

Social Policy Accountability through Cost Savings Evaluation

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Abstract

Policy evaluation is one of the mechanisms through which society holds the state accountable. This paper will develop a conceptual framework to explain the historic development and consequences of cost savings evaluation in social policy.¹ The last decade (1991-2001) was a critical time for Australian social policy in terms of new public management reforms (financial efficiency, new contractualism and performance management). The paper discusses a way of analysing the impact of these reforms on the role of evaluation as an accountability mechanism by examining a specific manifestation of the reforms, namely government application of cost savings analysis to social policies.

The conceptual framework is based on an application of two theories to the flow of policy processes between decision, accountability and review: Weber's theory on rationality in social action and Habermas' theory on cognitive inquiry.

The paper proposes that the relationships between participants, in terms of their values, at each policy stage (decision, accountability and review) influence the outcomes of policy processes, including the methods employed in evaluation. The conceptual framework will be used to test whether a narrower set of values is considered in the choice of an evaluation mechanism than the values considered in the prior decision about the social policy itself and the subsequent revision of the policy. The topic is significant because of the implications for the direction of social policy change if the results of the evaluation are privileged in subsequent policy decisions.

The argument will be illustrated with a generalisable case study, the Australian Coordinated Care Trials (1997-99). The trials tested whether it was possible to coordinate care provided by a variety of health and community care services, by using funds pooled from a number of Commonwealth and State programs and managed by care coordinators.

Key Words

Accountability, evaluation, values, cost savings analysis, social policy process

Introduction

This paper aims to develop a conceptual framework to address the question of why the Australian government favoured cost savings analysis as part of the evaluation of the Australian Coordinated Care Trials (CCT) that operated from 1997-99. The question arises because cost savings analysis (or financial analysis) was not a methodology typically used in evaluation or accountability of social policies before the 1980s. What caused this change and what are the implications for social policy processes?

The last decade (1991-2001) was a critical time for Australian social policy in terms of new public management reforms (financial efficiency, integrated policy solutions and new contractualism; Weller and Davis, 1996). I will

¹ I wish to acknowledge the contributions of Michael Johnson and Stephanie Short in the development of this paper.

develop a way of analysing one impact of these reforms, the emergence of a specific government application, namely cost savings analysis in social policy evaluation.

More generally, I aim to develop the conceptual framework for application to questions about the reasons and implications for changes in governments' choice of particular evaluation tools in relation to social policy programs.

My framework will be based on Max Weber's theory on rationality in social action and Jurgen Habermas' theory on cognitive inquiry. These theories have not previously been applied to the flow of policy processes between decision, accountability and review. The result is that the implications for social policy outcomes of that flow have not been adequately theorised. The CCT is a case study with clear policy stages to which the theories can be applied.

Weber and Habermas writing on rationality and values inform three levels of the paper: the method of critical inquiry in the research process itself; policy processes in general; and cost savings as a specific technique.

To develop the framework I will first explain the concepts used, including cost savings analysis as distinct from other types of cost benefit analysis and a general policy process framework. I will describe how Habermas and Weber's rationality and values theories are applicable to this context. I will then apply this framework to the CCT case study to describe my proposed hypothesis and methods for testing it in the coming year.

1. Background

Before I begin on the development of the conceptual framework, I will briefly explain my terms.

1.1 Cost savings analysis

First, I will place cost savings analysis in the context of other types of cost benefit and financial analysis. Cost benefit analysis provides information about the value added from a program to inform public policy decisions (Garber and Phelps, 1997: 28). The underlying principle of cost benefit analysis is that government should maximize net benefits of a program thereby maximizing allocative efficiency or worth of a program (Schmaedick, 1993; Carter and Harris, 1998: 161). It can be used in planning to decide whether to proceed with a program and in evaluation to ask whether a program has been economically effective.

A range of economic analyses has been developed to overcome two key limitations of cost benefit analysis, which requires the attribution of a monetary value to all costs and benefits. These methods include cost-effectiveness analysis to facilitate comparison of outcomes or consequences for which monetary values are inappropriate or difficult to estimate (eg life years, cases of breast cancer prevented) (Weinstein and Stason, 1993). A second method, cost utility analysis, defines a societal or individual value of combined quantity and quality aspects of outcomes so that individual evaluations can be compared or aggregated across different types of outcomes (eg Quality Adjusted Life Years, QALYs) (Richardson, 1991).

Cost savings analysis is a subset of cost benefit analysis, where only the financial costs and financial savings are analysed to determine the net cash flows, in the case of evaluation of social policy, to the government (NSW Treasury, 1997).

