

# National Health Expenditures, 1950-66

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*The year 1966 saw a sizable shift in outlays for health and medical care from private sources of funds to public sources. This trend is attributable in large measure to the implementation of the program of health insurance for the aged (Medicare) beginning July 1, 1966, to the new medical assistance program (Medicaid), and to the expansion of other public programs. This annual article presents the national health expenditures by type of expenditure for 1950 and 1955 and by source of funds for each year from 1960 to 1966. For the first time, detailed annual data on expenditures by type of service under each public program are presented. Data for the years before 1966 have been revised slightly from those previously published to include more recent figures and to incorporate some improvements in methodology.*

THE \$45.4 BILLION expended by the Nation for its health and medical care in 1966 accounted for 6.1 percent of the total output of goods and services. The majority of these health expenditures (92 percent) went for health services and supplies, and the remaining 8 percent was used for research and medical facilities construction.

## EXPENDITURES IN 1966

The 1966 total represents an increase of \$4.5 billion, or 11 percent, over the amount spent in the previous year. Per capita expenditures reached \$231 in 1966, nearly 10 percent higher than the figure for 1965. Table 1 presents the detailed data on type of expenditure and source of funds for each year beginning with 1960.

### Source of Funds

Beginning in 1966, several major new public programs were implemented with a resultant increase in the share of total health expenditures

financed from public funds. Under Medicare alone, about \$1.2 billion was spent during the last 6 months of the year. As a result of these new programs and the intensification of several existing programs, public expenditures as a proportion of total expenditures rose from 25 percent in 1965 to 28 percent in 1966. The major share of this increase was in the Federal sector, which rose from 12 percent to 16 percent. The shift from private to public funds is considerably more apparent in the data for fiscal year 1967 (when Medicare had been in effect for a full year), shown in the BULLETIN annual series on social welfare expenditures.<sup>1</sup> Calendar-year figures for 1967 should reveal this trend more clearly.

Public expenditures for health care increased by \$2.7 billion in 1966, rising from \$10.2 billion in 1965 to \$12.9 billion in the following year. In contrast, private expenditures rose only \$1.8 billion. In terms of percentages, the increase in public expenditures was almost four and one-half times that of private funds—27 percent compared with 6 percent.

Public expenditures are divided between the Federal Government outlays and those of State and local governments, with the former representing about 56 percent of the total public. This proportion is significantly larger than it was in the preceding year, when the Federal Government was the source of less than half the public funds. In aggregate terms, Federal expenditures rose from \$5.1 billion in 1965 to \$7.3 billion in 1966—an increase of more than 43 percent. As indicated previously, this substantial rise in Federal expenditures is attributable in large measure to the benefit payments and administrative costs of Medicare.

There are significant differences within the public sector in the major purposes of expenditures. Nearly all (93 percent) of the State and local expenditures in 1966 were for health services and supplies but only three-fourths of the Federal

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<sup>1</sup> Ida C. Merriam, "Social Welfare Expenditures, 1929-67," *Social Security Bulletin*, December 1967, table 5.

funds went for this purpose. The rest of the Federal funds were spent for medical research and construction.

For the major expenditure components, private funds, totaling \$32.5 billion, accounted for nearly three-fourths of the 1966 expenditures for health

TABLE 1.—National health expenditures by type of expenditure and source of funds, 1960–66

[In millions]

Type of expenditure	Total	Source of funds						
		Private				Public		
		Total	Consumers	Philanthropy	Other	Total	Federal	State and local
1966								
Total.....	\$45,421	\$32,516	\$30,082	\$1,463	\$971	\$12,905	\$7,279	\$5,625
Health services and supplies.....	41,834	31,106	30,082	672	352	10,728	5,520	5,207
Hospital care.....	15,429	9,107	8,772	335		6,323	3,007	3,316
Federal facilities.....	1,673	15	15			1,657	1,637	21
State and local facilities.....	4,453	1,398	1,398			3,055	286	2,768
Nongovernmental facilities.....	9,303	7,693	7,358	335		1,610	1,084	526
Physicians' services.....	9,392	8,617	8,608	9		775	279	496
Dentists' services.....	3,015	2,959	2,959			55	28	28
Other professional services.....	986	929	905	24		57	23	34
Drugs and drug sundries.....	5,235	5,049	5,049			186	84	102
Eyeglasses and appliances.....	1,594	1,560	1,560			34	16	18
Nursing-home care.....	1,502	831	807	24		671	316	356
Expenses for prepayment and administration.....	1,629	1,422	1,422			206	206	
Government public health activities.....	810					810	284	527
Other health services.....	2,242	632		280	352	1,609	1,278	330
Research and medical-facilities construction.....	3,587	1,410		791	619	2,177	1,759	418
Research.....	1,632	172		172		1,460	1,397	63
Construction.....	1,955	1,238		619	619	717	362	355
Publicly owned.....	508					508	164	344
Privately owned.....	1,447	1,238		619	619	209	198	11
1965								
Total.....	\$40,893	\$30,692	\$28,260	\$1,446	\$985	\$10,200	\$5,081	\$5,119
Health services and supplies.....	37,511	29,232	28,260	634	338	8,278	3,529	4,749
Hospital care.....	13,807	8,768	8,463	305		5,039	1,928	3,112
Federal facilities.....	1,600	18	18			1,582	1,563	19
State and local facilities.....	4,099	1,351	1,351			2,748	147	2,602
Nongovernmental facilities.....	8,107	7,398	7,093	305		709	218	491
Physicians' services.....	8,745	8,193	8,184	9		552	113	439
Dentists' services.....	2,808	2,773	2,773			35	16	19
Other professional services.....	960	919	895	24		41	12	29
Drugs and drug sundries.....	4,813	4,671	4,671			142	58	84
Eyeglasses and appliances.....	1,223	1,193	1,193			30	13	17
Nursing-home care.....	1,324	830	809	21		494	211	283
Expenses for prepayment and administration.....	1,298	1,272	1,272			25	25	
Government public health activities.....	696					696	224	472
Other health services.....	1,837	613		275	338	1,224	928	295
Research and medical-facilities construction.....	3,382	1,460		812	647	1,922	1,552	370
Research.....	1,470	166		166		1,304	1,246	58
Construction.....	1,912	1,294		647	647	618	306	312
Publicly owned.....	521					521	220	301
Privately owned.....	1,391	1,294		647	647	98	86	11
1964								
Total.....	\$37,549	\$28,283	\$25,988	\$1,371	\$924	\$9,266	\$4,563	\$4,704
Health services and supplies.....	34,463	26,927	25,988	614	325	7,536	3,152	4,385
Hospital care.....	12,621	7,903	7,613	290		4,718	1,804	2,914
Federal facilities.....	1,535	21	21			1,515	1,496	19
State and local facilities.....	3,827	1,252	1,252			2,576	122	2,454
Nongovernmental facilities.....	7,259	6,630	6,340	290		629	187	442
Physicians' services.....	8,065	7,553	7,543	10		511	105	406
Dentists' services.....	2,648	2,615	2,615			32	14	18
Other professional services.....	940	910	887	23		30	5	25
Drugs and drug sundries.....	4,446	4,320	4,320			126	50	76
Eyeglasses and appliances.....	1,072	1,045	1,045			28	12	16
Nursing-home care.....	1,214	834	814	20		380	158	222
Expenses for prepayment and administration.....	1,176	1,151	1,151			25	25	
Government public health activities.....	608					608	202	406
Other health services.....	1,673	596		271	325	1,077	775	302
Research and medical-facilities construction.....	3,086	1,356		757	599	1,730	1,411	319
Research.....	1,324	158		158		1,166	1,113	52
Construction.....	1,762	1,198		599	599	564	298	267
Publicly owned.....	471					471	214	257
Privately owned.....	1,291	1,198		599	599	94	84	10

services and supplies, about one-tenth of the health research expenditures, and more than three-fifths of those for medical facilities construction (table 2).

Most private expenditures represent payments made by private consumers or by private health insurers in their behalf. Consumer expenditures include the contributions of employers, both public and private, for the purchase of health insurance for their employees. These expenditures amounted to \$30.1 billion in 1966, an increase of \$1.8 billion, or 6 percent, over the previous year.

The balance of the private expenditures are of two major types—private philanthropy, which accounted for \$1.5 billion of 1966 expenditures, and “other” expenditures. The latter outlays rep-

resent amounts spent by industry for maintenance of inplant health services (included in the category of other health services) and expenditures made from capital funds for expansion, renovation, or new construction of medical facilities.

