After democratic changes in 1990 and the declaration of independence in 1991, Croatia inherited an archaic system of economy, similar to all the other post-communist countries, which had especially negative effects on the health system. Health services were divided into 113 independent offices with their own local rules; they could not truly support the health care system, which gradually stagnated, both organizationally and technologically. Such an administrative system devoured 17.5% of the total funds, and primary care used only 10.3% of this. Despite the costly hospital medicine the entire system was financed with US$300 per citizen. The system was functioning only because of professionalism and enthusiasm of well-educated medical personnel. Such health policy had a negative effect on all levels of the system, with long-term consequences. The new health insurance system instituted a standard of 1,700 insureds per family medicine team, reducing hospital capacities to 3.8 beds per 1,000 citizens for acute illnesses. Computerization of the system makes possible the transparency of accounting income and expenses. In a relatively short period, in spite of the war, and in a complex, socially and ethically delicate area, Croatian Health Insurance Institute has successfully carried out the rationalization and control of spending, without lowering the level of health care or negatively influencing the vital statistics data.

Key words: Croatia; health care; health expenditures; health insurance; health plan implementation; hospital costs; insurance, health; planning, health and welfare; management information systems; resource allocation reform