Surgical treatment is sometimes essential, although risky. In some situations, it may be avoided by using more moderate medical treatment; in many cases, however, both treatments can be avoided if preventive measures are taken early. This is true for individuals, and not less so for health systems: overall reforms are analogous to surgical treatment; incremental corrections are analogous to moderate medical treatment; and the proper planning of health services ensures the healthy growth of a health sector, just as preventive medicine does for individuals.

This paper identifies three fundamental requirements that a health sector must fulfill in order to be considered satisfactory: universal access, high-quality treatment, and moderate cost. The Israeli health sector, although suffering some symptoms of illness, appears, in general, to pass this three-dimensional test. Nevertheless, "surgeons" and "internists" argue whether a comprehensive cure should be pursued through radical operations or through more moderate, incremental treatment.

The paper shows that by international standards the health services in Israel perform quite well, although they can be improved in a number of respects. This level of performance has been achieved through balanced doses of the three types of treatment: drastic, incremental, and preventive. The third treatment, preventive—the backbone of the health sector—is administered by means of a sick fund that was designed and developed on the basis of equity principles, which have since been applied by all other factors. The second treatment, incremental, has been carried out by administrative control and by the managed competition that has developed over time. The first treatment, drastic, has been applied in various stages, such as through the budget cuts that were part of the stabilization policy adopted in the 1980s. All treatments have included efficiency measures to improve the utilization of existing capacity.

The international aspect of the research done for this paper reveals an interesting pattern: ranked by their share of health expenditure in GDP, most OECD countries had the same relative position in 1990 as in 1970, despite the diverse reforms that had taken place in each. This is an indication that the factors at work in each country's health sector are the dominant determinants of the level of health expenditure.

The approach offered at the end of this paper is to classify countries by their scores on the above-mentioned three-dimensional test. This is suggested as an initial step in applying in other countries the lessons learned from the Israeli experience.