Within the major expenditure components, private and public outlays also differ in type of expenditure (chart 1). Of the \$32.5 billion spent in 1966 by private sources for health and medical care, 28 percent was for hospital care; of the \$12.9 billion from public funds, almost half was spent for hospital care. About 38 percent of these private expenditures went for services of physicians, dentists, nurses, and other professional personnel in private practice, but only 7 percent of public outlays was expended for

TABLE 1.—National health expenditures by type of expenditure and source of funds, 1960–66—Continued

(In millions)

Type of expenditure	Total	Source of funds						
		Private				Public		
		Total	Consumers	Philanthropy	Other	Total	Federal	State and local
1963								
Total.....	\$33,629	\$25,071	\$23,102	\$1,199	\$770	\$8,558	\$4,208	\$4,352
Health services and supplies.....	30,989	24,009	23,102	593	314	6,980	2,944	4,037
Hospital care.....	11,642	7,182	6,912	280	.....	4,451	1,731	2,720
Federal facilities.....	1,480	23	23	.....	.....	1,458	1,439	19
State and local facilities.....	3,541	1,114	1,114	.....	.....	2,428	116	2,312
Nongovernmental facilities.....	6,621	6,055	5,775	280	.....	566	176	390
Physicians' services.....	6,891	6,416	6,406	10	.....	475	102	373
Dentists' services.....	2,277	2,250	2,250	.....	.....	27	13	14
Other professional services.....	921	892	869	23	.....	28	6	23
Drugs and drug sundries.....	4,235	4,126	4,126	.....	.....	109	48	61
Eyeglasses and appliances.....	952	925	925	.....	.....	26	12	15
Nursing-home care.....	891	554	540	14	.....	337	157	180
Expenses for prepayment and administration.....	1,097	1,074	1,074	.....	.....	23	23	.....
Government public health activities.....	538	.....	.....	.....	.....	538	158	380
Other health services.....	1,545	580	.....	266	314	965	694	271
Research and medical-facilities construction.....	2,640	1,062	.....	606	456	1,578	1,264	315
Research.....	1,184	151	.....	151	.....	1,033	986	48
Construction.....	1,456	911	.....	455	456	545	278	267
Publicly owned.....	426	.....	.....	.....	.....	426	168	258
Privately owned.....	1,030	911	.....	455	456	119	110	9
1962								
Total.....	\$31,404	\$23,480	\$21,622	\$1,121	\$737	\$7,924	\$3,854	\$4,069
Health services and supplies.....	28,966	22,474	21,622	548	304	6,491	2,750	3,741
Hospital care.....	10,598	6,413	6,153	260	.....	4,184	1,670	2,513
Federal facilities.....	1,433	22	22	.....	.....	1,410	1,393	17
State and local facilities.....	3,252	1,005	1,005	.....	.....	2,248	110	2,138
Nongovernmental facilities.....	5,913	5,387	5,127	260	.....	526	168	358
Physicians' services.....	6,498	6,052	6,042	10	.....	446	102	345
Dentists' services.....	2,234	2,210	2,210	.....	.....	24	13	12
Other professional services.....	902	877	854	23	.....	25	4	21
Drugs and drug sundries.....	4,095	4,002	4,002	.....	.....	92	42	51
Eyeglasses and appliances.....	908	885	885	.....	.....	23	9	14
Nursing-home care.....	695	420	409	11	.....	275	137	138
Expenses for prepayment and administration.....	1,088	1,067	1,067	.....	.....	21	21	.....
Government public health activities.....	503	.....	.....	.....	.....	503	108	395
Other health services.....	1,445	548	.....	244	304	897	644	253
Research and medical-facilities construction.....	2,438	1,066	.....	573	433	1,433	1,104	328
Research.....	1,032	141	.....	141	.....	892	850	41
Construction.....	1,406	865	.....	432	433	541	254	287
Publicly owned.....	421	.....	.....	.....	.....	421	143	277
Privately owned.....	985	865	.....	432	433	120	111	10

these services. The proportion of private expenditures going for drugs, eyeglasses, and appliances was also far greater than the proportion spent for these purposes under public programs.

### Type of Expenditure

The largest single item of expenditure—representing more than one-third of total outlays—was for hospital care, including both inpatient and outpatient services. Of the \$15.4 billion used for this purpose in 1966, consumers contributed 57 percent, the Federal Government 19 percent, State and local governments 21 percent, and philanthropy provided the remaining 2 percent.

In 1965, the consumer share was considerably more (61 percent) and the Federal share proportionately less (14 percent).

The sources of financing vary with the ownership of the hospital (table 3 and chart 2). Federal facilities, which include facilities maintained by the Department of Defense, the Veterans Administration, and the Public Health Service, are almost exclusively financed by the Federal Government. State and local government hospitals received more than three-fifths of their financing from their own governments, a small amount (6 percent) came from Federal programs, and the remaining 31 percent came from consumers or insurance payments in their behalf. Voluntary and proprietary nongovernment hospitals received

TABLE 1.—National health expenditures by type of expenditure and source of funds, 1960–66—Continued

[In millions]

Type of expenditure	Total	Source of funds						
		Private				Public		
		Total	Consumers	Philanthropy	Other	Total	Federal	State and local
1961								
Total.....	\$28,887	\$21,611	\$20,009	\$987	\$615	\$7,278	\$3,418	\$3,860
Health services and supplies.....	26,869	20,823	20,009	527	287	6,048	2,492	3,556
Hospital care.....	9,869	5,942	5,692	250	.....	3,926	1,508	2,418
Federal facilities.....	1,358	18	18	.....	.....	1,339	1,323	16
State and local facilities.....	3,066	906	906	.....	.....	2,160	68	2,092
Nongovernmental facilities.....	5,445	5,018	4,768	250	.....	427	116	311
Physicians' services.....	5,895	5,488	5,479	9	.....	407	85	322
Dentists' services.....	2,067	2,063	2,063	.....	.....	5	3	2
Other professional services.....	882	863	842	21	.....	19	2	17
Drugs and drug sundries.....	3,824	3,750	3,750	.....	.....	74	30	44
Eyeglasses and appliances.....	804	783	783	.....	.....	22	9	13
Nursing-home care.....	606	432	422	10	.....	174	81	94
Expenses for prepayment and administration.....	997	978	978	.....	.....	19	19	.....
Government public health activities.....	451	.....	.....	.....	.....	451	78	372
Other health services.....	1,474	524	.....	237	287	950	676	275
Research and medical-facilities construction.....	2,018	788	.....	460	328	1,230	926	304
Research.....	844	132	.....	132	.....	712	678	34
Construction.....	1,174	656	.....	328	328	518	248	270
Publicly owned.....	403	.....	.....	.....	.....	403	142	262
Privately owned.....	771	656	.....	328	328	115	106	8
1960								
Total.....	\$26,973	\$20,339	\$18,911	\$890	\$538	\$6,637	\$3,012	\$3,624
Health services and supplies.....	25,263	19,678	18,911	497	270	5,587	2,257	3,330
Hospital care.....	9,944	5,418	5,188	230	.....	3,627	1,330	2,296
Federal facilities.....	1,221	10	10	.....	.....	1,211	1,196	15
State and local facilities.....	2,827	776	776	.....	.....	2,052	47	2,005
Nongovernmental facilities.....	4,996	4,632	4,402	230	.....	365	88	277
Physicians' services.....	5,684	5,318	5,309	9	.....	366	70	296
Dentists' services.....	1,977	1,974	1,974	.....	.....	3	1	2
Other professional services.....	862	846	826	20	.....	16	2	15
Drugs and drug sundries.....	3,657	3,598	3,598	.....	.....	58	21	37
Eyeglasses and appliances.....	776	760	760	.....	.....	16	4	12
Nursing-home care.....	526	419	411	8	.....	108	45	62
Expenses for prepayment and administration.....	863	845	845	.....	.....	18	18	.....
Government public health activities.....	412	.....	.....	.....	.....	412	65	347
Other health services.....	1,462	500	.....	230	270	902	700	202
Research and medical-facilities construction.....	1,710	661	.....	393	268	1,050	755	294
Research.....	662	125	.....	125	.....	538	511	26
Construction.....	1,048	536	.....	268	268	512	244	268
Publicly owned.....	443	.....	.....	.....	.....	443	182	261
Privately owned.....	605	536	.....	268	268	69	62	7

TABLE 2.—Percent age distribution of national health expenditures by source of funds and type of expenditure, 1960-66

Source of funds	Total	Health services	Research	Construction
1966, total.....	100.0	100.0	100.0	100.0
Private.....	71.6	74.4	10.5	63.3
Consumers.....	66.2	71.0	.....	.....
Philanthropy.....	3.2	1.6	10.5	31.7
Other.....	2.1	1.8	.....	31.7
Public.....	28.4	25.6	89.5	36.7
Federal.....	16.0	13.2	85.6	18.5
State and local.....	12.4	12.4	3.9	18.2
1965, total.....	100.0	100.0	100.0	100.0
Private.....	75.1	77.9	11.3	67.7
Consumers.....	69.1	75.3	.....	.....
Philanthropy.....	3.5	1.7	11.3	33.8
Other.....	2.4	1.9	.....	33.8
Public.....	24.9	22.1	88.7	32.3
Federal.....	12.4	9.4	84.8	16.0
State and local.....	12.5	12.7	3.9	16.3
1964, total.....	100.0	100.0	100.0	100.0
Private.....	75.3	78.1	11.9	68.0
Consumers.....	69.2	75.4	.....	.....
Philanthropy.....	3.7	1.8	11.9	34.0
Other.....	2.5	1.9	.....	34.0
Public.....	24.7	21.9	88.1	32.0
Federal.....	12.2	9.1	84.1	16.9
State and local.....	12.7	12.7	3.9	15.1
1963, total.....	100.0	100.0	100.0	100.0
Private.....	74.6	77.5	12.8	62.6
Consumers.....	68.7	74.5	.....	.....
Philanthropy.....	3.6	1.9	12.8	31.3
Other.....	2.3	1.0	.....	31.3
Public.....	25.4	22.5	87.2	37.4
Federal.....	12.5	9.5	83.3	19.1
State and local.....	12.9	13.0	4.1	18.3
1962, total.....	100.0	100.0	100.0	100.0
Private.....	74.8	77.6	13.7	61.5
Consumers.....	68.9	74.6	.....	.....
Philanthropy.....	3.6	1.9	13.7	30.7
Other.....	2.3	1.0	.....	30.8
Public.....	25.2	22.4	86.4	38.5
Federal.....	12.3	9.5	82.4	18.1
State and local.....	13.0	12.9	4.0	20.4
1961, total.....	100.0	100.0	100.0	100.0
Private.....	74.8	77.5	15.6	55.9
Consumers.....	69.3	74.5	.....	.....
Philanthropy.....	3.4	2.0	15.6	27.9
Other.....	2.1	1.1	.....	27.9
Public.....	25.2	22.5	84.4	44.1
Federal.....	11.8	9.3	80.3	21.1
State and local.....	13.4	13.2	4.0	23.0
1960, total.....	100.0	100.0	100.0	100.0
Private.....	75.4	77.9	18.9	51.1
Consumers.....	70.1	74.9	.....	.....
Philanthropy.....	3.3	2.0	18.9	25.6
Other.....	2.0	1.1	.....	25.6
Public.....	24.6	22.1	81.3	48.9
Federal.....	11.2	8.9	77.2	23.3
State and local.....	13.4	13.2	3.9	25.6

