

## **Analysing the Passage of Medicare Enactment Utilising Two Models of the Policy Process**

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## **Analyzing the Passage of Medicare Enactment Utilizing Two Models of the Policy Process**

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### **Abstract**

Several articles have been written describing the political dynamics surrounding the enactment of Medicare in 1965. This paper expands the existing body of knowledge by comparing and contrasting two models of the policy process in an attempt to provide a more comprehensive and insightful account of the passage of Medicare enactment. The paper concludes that a synthesis of the two models provides the most realistic account of the historical events recorded in the literature.

### **Introduction**

The final Medicare act (officially part of the “Social Security Amendment of 1965”) was signed into law by President Lyndon Johnson on July, 30 1965 in Independence, Missouri. Based on the legislation, the federal government would, for the first time, provide hospitalization coverage for the elderly, operate a program of physicians insurance and subsidize medical assistance to the poor. Moreover, it extended Medicare coverage initially to the nearly three million seniors who were not eligible for Social security. In doing so, it served as the most significant piece of Welfare legislation since the New Deal.

This paper will compare and contrast two theoretical models of the American policy process:

- Pluralism—Interest Group Mobilization;
- Theory of Punctuated Equilibrium—Agenda-setting and Issue Framing.

Initially, the paper will identify and elucidate the basic assumptions and perspectives underlying the two theories. In doing so, it will compare and contrast their fundamental assertions. Then, using a case study approach, the paper will analyze the process and decision to enact Medicare legislation in 1965, through the lens of each theoretical model. The paper will conclude with a discussion that addresses the explanatory power of each of the models in terms of the enactment of Medicare.

## Two Competing Models of the American Policy Process

In the rational decision-making model presented by Dahl, individual behaviour is interpreted as rational decision: individuals consciously formulate goals, gather information about alternative means to achieve them, evaluate the alternatives, and choose the one most likely to succeed. Related to this perspective on individual behaviour is the assumption that information is neutral and unbiased. The rational ideal offers reason as the basis for government whereby groups, organizations and even whole societies can imitate the process of rational deliberation by individuals (Stone, 1988).

The basic unit of analysis in Pluralism is the interest group. Of particular concern is the ways in which interest groups rationally pursue their interests on behalf of their constituent base. In seeking out their interests they inevitably confront other opposing interests, with whom they ultimately establish some form of compromise.

According to Dahl, it is within the “political stratum” that interest groups are able to voice their concerns and ultimately be heard. In fact, Dahl states that in many pluralistic systems, the “political stratum” is far from being closed or a static group. Rather, he says that it is easily penetrated because elections provide politicians with a powerful motive for expanding their coalitions and increasing their electoral followings. Because movement into the stratum is easy, it embodies many of the most widely shared values and goals in the society. Whenever a sizeable minority of the legitimate interests of the political stratum brings a political issue to the fore, the chances are high that the rest of the stratum will begin to pay attention (Dahl, 1962).

At the root of the Pluralist model is the notion of mobilization and counter-mobilization. Interest groups are said to mobilize when their interests are threatened. This causes other groups to counter-mobilize, thus balancing the political system and inducing a state of equilibrium. Policy outputs are thereby said to be the product of competing interests. Therefore, when the system veers away from balance, it corrects itself always tending towards an equilibrium between the demands of democratically organized interests and the policy outputs of governments. Thus, the system is said to be stable and any change is incremental.

In contrast to elitist models, which suggest that power and decision making is concentrated in the hands of a small group of powerful interests, Pluralism argues that power is diffuse. Power is said to be linked to issues which in turn provoke coalitions among interested groups and citizens. Power to a Pluralist means, “Participation in decision-making”. Therefore the Pluralist researcher is concerned with identifying the people who take part in “key” decisions and the dynamics that accompany the decision-making process (Bachrach and Baratz, 1962). In order to collect data, Dahl, for example, conducted personal interviews (a qualitative technique) in New Haven.

While not negating the rational dimension of the human psyche, the agenda-setting model emphasizes the values dimension that motivates and drives human behaviour. Of particular relevance here is the social construction of knowledge and the ways in which ideas and images influence human perceptions and inspire individual and collective action. Based on this perspective, the agenda-setting model sees the struggle over ideas as the essence of political conflict. Ideas are said to be a powerful medium of exchange and mode of influence. Shared meanings motivate people to action and meld individual striving into collective action (Stone, 1988).

The agenda-setting model takes a more cynical view of the “political stratum”. At the core of this model is the notion of policy monopolies, which are said to limit access to the agenda-setting process. Policy monopolies have two important characteristics: Firstly, a definable institutional structure is responsible for policy making and that limits access to the policy process. Second, a powerful supporting idea is associated with the institution. Agenda access for groups that do not share these images is likely to be difficult (Baumgartner and Jones, 1993). Therefore according to this perspective, while the political stratum might be penetrable, the issues that are fair game for political consideration are the issues determined by the groups that control access to the agenda. However, moments do occur whereby the debate is widened to include new individuals or groups i.e. instances of image and/or venue change (discussed below).

