect is smaller. Those findings are consistent with the expectation that the exchange of policy makers in a body of the Conference of Health Directors is positively related to learning.

Turning now to the national level of the CDS. Figure 3 and figure 4 illustrate the marginal effect of success in canton_B on the probability of imitation by canton_A , as a function of the joint membership in the board of directors of the national CDS. Also in this case, the joint membership of the two cantonal directors of health in a body of the CDS is related with marginal effect of success distinguishable from zero. However, looking at the change from a successful to a very successful policy, the confidence interval is so large, that nothing about the marginal effect can be said with a high level of certainty. And in the second case, the confidence intervals overlaps across the values of the joint membership, it can therefore not be said with certainty that the marginal effects of success are statistically distinguishable between the presence and absence of joint membership. Although they point in the right direction, those findings do not provide evidence that the joint membership in the board of directors of the CDS makes its members member cantons more likely to adopt policies that have been proven to be successful in the cantons of their colleagues.

And finally, one finding of the control variables measuring similarities between the two cantons of the dyad is of particular interest when analyzing policy learning: The absolute difference in insurance premiums is significant in both

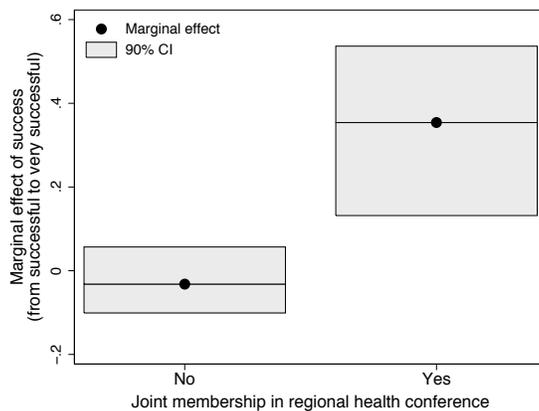


Figure 1: *Marginal effect of a successful policy in canton_B on the probability that canton_A adopts a policy that canton_B has already adopted, as a function of the joint membership of the two cantons in the same regional conference of the CDS.*

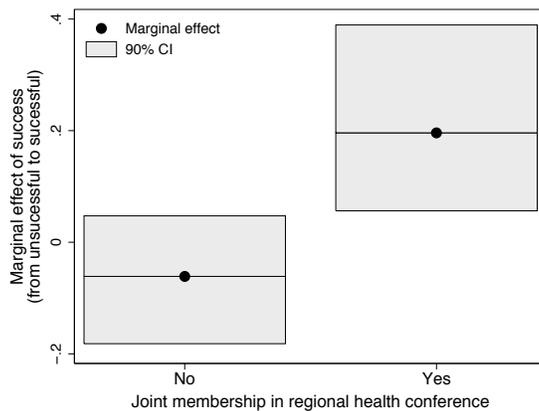


Figure 2: *Marginal effect of the change from an unsuccessful to a successful policy in canton_B on the probability that canton_A adopts a policy that canton_B has already adopted, as a function of the joint membership of the two cantons in the same regional conference of the CDS.*

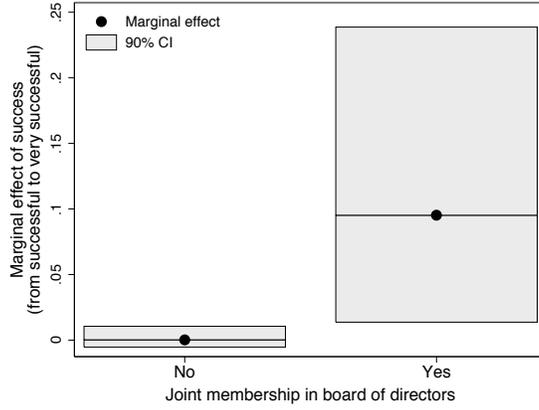


Figure 3: *Marginal effect of successful policy in canton_B on the probability that canton_A adopts a policy that canton_B has already adopted as a function of the joint membership of the two cantons in the board of directors of the CDS.*