1.2 Policy process

The second concept used in developing this framework is policy processes. Rational models of policy process include determining goals; choosing courses of action; implementing the courses of action; evaluating the results; modifying the policy (eg Sabatier, 1979; Hill, 1997). Policy theorists, including Sabatier and Hill, acknowledge that this policy process list is not linear, nor are parts of it always articulated in practice (Colebatch, 1998: 43). For the purposes of this application, irrespective of the direction or completeness of the policy flow, we can define both the choice of the type of evaluation and the undertaking the evaluation itself as parts of a policy process.

2. Rationality and values

Having briefly explained the context of policy processes and an evaluation technique relatively new to social policy, I will build a framework for analysis. My development of the framework includes discussion of theories on the relationship between the rationality and values. I will propose the adoption of a conceptual framework from the writings of Habermas and Weber to address the question of why particular evaluation techniques applied to social policy evaluation change (McCarthy, 1978; Habermas, 1978; Weber, 1978).

First, I draw on Habermas' arguments that rather than a possibility of objectivity in inquiry, all inquiry includes the values and interests of the inquirer (Habermas, 1978). Habermas theorises three categories inquiry

(empirical-analytic, historical-hermeneutic and critically oriented). They are distinguished by type of cognitive interest (technical cognitive, practical and emancipatory cognitive) (Table 1; Habermas 1978: 308). In this framework, he demonstrates for each type, a connection between its logical-methodological rules and its knowledge constitutive interests.

Table 1: Habermas' Cognitive Interests

Cognitive interests	Explanation	Policy application
Empirical-analytic sciences	Technical cognitive interest	Cost savings methodology, design, collection and analysis
Historical-hermeneutic sciences	Practical interest	Process of deciding which accountability mechanism or evaluation technique to apply. Process of applying the results to policy development
Critically oriented sciences	Emancipatory cognitive interest	Process of inquiry for this research

Cost savings evaluation, applying Habermas, is based in empirical-analytical science. While it appears objective, both the choice of this technology and the interpretation of the results rely on value-judgements about social policy goals, the significance of financial outcomes and accountability mechanisms.

Acknowledgement of value-judgements in all social inquiry is relevant to this paper in two ways: both in relation to the adoption and application of cost savings as an accountability mechanism in social policy, and second, in relation to the research process itself, an example of critically oriented inquiry.

Next, I apply Weberian theory of four types of social action in terms of rationality: value rationality, instrumental rationality, affectively determined and traditional action (**Table 2**; Weber, 1978: 28). As a heuristic device, one way of analysing social policy processes is to apply these distinctions to the policy processes in order to reveal the value-judgements. As articulated by Weber, this is not to privilege rationality or to claim policy processes are rational (Weber, 1978: 7).

Table 2: Rationality and Values Framework from Weber

Social action	Explanation	Policy application
Value rationality	Appropriate means to a given end, purposive-rational, substantive rationality	Decision making eg target health and well-being of chronically ill older people
Instrumental rationality	Attempt to realise some absolute value, formal rationality	Planning of policy implementation and accountability mechanisms
Affectively determined	Emotional	
Traditional	Settled custom	

In relation to social policy processes, using a rational policy model, the first type of social action, values rationality, would be the process used to define goals and objectives from values espoused in the democratic process, for example to define a preferred policy outcome. An instrumental rationality process would follow to define the means to achieve that value-based goal and, in the case of explicit accountability, to decide on the accountability mechanism.

The inquiry of this paper is whether that model is displaced, with the implication that the instrumental means are alienated from the value-goals. That is, what are the implications if a social policy decision is based on one set of value-judgements to attain a set of goals and the instrumental accountability mechanism is based on a different set of value-judgements?

My theoretical framework attempts to create a base from which to answer questions about what drives changes in state processes and in what directions. I have therefore also incorporated recognition of the state in society as a sphere of competing power relationships between actors, their values and their actions (Habermas, 1978).

The combined conceptual position from which to approach this question of change in policy processes can now be applied. At its core is theory about the exercise of individual value-judgements in by actors in policy processes. These processes reflect explicit and implicit changes in the values of the people and the culture of institutions involved (Weber, 1978).

3. Analysis of the policy stages in CCT

3.1 Background to the Coordinated Care Trials and evaluation

The framework will be illustrated with the case study, the Australian Coordinated Care Trials (1997-99). CCT were established with pilot funding to test whether the 'coordination of care for people with multiple service needs, where care is accessed through individual care plans and funds are pooled from within existing programs, will result in improved individual client health and well-being *within existing resources*.' (CDHFS, 1996) [emphasis added]. Most of the nine trials were aimed at older people with chronic care needs. An additional four trials with a different design were centred in Aboriginal communities. The trials had a rationale that they could save government expenditure and thus recover some of the cost of the program.

The CCT were evaluated at both a national and local level, by separate evaluators. A national framework specified the evaluation hypotheses, data requirements and regular qualitative and quantitative reporting. The local evaluations had additional specifications from the trial sponsors. Funding for further trials was announced in 1999 and six trials are expected to start in 2002 and 2003.