\$7.4 billion or 79 percent of their income from private consumers, \$1.6 billion or 17 percent from government, and \$335 million or 4 percent from philanthropy. The proportion of total expenses of nongovernment hospitals that came from public funds was considerably less in 1965 than in 1966—9 percent compared with 17 percent. This trend toward increased public financing of nongovernment hospital expenses will be more pronounced in the data for 1967, after operation of Medicare

for a full calendar year and implementation of Medicaid by a larger number of States.

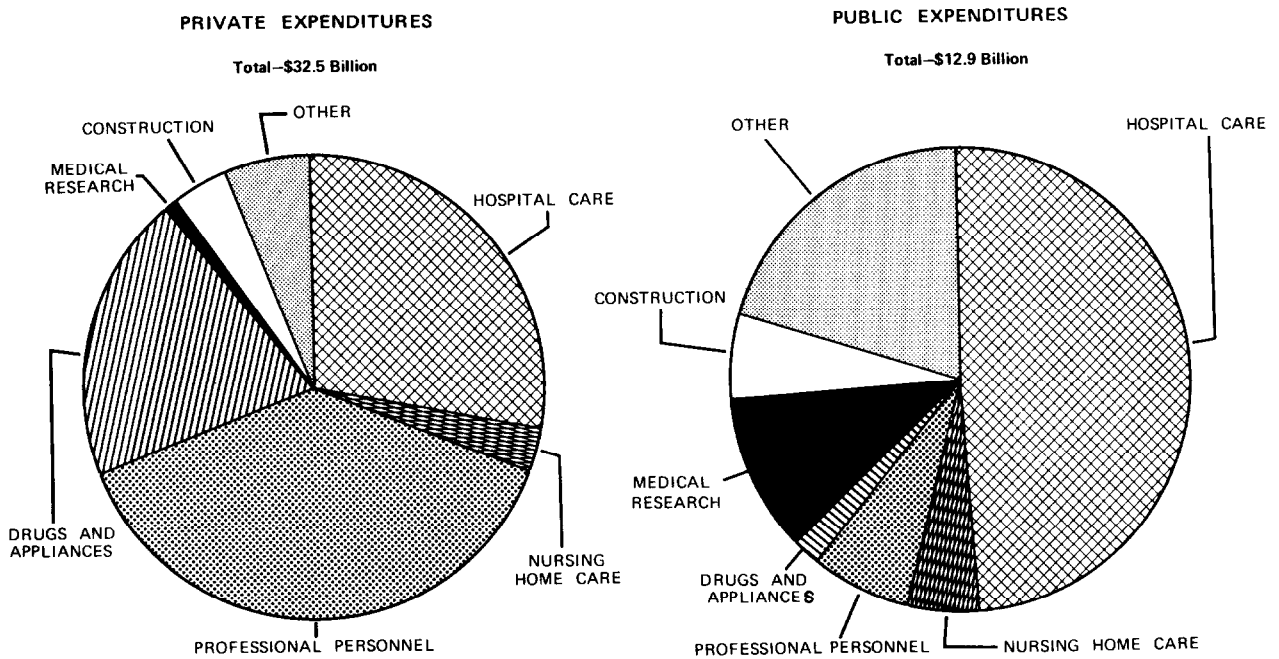
Physicians' services are the next largest type of expenditure, amounting to \$9.4 billion, or 21 percent of the total. More than nine-tenths of these expenditures came from private sources and, for the most part, were paid by or in behalf of consumers. Here, too, a shift to a larger share from public funds is already evident. In 1965, about \$550 million in public funds were paid to physicians in private practice. In 1966, this amount increased to \$775 million, a 40-percent increase in the one year.

Dentists' services (\$3.0 billion), eyeglasses and appliances (\$1.6 billion), and drugs and drug sundries (\$5.2 billion) were nearly all paid for from private sources, specifically the consumer. There is some philanthropic spending for other professional services, but most of the \$1 billion expended for these services also was paid by the consumer.

The category, "expenses for prepayment and administration," amounting to \$1.6 billion in 1966, is introduced in this series for the first time. It consists of two types of expenditures: Prepayment expenses, paid for by consumers, is the difference between subscription charges (or private health insurance premiums) and the claim (or benefit) expenditures. In earlier articles in this series, prepayment expenses or the net cost of insurance had been shown separately. With the introduction of Medicare and the availability of data on administrative costs of that program, the public and private health insurance administrative costs were combined for the first time. Also included were the separately identifiable administrative expenses of other federally financed health programs, including those of the Veterans Administration, military dependents' medical care, maternal and child health programs, and the Indian Health Service program.

Among the health services and supplies, the category in which government played the largest role relatively was in the financing of nursing-home care, where it expended 45 percent of the \$1.5 billion total in the form of vendor medical payments under public assistance. None of the expenditures for care of the aged in extended-care facilities under Medicare are reflected in the 1966 figures, since this benefit first became effective on January 1, 1967. The public share of the total

CHART 1.—Distribution of public and private health expenditures, by type of expenditure, 1966



expenditures for nursing-home care, including care in extended-care facilities, therefore, will show a significant increase for the amounts spent in 1967.

Expenditures for medical research amounted to \$1.6 billion in 1966, representing an increase of 11 percent over the preceding year. Of the total spent in 1966, 89 percent came from government funds, and the balance from foundations, voluntary health agencies, and other philanthropic sources. Expenditures for research made by pharmaceutical, medical supply, and medical electronics industries, estimated at \$530 million in 1966, are excluded here since they are a business expense that is reflected in the cost of the products, already accounted for.

Medical facilities construction, amounting to almost \$2 billion in 1966, involved an increase of only \$43 million over the previous year. Construction funds for publicly owned facilities comprised one-fourth of the total, and the remaining three-fourths was spent for construction of privately owned facilities. The Bureau of the Census, which reports the data on value put in place in its publication *Construction Review*, recently revised its series back to July 1962. For this reason, the amounts reported for construction from 1962 have changed slightly from those previously published in this series.

### Health Expenditures Under Public Programs

Expenditures for health services and supplies under government programs amounted to \$10.7 billion in 1966, \$5.5 billion of which came from Federal funds and \$5.2 billion from State and local sources.

The various programs listed in table 4 are those currently reported in the social welfare expenditures series as government programs with health expenditures. Previous articles in this series had presented the data by type of service for selected public programs; now the data for each public program are reported by type of expenditure and source of funds for every calendar year since 1960. The calendar-year totals shown here for each program represent averages of the fiscal-year figures reported in the social welfare series except for a few public programs for which calendar-year figures are available.

Appearing for the first time in the 1966 data are figures on Medicare. Included in the \$1.2 billion Medicare expenditures are hospital and medical benefit payments and the administrative program costs. Premium payments under the supplementary medical insurance part of the program are considered expenditures under a public program even though the premiums are paid in

**TABLE 3.—Expenditures for hospital care by type of hospital and source of funds, 1966**

[In millions]

Source of funds	All hospitals	Type of hospital		
		General	Tuber- culosis	Psy- chiatric
All hospitals				
Total.....	\$15,429.0	\$13,262.3	\$143.1	\$2,023.6
Consumers.....	8,771.5	8,477.6	20.4	273.5
Public.....	6,322.5	4,449.7	122.7	1,750.1
Federal.....	3,006.9	2,741.3	5.0	260.6
State and local.....	3,315.6	1,708.4	117.7	1,489.5
Philanthropy.....	335.0	335.0		
Federal hospitals				
Total.....	\$1,672.6	\$1,386.4	\$5.0	\$281.2
Consumers.....	15.2	15.2		
Public.....	1,657.4	1,371.2	5.0	281.2
Federal.....	1,636.8	1,371.2	5.0	260.6
State and local.....	20.6			20.6
State and local government hospitals				
Total.....	\$4,453.0	\$2,720.4	\$130.8	\$1,601.8
Consumers.....	1,398.3	1,252.3	13.1	132.9
Public.....	3,054.7	1,408.1	117.7	1,468.9
Federal.....	286.2	286.2		
State and local.....	2,768.5	1,181.9	117.7	1,468.9
Nongovernmental hospitals				
Total.....	\$9,303.4	\$9,155.5	\$7.3	\$140.6
Consumers.....	7,358.0	7,210.1	7.3	140.6
Public.....	1,610.4	1,610.4		
Federal.....	1,083.9	1,083.9		
State and local.....	526.5	526.5		
Philanthropy.....	335.0	335.0		

part by consumers, with matching contributions from general revenues.

