ospitals—the largest single item in the health care budget—have been a prime target of policymakers in attempts to rein in rising health care spending. In the search for new ideas about how to organize and pay for health care, U.S. policymakers and researchers have looked to other countries that appear to have been more successful at holding down costs. This seven-country study of hospital financing is an attempt to find lessons for the United States.

The individual experiences over the past decade of the United States and six of its international peers—Canada, England, France, Germany, the Netherlands, and Sweden—in hospital financing and payment systems are reviewed by experts in each country. In the other countries, the cost of hospital care (and of all health care) has, in fact, risen more slowly than it has in the United States. Perhaps surprisingly, though, reforms have been and continue to be instituted in these countries not only to keep cost increases down, but also to improve the efficiency of the systems, in part by introducing selected aspects of a market system, many borrowed from the United States.

At a national policy level, there appears to be little for the United States to adopt from abroad. Other countries have managed to keep hospital and total costs down by, in one way or another, imposing cash limits on the health care system. A market-oriented system, such as the current U.S. system, is not as amenable to absolute limits, and in the 1990s progress is more likely to come from within than through imported solutions.

This background paper is part of a larger study, International Differences in Health Care Technology and Spending, which consists of a series of background papers. International Health Statistics: What the Numbers Mean for the United States was published in November 1993, International Comparisons of Administrative Costs in Health Care appeared in September 1994, and Health Care Technology and Its Assessment in Eight Countries, in February 1995.

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ROGER C. HERDMAN
Director
Advisory Panel

Rosemary Stevens, Chair
University of Pennsylvania
Philadelphia, Pennsylvania

Annette Gelijns
Columbia University
New York, New York

Kenneth G. Manton
Duke University
Durham, North Carolina

Stuart Altman
Brandeis University
Waltham, Massachusetts

John Iglehart
Health Affairs
Bethesda, Maryland

Edward Neuschler
Health Insurance Association of America
Washington, DC

Jan E. Blanpain
Leuven University
Leuven, Belgium

Ellen Immergut
Massachusetts Institute of Technology
Boston, Massachusetts

Jean-Pierre Poullier
Organisation for Economic Cooperation and Development
Paris, France

Harry P. Cain II
Blue Cross and Blue Shield Association
Washington, DC

Lynn E. Jensen
American Medical Association
Chicago, Illinois

Mark Schlesinger
Yale University
New Haven, Connecticut

Louis P. Garrison, Jr.
Syntex Development Research
Palo Alto, California

Bengt Jonsson
Stockholm School of Economics
Stockholm, Sweden
Project Staff

Clyde J. Behney
Assistant Director, OTA

Sean R. Tunis
Health Program Director

Hellen Gelband
Project Director for International Differences in Health Care Technology and Costs

PRINCIPAL STAFF

MARY A. LASCHOBER
Study Director

Nell Eisenberg
Research Assistant

David Kaufman
Research Assistant

Romulo Colindres
Research Assistant

Laura Esslinger
Summer Intern

ADMINISTRATIVE STAFF

Louise Staley
Office Administrator

Carolyn Martin
Word Processing Specialist

Carolyn Swann
PC Specialist

Monica Finch
Word Processing Specialist

CONTRACTOR

Martha Cooley
Washington, DC
Contributors

Miriam M. Wiley
The Economic and Social Research Institute
Dublin, Ireland

Morris L. Barer
Centre for Health Services and Policy Research, and
Department of Health Care and Epidemiology
University of British Columbia
Vancouver, Canada

Alastair M. Gray
Centre for Socio-Legal Studies
Wolfson College
Oxford, England

Mary A. Laschober
Office of Technology Assessment
US Congress
Washington, DC

Reiner Leidl
Department of Health Economics
University of Limburg
Maastricht, The Netherlands

J.A.M. Maarse
University of Limburg
Maastricht, The Netherlands

Charles Normand
Department of Public Health and Policy
London School of Hygiene and Tropical Medicine
London, England

Eric M. Paulson
Department of Social Medicine
Uppsala University
Uppsala, Sweden

Marie-José Sourty-Le Guellec
Centre de Recherche, d’Etudes et de Documentation en Economie de la Santé (CREDES)
Paris, France

James C. Vertrees
SOLON Consulting Group, Ltd.
Silver Spring, Maryland
Acknowledgments

Dave Arbuthnott
Manitoba Health
Winnipeg, Canada

Linda Bakken
Manitoba Health
Winnipeg, Canada

Regis Blais
University of Montreal
Montreal, Canada

Carol Clemenhagen
Canadian Hospital Association
Ottawa, Canada

Diana Davis
SIMBA
Takoma Park, Maryland

Sean Drain
Manitoba Health
Winnipeg, Canada

Robert Evans
University of British Columbia
Vancouver, Canada

Douglas Fletcher
Alberta Health
Edmonton, Canada

William Glaser
New School for Social Research
New York, New York

Stuart Guterman
Prospective Payment Assessment Commission
Washington, DC

Tord Hedström
Uppsala University Hospital
Uppsala, Sweden

John Henderson
Department of Health
London, England

Philip Jacobs
University of Alberta
Edmonton, Canada

Steve Kenny
British Columbia Ministry of Health
Victoria, Canada

Jean-Marie Lance
Association des Hopitaux du Quebec (AHQ)
Montreal, Canada

Barb Markham
Centre for Health Economics and Policy Analysis
McMaster University
Hamilton, Canada

Günther Neubauer
München, Germany

Sara Nordling
Swedish Planning and Rationalization Institute (Spri)
Stockholm, Sweden

Lars Palmgren
Nacka Hospital
Nacka, Sweden
George Pink
University of Toronto
Toronto, Canada

Jean-Pierre Poullier
Organisation for Economic Cooperation and Development
Paris, France

Michael Stückrath
Aachen, Germany

G.J. Thigpen
Princeton, New Jersey

Barbara Zelle
München, Germany