There are a number of reasons why the evaluation of CCT is an interesting case study for this question of changing evaluation techniques in social policy. CCT was a cross-program initiative within a general social context of health and well-being. It was therefore set up to meet the needs of a number of different interests, from health service users and members of the community to politicians and bureaucrats across multiple agencies and jurisdictions. Unlike much policy making, CCT had an explicit decision making process through the COAG system (Council of Australian Governments) and subsequent inter-government committees. Unusually, there was an intricate evaluation infrastructure, including national and local evaluations and a national evaluation reference group. In the complexity of both the program and the evaluation was potential for conflict between consumer and organisational imperatives of effectiveness and efficiency.

Therefore the evaluation of CCT is a good case study because it straddled health and social policies where cost benefit analysis of various types were more and less commonly applied; the expected outcomes were both financial and social; and the evaluation and decision making processes were reasonably well recorded for analysis.

3.2 Method

The research hypothesis is that the variation in the relationships between participants in terms of their characteristics and values in policy process stages influences the policy outcomes, including the methodology employed in the evaluation. It questions whether changes in participation at each stage influence the policy outcomes in ways different to that predicted by the outcomes of participation in previous stages. The hypothesis will test whether a different set of values are considered in the choice of an accountability mechanism than the values considered in the prior decision about the social policy itself and the subsequent revision of the policy, as illustrated in **Table 3**.

Table 3: Rationality and Values Framework Hypothesis

Stage	Description	Rationality type	Cognitive interest	Hypothesised diversity of participants
1	Policy decision	Value-rationality	Practical	Broad
2	Policy planning	Instrumental	Technical	Narrow
3	Policy implementation and evaluation	Instrumental	Technical	Narrow
4	Revision	Value-rationality	Practical	Broad

The proposed methodology will focus on a content analysis of secondary documents and qualitative analysis of stakeholder interviews. Data will be derived from documents and interviews in the stages of policy process (Table 4; Hill, 1997; Fine, 2002).

Table 4: Policy Stages in the Australian Coordinated Care Trials, 1995-2000

Stage	Description	Event	Years
1	Policy decision	National Health Strategy to COAG decision	1995
2	Policy planning (of implementation and accountability)	Call for Expression of Interest in Conducting Trials to Selection of National Evaluation	to 1997
3	Policy implementation and evaluation	Beginning of implementation and evaluation to end of trials	to 2000
4	Revision	Primary Care Initiatives, Further Coordinated Care Trials	1999

There are three dimensions of historic distinction between these policy stages that I propose to examine: the influence of public management reforms on policy processes over the research period; a generalisable progression between stages of social policy processes; and a dimension particular to the policy itself. The analysis will attempt to determine the direction of influence in the interrelationships between each of these dimensions.

Documents for analysis will include secondary documentary records of the policy process, such as policy, discussion and budget papers; Hansard; publications from the Coordinated Care Trials; quantitative and qualitative evaluation findings from the national and local evaluations; academic publications; public media; and international discourse referred to in the local documents.

Semi-structured in-depth stakeholder interviews (n=15-25) will be conducted with the participants and observers involved in the policy processes during the research period. These will include:

- State and Commonwealth former Ministers and bureaucrats (Government agencies responsible for Health, Finance, Prime Minister and Cabinet, Treasury, Community Services);
- interest groups active in the process (National Consumer Health Forum, Australian Council of Social Services, Australian Medical Association); and
- National Evaluators (designers, Coopers & Lybrand; and evaluators, KPMG) and academics.

4. Conclusion

This paper proposed a conceptual framework to explain why cost savings analysis was part of the evaluation of the CCT, in contrast to evaluation of similar social policies in the past. The framework more generally addresses reasons for changes in government choices of particular evaluation tools for social policy programs.

The conceptual framework was based on an application of two theories to the flow of policy processes between decision, accountability and review: Weber's theory on rationality in social action and Habermas' theory on cognitive inquiry.

The paper proposed that the relationships between participants in government policies, in terms of their values, at each policy stage influence the policy processes, including the methods employed in the evaluation. The framework can be used to test whether a narrower set of values is considered in the choice of an evaluation mechanism than the values considered in the prior decision about the social policy itself and the subsequent revision of the policy.

If the research findings are consistent with the hypothesis it could have implications for work of evaluators. In a rational model of policy processes, evaluation results influence subsequent social policy decisions. If we were to assume a rational model, an implication is that the results could not fully inform the policy decision. This is because the evaluation results would not be relevant to the breadth of the values of participants in that policy stage, despite knowing that when the technique was chosen. Even if, on the other hand, we were to assume an

irrational model, we could once again conclude that the evaluation results are marginalised in policy development because they lack the breadth of values competing to participate in policy change.

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