As previously noted, there was a significant rise in aggregate public expenditures for health services and in their relative share of the total. In 1965, \$8.3 billion, or 22 percent was spent under public programs; in 1966, this total increased to \$10.7 billion representing 26 percent of the total. In addition to the government outlays under health insurance for the aged, there were other significant increases in the public expenditures over the preceding year: The first year of Medicaid (the medical assistance program authorized under title XIX of the Social Security Act) brought a net increase of \$500 million in vendor payments for medical care under public assistance. An increase in Defense Department expenditures was responsible for \$240 million of the rise; general hospital and medical care, including Indian health services and care in Public Health Service hospitals, for \$140 million; and other public health activities for \$115 million. Included in this latter category were the new comprehensive health planning and services program and the new regional medical programs. Also contributing to the increase was the intensification of the programs for community and environmental health services, chronic diseases, and food and drug control.

**CHART 2.—Hospital care expenditures, by type of hospital and source of funds, 1966**

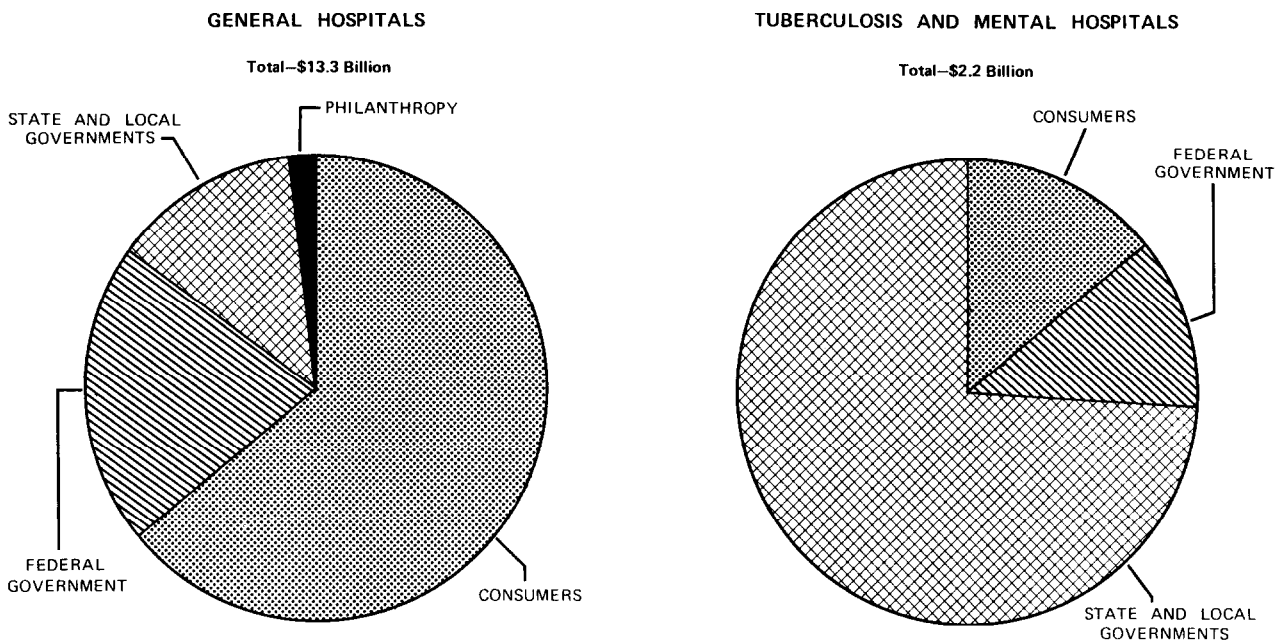


TABLE 4.—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, 1960-66

[In millions]

Program and source of funds	Total	Hospital care	Physicians' services	Dentists' services	Other professional services	Drugs and drug sundries	Eye-glasses and appliances	Nursing-home care	Government public health activities	Other health services	Administration
1966											
Total.....	\$10,727.5	\$6,322.5	\$775.0	\$55.4	\$57.3	\$186.3	\$34.3	\$671.3	\$810.3	\$1,609.0	\$206.4
Health insurance for the aged.....	1,199.4	890.3	124.5		3.1					1.2	180.4
Temporary disability insurance (medical benefits).....	53.9	40.0	12.4		.6	.4	.4				
Workmen's compensation (medical benefits).....	657.5	230.2	381.4		19.7	13.1	13.2				
Public assistance (vendor medical payments).....	1,979.1	776.0	176.8	50.6	13.7	166.9		671.3		123.9	
General hospital and medical care.....	2,755.5	2,738.5	3.2	.5		.5	.5			12.3	
Defense Department hospital and medical care.....	1,395.6	423.2								972.4	
Military dependents' medical care.....	73.6	46.2	26.2								1.2
Maternal and child health services.....	291.6	51.6	13.9	3.0	20.2	2.6	5.4			193.1	1.8
School health.....	137.5									137.5	
Other public health activities.....	812.2								810.3		<sup>1</sup> 1.9
Veterans' hospital and medical care.....	1,223.2	1,095.6	10.7	1.3		2.8	7.3			84.4	21.1
Medical vocational rehabilitation.....	64.2	30.9	25.9				7.5				
Office of Economic Opportunity.....	84.2									84.2	
Federal, total.....	\$5,520.5	\$3,006.9	\$278.9	\$27.6	\$23.3	\$84.0	\$15.9	\$315.5	\$283.5	\$1,278.5	\$206.4
Health insurance for the aged.....	1,199.4	890.3	124.5		3.1					1.2	180.4
Workmen's compensation (medical benefits).....	11.9	7.8	3.0		.7	.2	.2				
Public assistance (vendor medical payments).....	930.2	364.7	83.1	23.8	6.4	78.4		315.5		58.2	
General hospital and medical care.....	152.2	135.2	3.2	.5		.5	.5			12.3	
Defense Department hospital and medical care.....	1,395.6	423.2								972.4	
Military dependents' medical care.....	73.6	46.2	26.2								1.2
Maternal and child health services.....	118.4	21.6	9.5	2.0	13.1	2.1	2.5			65.8	1.8
Other public health activities.....	285.4								283.5		<sup>1</sup> 1.9
Veterans' hospital and medical care.....	1,223.2	1,095.6	10.7	1.3		2.8	7.3			84.4	21.1
Medical vocational rehabilitation.....	46.4	22.3	18.7				5.4				
Office of Economic Opportunity.....	84.2									84.2	
State and local, total.....	\$5,207.0	\$3,315.6	\$496.1	\$27.8	\$34.0	\$102.3	\$18.4	\$355.8	\$526.8	\$330.5	
Temporary disability insurance (medical benefits).....	53.9	40.0	12.4		.6	.4	.4				
Workmen's compensation (medical benefits).....	645.6	222.4	378.4		19.0	12.9	13.0				
Public assistance (vendor medical payments).....	1,048.9	411.3	93.7	26.8	7.3	88.5		355.8		65.6	
General hospital and medical care.....	2,603.3	2,603.3									
Maternal and child health services.....	173.2	30.0	4.4	1.0	7.1	.5	2.9			127.4	
School health.....	137.5									137.5	
Other public health activities.....	526.8								526.8		
Medical vocational rehabilitation.....	17.8	8.6	7.2				2.1				
1965											
Total.....	\$8,278.0	\$5,039.2	\$552.3	\$35.3	\$40.4	\$142.2	\$29.8	\$494.4	\$695.8	\$1,223.5	\$25.1
Temporary disability insurance (medical benefits).....	52.4	39.3	11.7		.6	.4	.4				
Workmen's compensation (medical benefits).....	605.0	211.8	350.9		18.1	12.1	12.1				
Public assistance (vendor medical payments).....	1,478.9	626.6	121.6	30.8	9.1	124.3		494.4		72.1	
General hospital and medical care.....	2,617.5	2,602.1	2.7	.4		.4	.4			11.5	
Defense Department hospital and medical care.....	1,155.1	404.6								750.5	
Military dependents' medical care.....	71.8	43.8	26.7								1.3
Maternal and child health services.....	250.2	43.8	12.0	3.0	12.6	2.0	5.0			170.2	1.6
School health.....	133.5									133.5	
Other public health activities.....	697.6								695.8		<sup>1</sup> 1.8
Veterans' hospital and medical care.....	1,148.0	1,048.0	10.0	1.1		3.0	6.7			58.8	20.4
Medical vocational rehabilitation.....	41.1	19.2	16.7				5.2				
Office of Economic Opportunity.....	26.9									26.9	
Federal, total.....	\$3,528.6	\$1,927.7	\$112.9	\$16.5	\$11.8	\$58.2	\$13.0	\$211.1	\$224.0	\$928.4	\$25.1
Workmen's compensation (medical benefits).....	11.6	7.6	2.9		.7	.2	.2				
Public assistance (vendor medical payments).....	631.5	267.6	51.9	13.2	3.9	53.1		211.1		30.8	
General hospital and medical care.....	142.1	126.7	2.7	.4		.4	.4			11.5	
Defense Department hospital and medical care.....	1,155.1	404.6								750.5	
Military dependents' medical care.....	71.8	43.8	26.7								1.3
Maternal and child health services.....	89.0	16.9	7.8	1.8	7.2	1.5	2.3			49.9	1.6
Other public health activities.....	225.8								224.0		<sup>1</sup> 1.8
Veterans' hospital and medical care.....	1,148.0	1,048.0	10.0	1.1		3.0	6.7			58.8	20.4
Medical vocational rehabilitation.....	26.8	12.5	10.9				3.4				
Office of Economic Opportunity.....	26.9									26.9	
State and local, total.....	\$4,749.4	\$3,111.5	\$439.4	\$18.8	\$28.6	\$84.0	\$16.8	\$283.3	\$471.8	\$295.1	
Temporary disability insurance (medical benefits).....	52.4	39.3	11.7		.6	.4	.4				
Workmen's compensation (medical benefits).....	593.4	204.2	348.0		17.4	11.9	11.9				
Public assistance (vendor medical payments).....	847.4	359.0	69.7	17.6	5.2	71.2		283.3		41.3	
General hospital and medical care.....	2,475.4	2,475.4									
Maternal and child health services.....	161.2	26.9	4.2	1.2	5.4	.5	2.7			120.3	
School health.....	133.5									133.5	
Other public health activities.....	471.8								471.8		
Medical vocational rehabilitation.....	14.3	6.7	5.8				1.8				