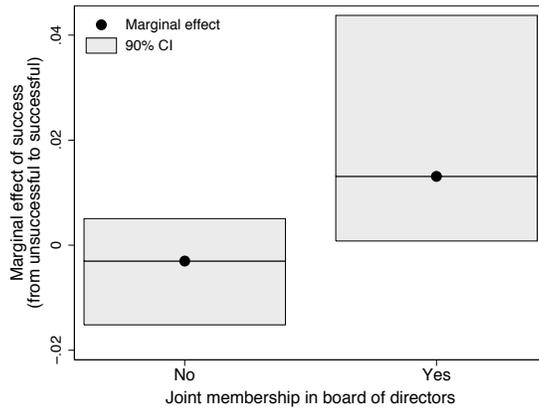


Figure 4: *Marginal effect of a change from a unsuccessful to a successful policy in canton_B on the probability that canton_A adopts a policy that canton_B has already adopted as a function of the joint membership of the two cantons in the board of directors of the CDS.*

models. As explained previously, the health insurance premiums vary across cantons. The findings show that the absolute difference in health insurance premiums between canton_A and B has a negative effect on the probability that canton_A imitates the policies of canton_B . This means that the more the premiums in canton_B are similar to those in canton_A , the higher the probability that canton_A adopts a policy that canton_B already has. When it comes to health insurance premiums, cantons tend to imitate cantons that are confronted with a similar problem. This could be evidence for a bounded version of learning.

7 Conclusion

In this paper I have analysed the diffusion of health insurance subsidy policies in Switzerland, focusing specifically on the role of the Conference of the Cantonal Directors of Public health (CDS) –a health policy specific intergovernmental cooperation. I have argued the national and regional bodies of the CDS provide an opportunity for health policy-makers to exchange their experiences with the implementation of the health insurance subsidies and formulate their own opinions of which policies seem to be efficient and effective. And that this environment enhances policy learning. The findings of the empirical analysis partly support this assumption. The joint membership of the cantonal public health directors in the bodies of the CDS are related the spread of best practices. Where there are of course multiple sources from which policy-makers can learn, the intergovernmental cooperative arrangement is one possible source. Given the importance of horizontal cooperation and the coordination of cantonal policies in Switzerland, I argue that intergovernmental cooperation provide useful insights on the process of policy diffusion and should therefore be more carefully looked at. While this finding is specific to the Swiss context, it would be interesting to see whether in other federal states, the intergovernmental cooperation can be associated with policy learning.

There are of course limitations to the approach applied here, and I would be very interested in discussing their importance during the workshop. Given that only for the presence of joint membership in regional conferences the marginal effect of success on imitation is statistically significantly distinguishable from zero, inferences on the impact of the bodies of the CDS on policy learning is limited. What is captured here as an effect of the joint membership in regional conferences might be just a regional effect. Although throughout different models analysed so far, I have not found evidence that the diffusion of subsidy policies follows a regional patters, this needs to be further looked at.

There might also be a problem of self selection. Although the participation in the board of directors of the CDS is open the health directors of all cantons and the board is elected by the general assembly representing all cantons, the board probably represents directors of public health that are either particularly

interested in advancing health care issues or are known as to have been promoters of successful policies in the past. By looking at the board of directors of the CDS that discusses very different issues of health policies, and not only issues related to insurance subsidies, I have tried to address this concern. The problem however remains.

