The Health System in Israel
Following the Implementation
of the State Health Insurance Law

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Israel's National Health Insurance Law (1994), which came into force in January 1995, was designed to remedy many of the ills facing health provision until that date. Its main principles were: universal coverage for all Israelis, a guaranteed basket of services, irrespective of income; free choice of health fund; appropriation of money to health funds using members' ages as a proxy for need; and independence of the funds from other organisations (Histadruth, etc.). Through creation of open competition for members between independent health funds, and granting the government power to control total health expenditures, the law sought to increase efficiency in the use of resources and also to limit national expenditures on health. Changes since then have increased the level of government supervision of the sick funds, and sought to reduce costs through increased competition between the funds, but also allowed the funds to offer insurance-based supplementary services. In the years immediately following the law, national health costs stabilised, services to peripheral, poor and Arab populations expanded and, in general, patient satisfaction increased. On the other hand, the Ministry of Health still provides certain services directly (such as state-owned hospitals, geriatric and psychiatric services) which limits its ability to act as a ministry overseeing and supervising the provision of health services.

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