<sup>1</sup> Represents administrative expenses for Indian health services only.



Maternal and child health programs increased \$41.4 million. Office of Economic Opportunity

expenditures for health and medical care, which appeared separately for the first time in 1965, rose

TABLE 4.—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, 1960-66—Continued

(In millions)

Program and source of funds	Total	Hos- pital care	Physi- cians' services	Den- tists' services	Other profes- sional services	Drugs and drug sun- aries	Eye- glasses and appli- ances	Nurs- ing- home care	Govern- ment public health activi- ties	Other health services	Admin- istra- tion
<b>Total</b> .....	<b>\$7,536.4</b>	<b>\$4,718.5</b>	<b>\$511.4</b>	<b>\$32.1</b>	<b>\$30.0</b>	<b>\$126.4</b>	<b>\$27.7</b>	<b>\$380.1</b>	<b>\$608.2</b>	<b>\$1,077.4</b>	<b>\$24.6</b>
Temporary disability insurance (medical benefits).....	51.2	38.9	10.9	-----	.6	.4	.4	-----	-----	-----	-----
Workmen's compensation (medical benefits).....	562.4	196.9	326.2	-----	16.9	11.2	11.2	-----	-----	-----	-----
Public assistance (vendor medical payments).....	1,258.1	528.9	107.5	27.0	6.9	109.9	-----	380.1	-----	97.8	-----
General hospital and medical care.....	2,480.6	2,466.2	2.4	.4	-----	.3	.3	-----	-----	11.0	-----
Defense Department hospital and medical care.....	1,025.5	398.3	-----	-----	-----	-----	-----	-----	-----	627.2	-----
Military dependents' medical care.....	78.2	45.2	31.7	-----	-----	-----	-----	-----	-----	-----	1.4
Maternal and child health services.....	216.1	36.8	9.9	3.5	5.6	1.3	4.7	-----	-----	153.0	1.3
School health.....	129.8	-----	-----	-----	-----	-----	-----	-----	-----	129.8	-----
Other public health activities.....	610.0	-----	-----	-----	-----	-----	-----	-----	608.2	-----	<sup>1</sup> 1.8
Veterans' hospital and medical care.....	1,092.0	992.7	9.5	1.2	-----	3.3	6.6	-----	-----	58.6	20.1
Medical vocational rehabilitation.....	32.5	14.6	13.3	-----	-----	-----	4.5	-----	-----	-----	-----
<b>Federal, total</b> .....	<b>\$3,151.6</b>	<b>\$1,804.4</b>	<b>\$105.2</b>	<b>\$14.4</b>	<b>\$5.2</b>	<b>\$50.3</b>	<b>\$11.9</b>	<b>\$158.1</b>	<b>\$202.0</b>	<b>\$775.3</b>	<b>\$24.6</b>
Workmen's compensation (medical benefits).....	10.8	7.1	2.7	-----	.6	.2	.2	-----	-----	-----	-----
Public assistance (vendor medical payments).....	523.4	220.0	44.7	11.2	2.9	45.7	-----	158.1	-----	40.7	-----
General hospital and medical care.....	134.4	120.0	2.4	.4	-----	.3	.3	-----	-----	11.0	-----
Defense Department hospital and medical care.....	1,025.5	398.3	-----	-----	-----	-----	-----	-----	-----	627.2	-----
Military dependents' medical care.....	78.2	45.2	31.7	-----	-----	-----	-----	-----	-----	-----	1.4
Maternal and child health services.....	203.8	12.1	6.0	1.6	1.7	.8	2.0	-----	-----	37.8	1.3
Other public health activities.....	203.8	-----	-----	-----	-----	-----	-----	-----	202.0	-----	<sup>1</sup> 1.8
Veterans' hospital and medical care.....	1,092.0	992.7	9.5	1.2	-----	3.3	6.6	-----	-----	58.6	20.1
Medical vocational rehabilitation.....	20.2	9.0	8.2	-----	-----	-----	2.8	-----	-----	-----	-----
<b>State and local, total</b> .....	<b>\$4,384.8</b>	<b>\$2,914.1</b>	<b>\$406.2</b>	<b>\$17.7</b>	<b>\$24.8</b>	<b>\$76.1</b>	<b>\$15.8</b>	<b>\$222.0</b>	<b>\$406.2</b>	<b>\$302.0</b>	<b>-----</b>
Temporary disability insurance (medical benefits).....	51.2	38.9	10.9	-----	.6	.4	.4	-----	-----	-----	-----
Workmen's compensation (medical benefits).....	551.6	189.8	323.5	-----	16.3	11.0	11.0	-----	-----	-----	-----
Public assistance (vendor medical payments).....	734.7	308.9	62.8	15.8	4.0	64.2	-----	222.0	-----	57.1	-----
General hospital and medical care.....	2,346.2	2,346.2	-----	-----	-----	-----	-----	-----	-----	-----	-----
Defense Department hospital and medical care.....	152.8	24.7	3.9	1.9	3.9	.5	2.7	-----	-----	115.2	-----
School health.....	129.8	-----	-----	-----	-----	-----	-----	-----	-----	129.8	-----
Other public health activities.....	406.2	-----	-----	-----	-----	-----	-----	-----	406.2	-----	-----
Medical vocational rehabilitation.....	12.3	5.6	5.1	-----	-----	-----	1.7	-----	-----	-----	-----
<b>Total</b> .....	<b>\$6,980.4</b>	<b>\$4,451.3</b>	<b>\$474.7</b>	<b>\$27.1</b>	<b>\$28.5</b>	<b>\$108.6</b>	<b>\$26.4</b>	<b>\$337.0</b>	<b>\$538.4</b>	<b>\$965.3</b>	<b>\$23.2</b>
Temporary disability insurance (medical benefits).....	49.7	37.9	10.6	-----	.5	.4	.4	-----	-----	-----	-----
Workmen's compensation (medical benefits).....	527.5	184.6	308.0	-----	15.8	10.6	10.6	-----	-----	-----	-----
Public assistance (vendor medical payments).....	1,067.6	451.2	96.4	21.8	6.6	92.2	-----	337.0	-----	62.3	-----
General hospital and medical care.....	2,360.5	2,347.8	2.3	.3	-----	.3	.3	-----	-----	9.5	-----
Defense Department hospital and medical care.....	967.0	405.8	-----	-----	-----	-----	-----	-----	-----	561.2	-----
Military dependents' medical care.....	74.7	42.8	30.5	-----	-----	-----	-----	-----	-----	-----	1.4
Maternal and child health services.....	199.1	33.8	7.8	3.8	5.6	1.5	4.6	-----	-----	140.8	1.2
School health.....	128.0	-----	-----	-----	-----	-----	-----	-----	-----	128.0	-----
Other public health activities.....	540.0	-----	-----	-----	-----	-----	-----	-----	538.4	-----	<sup>1</sup> 1.6
Veterans' hospital and medical care.....	1,038.0	935.2	9.2	1.2	-----	3.6	6.3	-----	-----	63.5	19.0
Medical vocational rehabilitation.....	28.3	12.2	11.9	-----	-----	-----	4.2	-----	-----	-----	-----
<b>Federal, total</b> .....	<b>\$2,943.8</b>	<b>\$1,781.2</b>	<b>\$101.6</b>	<b>\$13.2</b>	<b>\$5.5</b>	<b>\$47.0</b>	<b>\$11.6</b>	<b>\$157.0</b>	<b>\$158.4</b>	<b>\$694.2</b>	<b>\$23.2</b>
Workmen's compensation (medical benefits).....	10.3	6.7	2.6	-----	.6	.2	.2	-----	-----	-----	-----
Public assistance (vendor medical payments).....	497.5	210.3	44.9	10.2	3.1	43.0	-----	157.0	-----	29.0	-----
General hospital and medical care.....	125.1	112.4	2.3	.3	-----	.3	.3	-----	-----	9.5	-----
Defense Department hospital and medical care.....	967.0	405.8	-----	-----	-----	-----	-----	-----	-----	561.2	-----
Military dependents' medical care.....	74.7	42.8	30.5	-----	-----	-----	-----	-----	-----	-----	1.4
Maternal and child health services.....	53.7	10.4	4.8	1.5	1.8	.8	2.2	-----	-----	31.0	1.2
Other public health activities.....	160.0	-----	-----	-----	-----	-----	-----	-----	158.4	-----	<sup>1</sup> 1.6
Veterans' hospital and medical care.....	1,038.0	935.2	9.2	1.2	-----	3.6	6.3	-----	-----	63.5	19.0
Medical vocational rehabilitation.....	17.5	7.6	7.3	-----	-----	-----	2.6	-----	-----	-----	-----
<b>State and local, total</b> .....	<b>\$4,036.6</b>	<b>\$2,720.1</b>	<b>\$373.1</b>	<b>\$13.9</b>	<b>\$23.0</b>	<b>\$60.7</b>	<b>\$14.8</b>	<b>\$180.0</b>	<b>\$380.0</b>	<b>\$271.1</b>	<b>-----</b>
Temporary disability insurance (medical benefits).....	49.7	37.9	10.6	-----	.5	.4	.4	-----	-----	-----	-----
Workmen's compensation (medical benefits).....	517.2	177.9	303.4	-----	15.2	10.4	10.4	-----	-----	-----	-----
Public assistance (vendor medical payments).....	570.1	240.9	51.5	11.6	3.5	49.2	-----	180.0	-----	33.3	-----
General hospital and medical care.....	2,235.4	2,235.4	-----	-----	-----	-----	-----	-----	-----	-----	-----
Maternal and child health services.....	145.4	23.4	3.0	2.3	3.8	.7	2.4	-----	-----	109.8	-----
School health.....	128.0	-----	-----	-----	-----	-----	-----	-----	-----	128.0	-----
Other public health activities.....	380.0	-----	-----	-----	-----	-----	-----	-----	380.0	-----	-----
Medical vocational rehabilitation.....	10.8	4.6	4.6	-----	-----	-----	1.6	-----	-----	-----	-----

