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# Political and Institutional Drivers of Social Security Universalization in Brazil

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Towards Universal Social Security in Emerging Economies: Process, Institutions and Actors

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# Acronyms

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| **CGU** | Comptroller of the Union (*Controladoria Geral da União*) |
| **COFINS** | *Contribuição para o Financiamento da Seguridade Social* |
| **CPMF** | Provisional Contribution on Financial Transactions (*Contribuição Provisória sobre Movimentações Financeiras*) |
| **CSLL** | *Contribuição Sobre o Lucro Líquido* (contribution on net profits) |
| **GDP** | gross domestic product |
| **INAMPS** | Social Security Health Care Institute of the Social (*Instituto de Assistência Médica da Previdência Social*) |
| **LAPOP** | Latin America Barometer |
| **OECD** | Organisation for Economic Co-operation and Development |
| **PFL** | Party of the Liberal Front (*Partido da Frente Liberal*) |
| **PMDB** | Brazilian Democratic Movement (*Partido do Movimento Democrático Brasileiro*) |
| **SUDS** | Unified Decentralized Health System |
| **SUS** | Unified Health System (*Sistema Unificado de Saúde*) |
| **UK** | United Kingdom |
| **US** | United States |

## Abstract

This paper discusses the political and institutional factors that shaped the emergence and consolidation of a universal health system (SUS) in Brazil after the transition to democracy in the late 1980s. The paper argues that a combination of political incentives and political, fiscal and institutional capacities have been at the root of the process of creating such a system. First, the political incentives have been associated with a competitive political system leading a race to serve poor constituencies and to the policy communities and activists within and outside the state. SUS benefitted from this political dynamic and thus became politically sustainable. Second, fiscal capacity and sustainability have been secured by a massive increased taxation and earmarked social expenditures. Third, the system's success stems from the institutional capacity to run a complex decentralized system. The system appears to reach its limit in terms of the capacity to extend coverage in a context where there is universal formal entitlement to health, but some 30 per cent of the population has access to private insurance. Despite many improvements, many challenges continue to beset the delivery of health care in Brazil, and addressing them adequately will require significant policy changes, not only additional resources. However, finding resources has proven increasingly costly politically and improvements will have to be achieved through efficiency gains. Politically, this is a situation of a zero sum game rather than that of the positive game typical of coverage expansion. Most importantly, the perceived increased personal risks are leading citizens to support creating new resources for the system and for policies to improve the quality of care. A new window of opportunity thus seems to have been opened.

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# Introduction

In Latin America, 19 countries have included the right to health in their constitutions. The question is, however, not the mere rhetorical adoption of the right to health in constitutions and political discourse but the actual implementation of this ideal. The case of Brazil is of particular interest because it seems to be the country where this constitutional ideal has been implemented most forcefully and has made a significant progress to universal social security by establishing a system to provide universal access to health care to its citizens.

Reformers in Latin America and elsewhere have recently drawn inspiration from the Brazilian case in the wake of unprecedented recognition of the international development agenda that universal systems are crucial to overcome poverty and reduce inequality (Editorial 2012). While the organization and structure of the Brazilian social security system and its achievements and constraints are relatively well known, less attention has been given to explaining the institutional and political drivers for the universalization of health security in this country. Although its accomplishments have been widely acknowledged, the system has been under considerable stress recently. How did this system come to enjoy such legitimacy and what makes it politically and institutionally viable? Several contributions have described the historical conditions leading to the establishment of the Unified Health System (*Sistema Unificado de Saúde* or SUS) and many focused on the role and the contribution of the *Movimento Sanitário*, a movement of health professionals, as the origin of the system (Faletti 2010). The governance mechanisms and the role of civil society in the workings of the health councils have also been investigated in the literature (Faletti 2010). The institutional factors have indeed been well analysed in the scholarly literature. This paper reviews the institutional and political drivers of universalism focusing on the factors that made the system currently in place politically and institutionally viable: the nature of political competition in the country; a shared belief in social inclusion and universalism; issues such as institutional and organizational capacity; and the creation of fiscal capacity for the operation of the universal health system and more generally of a universal social security system.

The paper is organized as follows. First, I present some contextual information on the evolution of SUS in Brazil in the context of the broader transformation of the social security regime from the late 1980s onwards. In section 1, the focus is on the democratization process and the new Constitution of 1988 and its impact on the system of social protection. I summarize the main institutional innovations and describe the underlying political process. I show how the universalistic principle was socially constructed during the process of transition to democracy and argue that the principle of universalism was an overarching ideal that can be found in health care, social security and social assistance. It is part and parcel of a deeper transformation within the Brazilian society. Section 2 provides a concise evaluation of the SUS reforms with a focus on how the formal entitlement to health care was translated into effective access to health care. I provide some basic information on the progress achieved in health care and on the constraints affecting the system.

Section 3 focuses on the institutional and political drivers of the reform process and of social policy making in the 1990s and its sustainability in the 2000s. The first factor that is discussed is political competition in an environment characterized by a strong coalition government and relatively robust checks and balances that prevented the system from degenerating into personalistic rule. Competition for the median voter and a shared belief in fiscally sustainable social inclusion shaped social policy making in

ways that partly explain the success in building a relatively successful inclusive social security regime. Strong executives guaranteed that the reform agenda was implemented and the commitment to inclusion translated into effective policies. This unprecedented outcome contrasts with earlier predictions about governability problems and Brazil's inability to implement a reform agenda.

The second factor discussed in section 3 is the macroeconomic environment that guaranteed fiscal capacity and a significant increase in taxation that allowed a rapid and impressive increase in social spending. This section also considers the underlying politics of financing social security expansion over the last two decades. Section 3 concludes by discussing institutional capacity, which I argue is a precondition for effective implementation of such complex innovations, in a vast country marked by regional heterogeneity and striking territorial inequalities. Without a strong bureaucracy and effective audit systems, the programme of fiscal decentralization and devolution to lower levels of government that Brazil embarked upon would have failed.

Throughout this paper universalism[1] is used liberally to indicate impersonality, coverage, non-conditionality and formal entitlement to free-of-cost services depending on the issue area discussed: pensions; social assistance; or health. In the case of health, which is the focus of this paper, it means that people have a formal entitlement to free health care provided by the state.[2] How this formal entitlement translates into actual practice is conditional on a variety of factors, including health facilities, which may reflect inequality in other relevant dimensions. In pensions, universalism is a commitment to eliminating inequalities and privileges of various types, while in the realm of social assistance it is a commitment to eliminating any conditionalities in accessing publicly provided goods and services. In this paper, in general, universalism refers to the absence of discretionary criteria replacing need as the basis of entitlement.

## 1. Toward Universalism: Democracy, the Constitution of 1988 and the New Social Contract

Universalism in social security was part and parcel of the Brazilian developmental process whereby it became a foundational principle. Indeed, it is enshrined in the constitutional principle that health is a right of citizens and an obligation of the state (Constitution of 1988, Articles 6 and 196). In this section, I show that the right to health

[1] It is interesting to note that the notion of universalism has been subject to considerable conceptual "overstretching" and is cause of great confusion. In addition to a lack of clarity, the notion of universal access or coverage in the area

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