References

- BAG (2005). Monitoring 2004. Die Sozialpolitische Wirksamkeit der Prämienverbilligung in den Kantonen. Bundesamt für Gesundheit, Bern.
- Balla, S. J. (2001). Interstate professional associations and the diffusion of policy innovations. *American Politics Research*.
- Balthasar, A. (2003). Die Prämienverbilligung im Krankenversicherungsgesetz: Vollzugsföderalismus und sekundäre Harmonisierung. *Swiss Political Science Review* 9(1), 335–354.
- Bearce, D. H. and S. Bondanella (2007). Intergovernmental organizations, socialization, and member-state interest convergence. *International Organization* 61, 703–733.
- Berry, F. S. and W. D. Berry (1990). State Lottery Adoptions as policy Innovations: An Event History Analysis. *American Political Science Review* 84(2), 395–415.
- Bochsler, D. and P. Sciarini (2006). Konkordate und Regierungskonferenzen. Standbeine des horizontalen Föderalismus. *Leges* 1, 23–41.
- Brambor, T., W. R. Clark, and M. Golder (2006). Understanding interaction models: Improving empirical analysis. *Political Analysis* 14, 63–82.
- Braun, D., F. Gilardi, K. Füglistner, and S. Luyet (2007). Ex Pluribus Unum: Integrating the Different Strands of Policy Diffusion Theory. *Politische Vierteljahresschrift Sonderheft*(38), 39–55.
- Brooks, S. M. (2005). Interdependent and Domestic Foundations of Policy Change: The Diffusion of Pension Privatization around the World. *International Studies Quarterly* 49, 273–294.
- Case, A. C., H. S. Rosen, and J. J. Hines (1993). Budget spillovers and fiscal policy interdependence: Evidence from the states. *Journal of Public Economics* 52(3), 285–307.
- CDS (1994-2005). Rapports annuels 1994-2005. Conference Suisse des directrices et directeurs cantonaux de la santé.
- Dobbin, F., B. Simmons, and G. Garrett (2007). The Global Diffusion of Public Policies: Social Construction, Coercion, Competition, or Learning. *Annual Review of Sociology* 33, 449.

- Elkins, Z., A. T. Guzman, and B. A. Simmons (2006). Competing for Capital: The Diffusion of Bilateral Investment Treaties, 1960–2000. *International Organization* 60(04), 811–846.
- Finnemore, M. and K. Sikkink (1998). International Norm Dynamics and Political Change. *International Organisation* 52(4), 887–917.
- GDK (2006). Krankenversicherung: Prämienverbilligung, Synoptische Übersicht 2006. Schweizerische Konferenz der kantonalen Gesundheitsdirektorinnen und -direktoren, Bern.
- Gilardi, F. and K. Füglistner (2008). Empirical Modeling of Policy Diffusion in Federal States: The Dyadic Approach. *Swiss Political Science Review* 14(3), 413–450.
- Gilardi, F., K. Füglistner, and S. Luyet (2009). Learning From Others : The Diffusion of Hospital Financing Reforms in OECD Countries. *Comparative Political Studies* 41(4), 549–573.
- Gray, V. (1973). Innovation in the states: A diffusion study. *American Political Science Review* 67(4), 1174–1185.
- Holzinger, K., H. Jörgens, and C. Knill (2007). Transfer, Diffusion und Konvergenz von Politiken. *Politische Vierteljahresschrift Sonderheft*(38).
- Kam, C. D. and R. J. Franzese Jr. (2003). *Modeling and Interpreting Interactive Hypotheses in Regression Analysis*. University of Michigan Press.
- Karch, A. (2006). National intervention and the diffusion of policy innovations. *American Politics Research* 34(4), 4003–426.
- Karch, A. (2007). *Democratic laboratories: policy diffusion among the American states*. Ann Arbor: University of Michigan Press.
- Kübler, D. and T. Widmer (2007). Subnationale Unterstützung eines nationalen Drogenprogramms. Eine Panelanalyse mit Ereignisdaten in den Schweizer Kantonen. *Politische Vierteljahresschrift Sonderheft*(38), 200–220.
- McVoy, E. C. (1940). Patterns of Diffusion in the United States. *American Sociological Review* 5(2), 219–227.
- Meseguer, C. (2006). Rational Learning and Bounded Learning in the Diffusion of Policy Innovations. *Rationality and Society* 18(1), 35–66.
- Mintrom, M. (1997). Policy Entrepreneurs and the Diffusion of Innovation. *American Journal of Political Science* 41(3), 738–770.
- Mintrom, M. and S. Vergari (1998). Policy Networks and Innovation Diffusion: The Case of State Education Reforms. *The Journal of Politics* 60(1), 126–48.
- Obinger, H., K. Armingeon, G. Bonoli, and F. Bertozzi (2005). Switzerland: The marriage of direct democracy and federalism. In H. Obinger, S. Leibfried, and F. G. Castles (Eds.), *Federalism and the Welfare State*, pp. 263–304. Cambridge: Cambridge University Press.

