

# The economics of hospitals in developing countries. Part II. costs and sources of income

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## Abstract

In recent years, the attention of policy-makers and researchers has been directed at primary health care, with little notice taken of hospitals except to observe that they take a disproportionate share of health sector resources. However, it is precisely because hospitals are large consumers of resources that more attention needs to be paid to them by policy-makers and researchers. It is conventional and traditional to describe developing-country health systems as hospital-dominated, with the great majority of resources allocated to hospitals in urban centres. Casual investigation and observation certainly suggest this to be the case. Yet the higher levels of a health system have an important supportive role in terms of supervision and referrals. Thus relevant questions should be, ‘what mix of facilities is desirable, how can these be most economically provided and how should resources be shared between the different levels of facility?’

This paper presents the currently available data on the financing and economics of hospitals in developing countries. Part I (published in Volume 5:2 of this journal) first discussed Some of the problems of data availability and comparability, and then reviewed data on the hospital share of health sector resources, the extent to which hospital expenditure is distributed equitably, and whether the hospital share of expenditure has been changing over time. Part II reviews the cost structure of hospitals, in particular the functional breakdown of hospital expenditure, hospital factor mix and unit costs. Patterns of hospital income are then considered, with particular attention being paid to the potential for shifting the burden of hospital financing away from governments, through cost-recovery in the government sector or greater use of nongovernment or private sector services. The second part ends by outlining a possible research programme in the field of



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