<sup>1</sup> Represents administrative expenses for Indian health services only.

to a total of \$5.7 million during the year 1966.  
Of the \$10.7 billion total expended in 1966 for

health and medical care under public programs,  
\$2.8 billion or about one-fourth was spent for

TABLE 4.—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, 1960-66—Continued

(In millions)

Program and source of funds	Total	Hos- pital care	Physi- cians' services	Den- tists' services	Other profes- sional services	Drugs and drug sun- dries	Eye- glasses and appli- ances	Nurs- ing- home care	Govern- ment public health activi- ties	Other health services	Admin- istra- tion	1962										
												Total	Hos- pital care	Physi- cians' services	Den- tists' services	Other profes- sional services	Drugs and drug sun- dries	Eye- glasses and appli- ances	Nurs- ing- home care	Govern- ment public health activi- ties	Other health services	Admin- istra- tion
<b>Total</b> .....	<b>\$6,491.1</b>	<b>\$4,183.6</b>	<b>\$446.4</b>	<b>\$24.4</b>	<b>\$25.1</b>	<b>\$92.4</b>	<b>\$23.2</b>	<b>\$274.6</b>	<b>\$503.3</b>	<b>\$897.0</b>	<b>\$20.9</b>											
Temporary disability insurance (medical benefits).....	46.1	35.2	9.8	-----	.5	.3	.3	-----	-----	-----	-----											
Workmen's compensation (medical benefits).....	492.5	172.4	285.7	-----	14.9	9.8	9.8	-----	-----	-----	-----											
Public assistance (vendor medical payments).....	919.2	398.6	88.9	19.1	4.5	79.9	-----	274.6	-----	53.5	-----											
General hospital and medical care.....	2,203.7	2,192.1	2.3	.4	-----	.4	.4	-----	-----	8.1	-----											
Defense Department hospital and medical care.....	926.9	413.4	-----	-----	-----	-----	-----	-----	-----	513.5	-----											
Military dependents' medical care.....	76.0	43.3	31.1	-----	-----	-----	-----	-----	-----	-----	1.5											
Maternal and child health services.....	181.4	31.5	7.2	3.7	5.2	2.0	4.3	-----	-----	126.4	1.1											
School health.....	128.7	-----	-----	-----	-----	-----	-----	-----	-----	128.7	-----											
Other public health activities.....	504.8	-----	-----	-----	-----	-----	-----	-----	503.3	-----	1.5											
Veterans' hospital and medical care.....	987.5	888.5	9.8	1.2	-----	-----	4.4	-----	-----	66.8	16.8											
Medical vocational rehabilitation.....	24.3	8.6	11.6	-----	-----	-----	4.0	-----	-----	-----	-----											
<b>Federal, total</b> .....	<b>\$2,749.9</b>	<b>\$1,670.2</b>	<b>\$101.5</b>	<b>\$12.6</b>	<b>\$4.5</b>	<b>\$41.5</b>	<b>\$9.4</b>	<b>\$137.0</b>	<b>\$108.1</b>	<b>\$643.9</b>	<b>\$20.9</b>											
Workmen's compensation (medical benefits).....	9.3	6.0	2.4	-----	.6	.2	.2	-----	-----	-----	-----											
Public assistance (vendor medical payments).....	458.7	198.9	44.4	9.5	2.2	39.9	-----	137.0	-----	26.7	-----											
General hospital and medical care.....	116.7	105.1	2.3	.4	-----	.4	.4	-----	-----	8.1	-----											
Defense Department hospital and medical care.....	926.9	413.4	-----	-----	-----	-----	-----	-----	-----	513.5	-----											
Military dependents' medical care.....	76.0	43.3	31.1	-----	-----	-----	-----	-----	-----	-----	1.5											
Maternal and child health services.....	50.0	9.6	4.3	1.5	1.7	1.0	2.0	-----	-----	28.8	1.1											
Other public health activities.....	109.6	-----	-----	-----	-----	-----	-----	-----	108.1	-----	1.5											
Veterans' hospital and medical care.....	987.5	888.5	9.8	1.2	-----	-----	4.4	-----	-----	66.8	16.8											
Medical vocational rehabilitation.....	15.2	5.4	7.2	-----	-----	-----	2.4	-----	-----	-----	-----											
<b>State and local, total</b> .....	<b>\$3,741.2</b>	<b>\$2,513.4</b>	<b>\$344.9</b>	<b>\$11.8</b>	<b>\$20.6</b>	<b>\$50.9</b>	<b>\$13.8</b>	<b>\$137.6</b>	<b>\$395.2</b>	<b>\$253.1</b>	<b>\$20.9</b>											
Temporary disability insurance (medical benefits).....	46.1	35.2	9.8	-----	.5	.3	.3	-----	-----	-----	-----											
Workmen's compensation (medical benefits).....	483.2	166.4	283.3	-----	14.3	9.6	9.6	-----	-----	-----	-----											
Public assistance (vendor medical payments).....	460.5	199.7	44.5	9.6	2.3	40.0	-----	137.6	-----	26.8	-----											
General hospital and medical care.....	2,087.0	2,087.0	-----	-----	-----	-----	-----	-----	-----	-----	-----											
Maternal and child health services.....	131.4	21.9	2.9	2.2	3.5	1.0	2.3	-----	-----	97.6	-----											
School health.....	128.7	-----	-----	-----	-----	-----	-----	-----	-----	128.7	-----											
Other public health activities.....	395.2	-----	-----	-----	-----	-----	-----	-----	395.2	-----	-----											
Medical vocational rehabilitation.....	9.1	3.2	4.4	-----	-----	-----	1.6	-----	-----	-----	-----											
<b>Total</b> .....	<b>\$6,048.2</b>	<b>\$3,926.4</b>	<b>\$407.3</b>	<b>\$5.3</b>	<b>\$18.6</b>	<b>\$74.0</b>	<b>\$21.5</b>	<b>\$174.5</b>	<b>\$450.9</b>	<b>\$950.5</b>	<b>\$19.2</b>											
Temporary disability insurance (medical benefits).....	46.0	34.5	10.2	-----	.5	.4	.4	-----	-----	-----	-----											
Workmen's compensation (medical benefits).....	462.6	161.9	268.3	-----	13.9	9.2	9.2	-----	-----	-----	-----											
Public assistance (vendor medical payments).....	686.5	256.2	72.6	-----	-----	62.5	-----	174.5	-----	120.7	-----											
General hospital and medical care.....	2,179.4	2,169.1	2.0	.4	-----	.4	.4	-----	-----	7.1	-----											
Defense Department hospital and medical care.....	898.3	387.3	-----	-----	-----	-----	-----	-----	-----	511.0	-----											
Military dependents' medical care.....	62.3	34.5	26.4	-----	-----	-----	-----	-----	-----	-----	1.5											
Maternal and child health services.....	162.5	29.1	6.7	3.8	4.2	1.5	3.4	-----	-----	112.7	1.1											
School health.....	122.0	-----	-----	-----	-----	-----	-----	-----	-----	122.0	-----											
Other public health activities.....	452.3	-----	-----	-----	-----	-----	-----	-----	450.9	-----	1.4											
Veterans' hospital and medical care.....	954.7	847.5	9.8	1.1	-----	-----	4.2	-----	-----	77.0	15.1											
Medical vocational rehabilitation.....	21.6	6.3	11.3	-----	-----	-----	3.9	-----	-----	-----	-----											
<b>Federal, total</b> .....	<b>\$2,491.7</b>	<b>\$1,508.4</b>	<b>\$85.0</b>	<b>\$3.3</b>	<b>\$2.0</b>	<b>\$30.2</b>	<b>\$8.7</b>	<b>\$80.8</b>	<b>\$78.4</b>	<b>\$675.9</b>	<b>\$19.1</b>											
Workmen's compensation (medical benefits).....	8.6	5.5	2.2	-----	.5	.2	.2	-----	-----	-----	-----											
Public assistance (vendor medical payments).....	317.8	118.6	33.6	-----	-----	28.9	-----	80.8	-----	55.9	-----											
General hospital and medical care.....	112.6	102.3	2.0	.4	-----	.4	.4	-----	-----	7.1	-----											
Defense Department hospital and medical care.....	898.3	387.3	-----	-----	-----	-----	-----	-----	-----	511.0	-----											
Military dependents' medical care.....	62.3	34.5	26.4	-----	-----	-----	-----	-----	-----	-----	1.5											
Maternal and child health services.....	44.0	8.7	3.9	1.8	1.5	.7	1.4	-----	-----	24.9	1.1											
Other public health activities.....	79.8	-----	-----	-----	-----	-----	-----	-----	78.4	-----	1.4											
Veterans' hospital and medical care.....	954.7	847.5	9.8	1.1	-----	-----	4.2	-----	-----	77.0	15.1											
Medical vocational rehabilitation.....	13.6	4.0	7.1	-----	-----	-----	2.5	-----	-----	-----	-----											
<b>State and local, total</b> .....	<b>\$3,556.5</b>	<b>\$2,418.0</b>	<b>\$322.3</b>	<b>\$2.0</b>	<b>\$16.6</b>	<b>\$43.8</b>	<b>\$12.8</b>	<b>\$93.7</b>	<b>\$372.5</b>	<b>\$274.6</b>	<b>\$20.9</b>											
Temporary disability insurance (medical benefits).....	46.0	34.5	10.2	-----	.5	.4	.4	-----	-----	-----	-----											
Workmen's compensation (medical benefits).....	454.0	156.4	266.1	-----	13.4	9.0	9.0	-----	-----	-----	-----											
Public assistance (vendor medical payments).....	368.7	137.6	39.0	-----	-----	33.6	-----	93.7	-----	64.8	-----											
General hospital and medical care.....	2,066.8	2,066.8	-----	-----	-----	-----	-----	-----	-----	-----	-----											
Maternal and child health services.....	118.5	20.4	2.8	2.0	2.7	.8	2.0	-----	-----	87.8	-----											
School health.....	122.0	-----	-----	-----	-----	-----	-----	-----	-----	122.0	-----											
Other public health activities.....	372.0	-----	-----	-----	-----	-----	-----	-----	372.5	-----	-----											
Medical vocational rehabilitation.....	8.0	2.3	4.2	-----	-----	-----	1.4	-----	-----	-----	-----											