- Shipan, C. R. and C. Volden (2006). Bottom-Up Federalism: The Diffusion of Antismoking Policies from U.S. Cities to States. *American Journal of Political Science* 50(4), 825–843.
- Shipan, C. R. and C. Volden (2008). The mechanisms of policy diffusion. *American Journal of Political Science* 52(4), 840–857.
- Simmons, B. A., F. Dobbin, and G. Garrett (2006). Introduction: The International Diffusion of Liberalism. *International Organization* 60, 781–810.
- Simmons, B. A. and Z. Elkins (2004). The Globalization of Liberalization: Policy Diffusion in the international Political Economy. *American Political Science Review* 98(1), 171–189.
- Swank, D. (2006). Tax policy in an era of internationalization: Explaining the spread of neoliberalism. *International Organisation* 60(4), 847–882.
- Volden, C. (2002). The Politics of competitive federalism: A race to the bottom in welfare benefits? *American Journal of Political Science* 46(2), 352–363.
- Volden, C. (2006). States as Policy Laboratories: Emulating Success in the Children’s Health Insurance Program. *Midwest Political Science Association* 50(2), 294–312.
- Volden, C., M. M. Ting, and D. P. Carpenter (2008). A Formal Model of Learning and Policy Diffusion. *American Political Science Review* 102(3), 319–363.
- Walker, J. L. (1968). The Diffusion of Innovations among the American States. *American Political Science Review* 63(3), 880–899.

A Dimensions of Cantonal Subsidy Policies

1. *Eligibility and benefits:* The majority of cantons use a percentage model: if premiums exceed a given share of income (which can vary across cantons), the person is eligible for benefits. Other cantons use a threshold model, in which all households below a certain income are eligible for a fixed subsidy. Cantons also use different bases to calculate income.
2. *Identification of beneficiaries:* Some cantons identify the beneficiaries on the basis of the tax declaration and then pay the subsidies automatically, while others automatically inform eligible people, who, however, still need to fill in an application to receive the subsidy. In a few other cantons, potential beneficiaries need to apply for subsidies without having been informed about their eligibility status. In some cantons, applications for subsidies can be sent to the cantonal authorities all year through, while in others, the form can be handed in only at a specific date.
3. *Up-to-dateness of calculations:* Some cantons use final taxation decisions, others provisional ones, and still others use salary certificates to estimate revenues.
4. *Modalities of payment.* In some cantons, subsidies are paid directly to the insurers, which ensures the earmarked use of the money, while others emphasize the transparency of the costs and pay subsidies to the beneficiaries, who can thus use them freely and not only to pay their insurance premiums.
5. *Exhaustion of the federal contribution:* Cantons receive a given sum from the federal government and should, in principle, add an equal amount to the budget for subsidies. However, they can reduce this amount up to 50% provided that the social objectives of the policy are not jeopardized. Note that the definition of the objectives is extremely loose so that virtually every canton can claim that the reduction is justified. If a canton reduces its contribution, then the federal contribution is also cut proportionally.

Table 1: Logit analysis of the probability that canton_A adopts a policy that canton_B already has

	Model 1	Model 2
Success_B	0.0012159 (0.77905)	
Joint membership in Board of directors CDS	-0.0756587 (0.3643622)	
Success_B *Joint membership Board CDS	0.2637697** (0.1003928)	
Success_B		-0.0465008 (0.0939249)
Joint membership regional conference		-0.4899754 ** (0.1997503)
Success_B *Joint membership regional conference		0.4548596 *** (0.1466991)
<i>Controls</i>		
Sane language	0.5241668 (0.2902953)	0.6891143* (0.3324947)
Premiums A - Premiums B	-0.0106757 ** (0.0038112)	-0.0114373** (0.00395)
% beneficiaries A - beneficiaries B	-0.0130225 (0.0123157)	-0.199354 (0.0114116)
Urbanisation A - Urbanisation B	0.0051221 (0.0037809)	0.0056384 (0.0040895)
time	1.369919 (1.768387)	-0.7337203* (3.321946)
time ²	-0.2084519 (0.357995)	1.213891* (0.58893277)
time ³	0.0084183 (0.0206222)	-0.0642288* (0.0318011)
constant	-4.981787 (2.331308)	11.44* (5.541509)
Wald χ^2	67.81	192.12
Observations	5850	5850

Standard error adjusted for clustering on Canton_A . * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.