Regarding Dahl’s notion of equilibrium, Baumgartner and Jones state that, “It is not the theory that is misplaced; it is the search for equilibria.” Baumgartner and Jones’ model is one of punctuated equilibrium. The model is characterized by long periods of relative stability with the domination of important policy areas by privileged groups of elites, and by rapid change in political outcomes, where apparently entrenched economic interests find themselves on the losing side of the political battle.

According to Baumgartner and Jones, political systems are never in general equilibrium. But this does not imply that political systems are in continual chaos. Rather they suggest that stability may be maintained over long periods of time by two major devices: the existing structure of political institutions and the definition of issues processed by those institutions. Therefore, incrementalsim and relative stability can occur but for obviously different reasons than those proposed by Dahl. In Dahl’s model there is a representation of interests. In Baumgartner and Jones’ model there is a monopoly of interests.

Long periods of relative stability are characterized by what Baumgartner and Jones term “negative feedback loops”. With negative feedback, an initial disturbance becomes smaller as it works its way through time. Negative feedback or balancing loops illustrate a set of events influencing policy process in which the situation eventually works to correct itself according to market theory. Thus, the balancing loop is predictable (Baumgartner and Jones, 1993).

Furthermore, in terms of the model of punctuated equilibrium periods of rapid change and destabilization can occur due to a change in issue definition. This happens when issues are redefined to bring in new participants. Therefore, issue definition is the driving force of both stability and instability as it has the potential for mobilizing the previously disinterested. The structure of political institutions offers more or fewer arenas for raising new issues or redefining old one's. Issue definition and institutional control combine to make possible the alternation between stability and rapid change that characterizes political systems (Baumgartner and Jones, 1993). Dahl's model fails to recognize periods of rapid instability and instead emphasizes incrementalism and stability.

In contrast to the notion of "negative feedback loops", short periods of rapid change are characterized by what Baumgartner and Jones term "positive feedback loops". With positive feedback, small disturbances become amplified causing major disruptions as they operate across time. Positive feedback or reinforcing loops illustrate a set of events in which the situation builds upon itself with a spiralling affect (Baumgartner and Jones, 1993).

In contrast to the Pluralist model, the focus here is not exclusively on the "exercise" of power but rather on the "sources" of power. This model approach is therefore interested in studying the factors that influence agenda access/change over time. For example, Baumgartner and Jones (1993) have studied the nature and levels of media and congressional attention given to various issues over time. Sources of information include, for instance, general media sources such as newspaper articles, as well as the Congressional Information Service Abstracts. Information is typically gathered using a coding scheme. Therefore, in contrast to the Pluralist approach, the emphasis here is on quantitative measures.

### **Case Study Analysis: the enactment of Medicare**

Both theories and their respective paradigms identify those who are part of the "in" and "out" groups of the policy process. The pluralist approach focuses on the "out" group—the interest groups—in the policy deliberation and decision making phases. The agenda-setting and issue framing paradigm concentrates on the powers and techniques of the "in" group or the policy network and the ways in which punctuation dismantles these dynamics.

Each theory is helpful in understanding the position of both the proponents and opponents in the Medicare process. In some respects, the passage of Medicare enactment was essentially a conflict between two major interests [American Federation of Labour and Congress of Industrial Unions (AFL-CIO) and the American Medical Association (AMA)] and their coalition partners. These coalition partners included other interest/lobbying groups as well as political representatives in government. For example, the AFL-CIO aligned itself with Democratic government interests while the AMA aligned itself with Republican interests in

government. For more than fifty years prior to the enactment of Medicare, both sides powerfully mobilized and counter-mobilized their resources on several occasions in an effort to aggressively pursue their material interests.

In other respects, the passage of Medicare enactment was a struggle over ideas, whereby each side attempted to frame the issue in order to broaden the scope of conflict and expand its coalition base. For more than forty years, the AMA led coalition was able to successfully frame the issue of universal health insurance as one of 'socialized medicine' versus the 'voluntary way', while the AFL-CIO alliance fruitlessly attempted to frame the issue as "a basic human right". Then, in the early 1950's the AFL-CIO led coalition were able to successfully redefine the issue by limiting coverage to the elderly and by linking the payout of benefits to that of social security. From that point onwards a series of events unfolded which ultimately resulted in the enactment of Medicare legislation in 1965.

In this section, the paper will provide examples from the literature that illustrate instances of interest group mobilization as well as instances of issue framing and coalition building. The enactment of Medicare legislation represented the culmination of the fourth wave in the campaign for National Health Insurance in the United States (Marmor, 1973). This paper will focus on the third and fourth waves.