<sup>1</sup> Represents administrative expenses for Indian health services only.

general hospital and medical care programs provided directly by Federal, State, and local governments, excluding direct medical care provided by the Department of Defense and the Veterans Administration, which are listed separately.

The Federal programs with the largest expenditures for health services and supplies were those of the Defense Department (\$1.4 billion) and the Veterans Administration (\$1.2 billion) and those for Medicare (\$1.2 billion). These three programs accounted for nearly seven-tenths of the total Federal outlays.

State and local programs with large expenditures were general hospital and medical care, mainly in mental hospitals (\$2.6 billion), and public assistance (\$1.0 billion). These two programs represented about 70 percent of State and local expenditures.

Distribution of the expenditures for health services and supplies under public programs shows that almost three-fifths went for hospital care. The distribution by type of expenditures, however, varies considerably among the public

programs. In 1966, hospital expenditures accounted for 74 percent of Medicare expenditures and 90 percent of Veterans Administration expenditures, but only 18 percent of those under maternal and child health programs. Expenditures for physicians' services represented 58 percent of workmen's compensation expenditures, 10 percent of those under Medicare, and only 1 percent of Veterans Administration expenditures. Eyeglasses and appliances expenses accounted for 12 percent of vocational rehabilitation expenditures but did not even appear in expenditures under Medicare, public assistance, and Department of Defense programs.

In terms of source of funds for the various types of expenditures, the two largest sources of public expenditures for hospital care are the programs providing direct general hospital and medical care and those of the Veterans Administration. Expenditures under these two programs represented more than three-fifths of the government hospital expenditures. Workmen's compensation was the largest source of public expenditures

TABLE 4.—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, 1960-66—Continued

(In millions)

Program and source of funds	Total	Hos- pital care	Physi- cians' services	Den- tists' services	Other profes- sional services	Drugs and drug sun- dries	Eye- glasses and appli- ances	Nurs- ing- home care	Govern- ment public health activi- ties	Other health services	Admin- istra- tion
Total.....	\$5,586.9	\$3,626.7	\$366.0	\$3.4	\$16.5	\$58.3	\$15.8	\$107.5	\$412.4	\$962.1	\$18.2
Temporary disability insurance (medical benefits).....	40.8	30.9	8.9	.....	.5	.3	.3	.....	.....	.....	.....
Workmen's compensation (medical benefits).....	435.0	152.3	252.3	.....	13.0	8.7	8.7	.....	.....	.....	.....
Public assistance (vendor medical payments).....	514.5	182.2	52.9	.....	.....	47.8	.....	107.5	.....	124.1	6.7
General hospital and medical care.....	2,099.6	2,090.1	1.0	.3	.....	.3	.3	.....	.....	6.7	.....
Defense Department hospital and medical care.....	841.9	313.9	.....	.....	.....	.....	.....	.....	.....	528.0	.....
Military dependents' medical care.....	54.3	28.5	24.5	.....	.....	.....	.....	.....	.....	.....	1.3
Maternal and child health services.....	146.4	25.7	5.9	3.1	3.0	1.2	2.9	.....	.....	103.6	1.0
School health.....	108.0	.....	.....	.....	.....	.....	.....	.....	.....	108.0	.....
Other public health activities.....	413.8	.....	.....	.....	.....	.....	.....	.....	412.4	.....	1.4
Veterans' hospital and medical care.....	913.4	797.4	9.8	.....	.....	.....	.....	.....	.....	91.7	14.5
Medical vocational rehabilitation.....	19.2	5.7	9.8	.....	.....	.....	.....	.....	.....	.....	.....
Federal, total.....	\$2,256.7	\$1,330.5	\$70.2	\$1.4	\$1.7	\$21.0	\$4.0	\$45.0	\$65.0	\$699.8	\$18.2
Workmen's compensation (medical benefits).....	8.9	5.8	2.2	.....	.5	.2	.2	.....	.....	.....	.....
Public assistance (vendor medical payments).....	215.5	76.3	22.2	.....	.....	20.0	.....	45.0	.....	52.0	.....
General hospital and medical care.....	107.4	97.9	1.9	.3	.....	.3	.3	.....	.....	6.7	.....
Defense Department hospital and medical care.....	841.9	313.9	.....	.....	.....	.....	.....	.....	.....	528.0	.....
Military dependents' medical care.....	54.3	28.5	24.5	.....	.....	.....	.....	.....	.....	.....	1.3
Maternal and child health services.....	36.8	7.1	3.3	1.1	1.2	.5	1.2	.....	.....	21.4	1.0
Other public health activities.....	66.4	.....	.....	.....	.....	.....	.....	.....	65.0	.....	1.4
Veterans' hospital and medical care.....	913.4	797.4	9.8	.....	.....	.....	.....	.....	.....	91.7	14.5
Medical vocational rehabilitation.....	12.1	3.6	6.2	.....	.....	.....	2.3	.....	.....	.....	.....
State and local, total.....	\$3,330.2	\$2,296.2	\$295.9	\$2.0	\$14.8	\$37.3	\$11.8	\$62.5	\$347.4	\$262.3	.....
Temporary disability insurance (medical benefits).....	40.8	30.9	8.9	.....	.5	.3	.3	.....	.....	.....	.....
Workmen's compensation (medical benefits).....	426.1	146.5	250.1	.....	12.5	8.5	8.5	.....	.....	.....	.....
Public assistance (vendor medical payments).....	299.0	105.9	30.7	.....	.....	27.8	.....	62.5	.....	72.1	.....
General hospital and medical care.....	1,992.2	1,992.2	.....	.....	.....	.....	.....	.....	.....	.....	.....
Maternal and child health services.....	109.6	18.6	2.6	2.0	1.8	.7	1.7	.....	.....	82.2	.....
School health.....	108.0	.....	.....	.....	.....	.....	.....	.....	.....	108.0	.....
Other public health activities.....	347.4	.....	.....	.....	.....	.....	.....	.....	347.4	.....	.....
Medical vocational rehabilitation.....	7.1	2.1	3.6	.....	.....	.....	1.3	.....	.....	.....	.....