After winning the 1948 election, Truman with the support of the labour movement, pressed hard for the enactment of the health insurance program. As Truman made clear in his state of the Union message, the goal was to "enact a comprehensive insurance system which would remove the money barrier between illness and therapy, and thus protect all people equally against ill health" (Marmor, 1973: 10). Thus the issue of National Health Insurance was framed as a basic human right.

In an attempt to maintain the status quo, the AMA-led opposition launched a ferocious campaign taking advantage of the growing Cold War fears to define the health debate as an issue of 'socialized medicine' versus the 'voluntary way' (Oberlander, 2003). According to the AMA-led opposition, national health insurance was an attempt on the part of the government, "to assume control not only of the medical profession, but of hospitals – both public and private - the drug and appliance industries, dentistry, pharmacy, nursing and allied professions" – (Kelley, 1956: 74). According to Stone (1988), there are four prominent forms of language and symbolic representations in political discourse – one of these are stories which provide explanations of issues or problems. An analysis of the above statement suggests that the AMA-led opposition can be said to have used what Stone (1988) describes as a slippery slope narrative.

In order to grow its alliance base, the AMA-led opposition rallied groups behind the slogans such as "freedom of choice" and "individualism" (Marmor, 1973). The result of these efforts was that the AMA was able to forge alliances with many organizations distantly related to health insurance legislation, such as business and fraternal groups as well as various right-wing protest groups (Marmor,

1973). Birkland (2001) emphasizes that the social construction of a problem is linked to the existing social, political and ideological perspectives during a given period. These values were clearly consistent with the perspectives of the cold war period.

In addition, Stone (1988) states that the most important feature of all symbols is their ambiguity. Ambiguity suggests that a given symbol means different things to different people – it therefore allows people with different motivations and interests to essentially come together. By evoking broad values such as “freedom of choice” and “individualism”, in an attempt to build their coalition, the AMA-led opposition can be said to have capitalized on the tool of ambiguity. As a result of the AMA’s efforts, the third wave ended when national health insurance failed to pass through congress in 1950.

Then, in the early 1950’s the AFL-CIO led coalition were able to successfully redefine the issue by limiting coverage to the elderly and by linking the payout of benefits to that of social security. From that point onwards a rapid series of events unfolded that ultimately resulted in the passing of Medicare legislation in 1965 (Marmor, 1973). Ball (1995) asserts that the design of Medicare, which took place in an unsympathetic climate, was based entirely on a strategy of acceptability. The strategy rested on three fundamental thrusts. Firstly, the decision to limit coverage specifically to the aged population was according to (Feingold, 1966) an appeal for public sympathy. In their discussion of problem definition (Rochefort and Cobb, 1994) state, “Not only are problems given descriptive definition, so too are the afflicted groups and individuals”. This is true especially in social welfare policymaking, whose purpose is to transfer resources or deliver services to specified target populations. Political willingness to make these commitments is generally conditioned by the societal perceptions of the people who are going to benefit”. Therefore, by focusing on the elderly, the proponents of the Medicare program aimed to capitalize on the political appeal of the elderly who were evidently sicker, poorer and less insured than other adult groups (Ball, 1995). The labour-led coalition was now able to expand its coalition base, for example, by forming the National Council of Senior Citizens, which lobbied on its behalf (Oberlander, 2003).

Secondly, the Medicare program was explicitly linked to the Social Security platform. The problem traditionally faced by social welfare programs in the United States is that they are typically construed as being ‘handouts’. Proponents of the Medicare strategy had to formulate a means of getting around this stigma. The success and popularity of Social Security was widely evident. Social Security paid out benefits as an ‘earned right’ to those workers who had contributed to the program, in the form of payroll taxes. In this respect, beneficiaries believed they deserved these benefits because they had paid for them. By applying the same to logic to the payment of medical insurance premiums, the advocates of the Medicare strategy were able to effectively engage traditional stereotypes of ‘handouts’ (Oberlander, 2003).

The slogan for the labour-led opposition became “health insurance through Social Security” and references to the “tried and true method of Social Security” were apparent in many of the debates (Ball, 1995). According to Stone (1988), one prominent form of language and symbolic representation used in political discourse is a Metaphor. In this form of representation, a likeness is asserted between one kind of policy problem and another. By making references to Social Security, the labour coalition can be said to have made use of a political Metaphor.

Lastly, a strategic decision was made to limit the scope of benefits. The Medicare proposal of 1952 offered only 60 days of hospitalization coverage a year. This was a significant deviation from Truman’s original national health program which provided for comprehensive hospital, medical, dental and nursing home costs. The strategic intent here was to limit opposition from the medical profession (Oberlander, 2003).

According to Corning (1969) the Executive Council of the AFL-CIO decided in 1957 to commit the 14 million-member labor federation to an all-out battle for the Medicare strategy. “In contrast with earlier rounds, the AFL-CIO took on a leadership role. Government health insurance was pressed as labor’s number one legislative priority, and organized labor became the rallying point for all those who favored the measure. Initially at least, labor provided much of the motive power behind the movement. In short, government health insurance would now have the benefit of that ‘hard push from below’ ” (Corning 1969: 78).

Marmor (1973) argues that critics of the Medicare program had to now contend with being labelled as “the enemy of America’s senior citizens.” Therefore, it became apparent to the AMA and its supporters that a change in strategy was inevitable. According to (Marmor, 1973: 28), “It was one thing to write off socialism, but the risks of writing off the aged would give the wise politician second thoughts.” The AMA and its allies therefore set aside the “socialized medicine” approach and decided instead to offer alternatives to Medicare - such as “eldercare” which permitted states to buy private health insurance for the needy aged. By 1965, Medicare’s passage was now inevitable and the AMA-led opposition rushed to avoid being seen as obstructionist. In doing so, they ironically criticized Medicare benefits for being inadequate (Feingold, 1966).

The 1965 enactment of Medicare provided the government with a broader role in health insurance than anyone had anticipated. Not only would the federal government provide hospitalization coverage for the elderly, but it would also operate a program of physicians insurance and subsidize state medical insurance for the poor. The outcome stunned all parties involved. In essence, the final Medicare legislation ingeniously combined the interests of the AMA, the Republican’s and the Johnson administration. (Oberlander, 2003).

### **Analyzing the Explanatory Power of Each Theoretical Model**

In order to analyze the decision to enact Medicare in 1965, it is useful to divide the period leading up to the decision into two parts i.e. the period prior to the Medicare strategy and the period thereafter. The first period would seem to correspond more closely to one of relative stability as postulated by the agenda-setting approach, where a policy definition or image is perpetuated in the political system (the framing of universal health insurance as 'socialized medicine' versus the 'voluntary way'). During this period the Labour led coalition continually challenging the "status quo" but to no avail.

It is relevant to note that a common critique levelled against the Pluralistic approach is that it assumes that a balance of power exists among opposing interest groups in society (hence the notion of equilibrium through mobilization and counter-mobilization). (Baumgartner and Leech, 1998). Based on the literature, it is the opinion of this paper that the AMA led coalition was more organized and had greater resources (e.g., financial) than the Labour led alliance, and therefore wielded greater power during this period. Therefore, the notion of "equilibrium" in a Pluralistic sense does not seem to be applicable here.

It is also relevant to note, however, that the agenda-setting approach does not fit the analysis entirely as there was no policy monopoly in the classic sense of an "Iron Triangle" (a public-private alliance whereby government officials, politicians and relevant interest groups effectively limit access to the policy process). Rather, there was a monopoly in a different sense i.e. a market driven monopoly whereby the AMA, by virtue of its capacity to license medical practitioners, was able to dominate the healthcare arena. This provided the AMA with the necessary organization and resources to powerfully frame the issue of universal healthcare insurance and thereby expand its coalition base. Therefore, while the agenda-setting model is also somewhat limited in its application to this period, it seems to provide a more insightful account of the policy process.

During the 1950's, however, the labour led opposition was able to successfully redefine the issue of Universal Health Insurance. This resulted in a rapid series of political events, which ultimately led to the passing of Medicare legislation in 1965. This latter period can, on the one hand, be characterized as one of punctuated equilibrium whereby issues are redefined to alter the previous understanding of a problem or issue. For example, during this period there was a rapid increase in both media and congressional activity, which are both characteristic of 'positive feedback'. Venue access increased for the labour led opposition and media coverage of the Medicare strategy was more favourable than it was for the AFL-CIO's prior strategy (i.e. 'universal health insurance') (Corning, 1969).

On the other hand, the final legislation was seen as a compromise that benefited both AFL-CIO and AMA interests. From a Pluralistic perspective, policy outcomes are seen as a compromise or the product of competing interests. Therefore, in this respect, the second period was characterized by the Pluralist approach.

## **Conclusion**

Based on the above information it is evident that the assumptions and theoretical assertions of both approaches were evident in the passage of Medicare enactment. In essence, the policy process was a blend of rational material interests as well as images and ideas.

Each approach is essentially a conceptual framework that consists of a cluster of assumptions that influence what we find puzzling, how we formulate relevant questions in our analysis, where we look for evidence, and what we produce as an answer. Hence, each approach can be portrayed as a conceptual lens that allows us to order the facts in a particular way (Allison and Zelikow, 1999).

Each of the approaches is in some way limited in its application to the analysis of Medicare enactment, and it is therefore the opinion of this paper that by applying both lenses, a more accurate and insightful understanding emerges.

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