<sup>1</sup> Represents administrative expenses for Indian health services only.

TABLE 5.—Amount and percentage distribution of national health expenditures by type of expenditure, selected years, 1950–66

Type of expenditure	1950	1955	1960	1961	1962	1963	1964	1965	1966
	Amount (in millions)								
Total.....	\$12,867	\$18,036	\$26,973	\$28,887	\$31,404	\$33,629	\$37,549	\$40,893	\$45,421
Health services and supplies.....	11,910	17,099	25,263	26,869	28,966	30,989	34,463	37,511	41,834
Hospital care.....	3,845	5,929	9,044	9,869	10,598	11,642	12,621	13,807	15,429
Federal facilities.....	728	902	1,221	1,358	1,432	1,480	1,535	1,600	1,673
State and local facilities.....	1,175	1,911	2,827	3,066	3,252	3,541	3,827	4,099	4,453
Nongovernmental facilities.....	1,942	3,116	4,996	5,445	5,913	6,621	7,259	8,107	9,303
Physicians' services.....	2,755	3,680	5,684	5,895	6,498	6,891	8,065	8,745	9,392
Dentists' services.....	975	1,525	1,977	2,067	2,234	2,277	2,648	2,808	3,015
Other professional services.....	395	559	862	882	902	921	940	960	986
Drugs and drug sundries.....	1,730	2,385	3,657	3,824	4,095	4,235	4,446	4,813	5,235
Eyeglasses and appliances.....	490	597	776	804	908	952	1,072	1,223	1,594
Nursing-home care.....	142	222	526	606	695	891	1,214	1,324	1,502
Expenses for prepayment and administration.....	300	614	863	997	1,088	1,097	1,176	1,298	1,629
Government public health activities.....	361	377	412	451	503	538	608	696	810
Other health services.....	917	1,211	1,462	1,474	1,445	1,545	1,673	1,837	2,242
Research and medical-facilities construction.....	957	937	1,710	2,018	2,438	2,640	3,086	3,382	3,587
Research.....	117	216	662	844	1,032	1,184	1,324	1,470	1,632
Construction.....	840	721	1,048	1,174	1,406	1,456	1,762	1,912	1,955
Publicly owned.....	496	370	443	403	421	426	471	521	538
Privately owned.....	344	351	605	771	985	1,030	1,291	1,391	1,447
	Percentage distribution								
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Health services and supplies.....	92.6	94.8	93.7	93.0	92.2	92.1	91.8	91.7	92.1
Hospital care.....	29.9	32.9	33.5	34.2	33.7	34.6	33.6	33.8	34.0
Federal facilities.....	5.7	5.0	4.5	4.7	4.6	4.4	4.1	3.9	3.7
State and local facilities.....	9.1	10.6	10.5	10.6	10.4	10.5	10.2	10.0	9.8
Nongovernmental facilities.....	15.1	17.3	18.5	18.8	19.7	19.3	19.3	19.8	20.5
Physicians' services.....	21.4	20.4	21.1	20.4	20.7	20.5	21.5	21.4	20.7
Dentists' services.....	7.6	8.4	7.3	7.2	7.1	6.8	7.1	6.9	6.6
Other professional services.....	3.1	3.1	3.2	3.1	2.9	2.7	2.5	2.3	2.2
Drugs and drug sundries.....	13.4	13.2	13.6	13.2	13.0	12.6	11.8	11.8	11.5
Eyeglasses and appliances.....	3.8	3.3	2.9	2.8	2.9	2.8	2.9	3.0	3.5
Nursing-home care.....	1.1	1.2	2.0	2.1	2.2	2.2	3.2	3.2	3.3
Expenses for prepayment and administration.....	2.3	3.4	3.2	3.5	3.5	3.3	3.1	3.2	3.6
Government public health activities.....	2.8	2.1	1.5	1.6	1.6	1.6	1.6	1.7	1.8
Other health services.....	7.1	6.7	5.4	5.1	4.6	4.6	4.5	4.5	4.9
Research and medical-facilities construction.....	7.4	5.2	6.3	7.0	7.8	7.9	8.2	8.3	7.9
Research.....	.9	1.2	2.5	2.9	3.3	3.5	3.5	3.6	3.6
Construction.....	6.5	4.0	3.9	4.1	4.5	4.3	4.7	4.7	4.3
Publicly owned.....	3.9	2.1	1.6	1.4	1.3	1.3	1.3	1.3	1.1
Privately owned.....	2.7	1.9	2.2	2.7	3.1	3.1	3.4	3.4	3.2
Total expenditures as a percent of gross national product.....	4.5	4.5	5.4	5.6	5.6	5.7	6.0	6.0	6.1

for physicians' services (\$381 million) and for eyeglasses and appliances (\$13 million).

Vendor medical payments under public assistance represented the sole government program for nursing-home care in 1966 where such expenditures were identifiable. In future years, however, Medicare and the Veterans Administration programs will also be the source of such expenditures. Public assistance was also the largest source of government expenditures for dentists' services (\$50.1 million) and for drugs and drug sundries (\$167 million).

## HISTORICAL DATA

### Trends in Health Expenditures

The Nation's expenditures for health rose from \$12.9 billion in 1950 to \$45.4 billion in 1966, an

average annual increase of 8.2 percent. From the preceding year alone, expenditures rose 11.1 percent, from \$40.9 billion in 1965 to \$45.4 billion in 1966. In terms of the gross national product, health expenditures increased from 4.5 percent in 1950 to 6.1 percent in 1966 (table 5).

Some changes have also occurred since 1950 in the distribution of health expenditures by type of outlay. Expenditures for hospital care represented 34 percent of 1966 expenditures compared with 30 percent in 1950. Nursing-home expenditures rose from 1 percent in 1950 to 3 percent in 1966 and are expected to account for an even larger proportion in 1967 and in future years because of Medicare. Although expenditures for medical research represented a larger portion of the 1966 expenditures (4 percent compared with 1 percent in 1950), construction expenditures have decreased proportionately—from nearly 7

TABLE 6.—Per capita national health expenditures, 1960–66 <sup>1</sup>

Type of expenditure	1950	1955	1960	1961	1962	1963	1964	1965	1966
Total national health expenditures.....	\$84.49	\$108.67	\$149.25	\$157.17	\$168.21	\$177.50	\$195.41	\$210.12	\$230.69
Health services and supplies.....	78.20	103.03	139.79	146.19	155.15	163.57	179.34	192.74	212.47
Hospital care.....	25.25	35.72	50.04	53.70	56.77	61.45	65.68	70.94	78.36
Physicians' services.....	18.09	22.17	31.45	32.07	34.81	36.37	41.97	44.93	47.70
Dentists' services.....	6.40	9.19	10.94	11.25	11.97	12.02	13.78	14.43	15.31
Other professional services.....	2.59	3.37	4.77	4.80	4.83	4.86	4.89	4.93	5.01
Drugs and drug sundries.....	11.36	14.37	20.24	20.81	21.93	22.35	23.14	24.73	26.59
Eyeglasses and appliances.....	3.22	3.60	4.29	4.37	4.86	5.02	5.58	6.28	8.10
Nursing-home care.....	.93	1.34	2.91	3.30	3.72	4.70	6.32	6.80	7.63
Expenses for prepayment and administration.....	1.97	3.70	4.78	5.42	5.83	5.79	6.12	6.67	8.27
Government public health activities.....	2.37	2.27	2.28	2.45	2.69	2.84	3.16	3.58	4.11
Other health services.....	6.02	7.30	8.09	8.02	7.74	8.15	8.71	9.44	11.39
Total national health expenditures in 1966 prices <sup>2</sup> .....	146.94	156.59	176.21	180.24	188.15	193.78	208.99	219.33	230.69

<sup>1</sup> Based on total population, including Armed Forces and Federal civilian employees abroad as of July 1.

<sup>2</sup> Based on medical care component of the consumer price index.

percent to 4 percent. Other health activities also showed a decrease relatively—7 percent in 1950, compared with 5 percent in 1966.

The substantial rise in national health expenditures since 1950 is the result of many factors. One is simply the growth in population; other factors are the rising costs or prices per unit of service, the increase in the average per capita utilization of health services and supplies, and the increase in the level and scope of services resulting from new techniques, drugs, and treatment procedures.

To eliminate growth in population as a factor contributing to higher expenditures, expenditures were converted to a per capita basis (table 6). With the population factor eliminated, expenditures were still found to be substantially higher—\$84.49 per capita in 1950 and \$230.69 in 1966. This increase represents a rise of 173 percent, an average annual increase of 6.5 percent.

To eliminate the factor of rising costs, as well as population, per capita expenditures were converted to the 1966 level of medical care prices based on the medical care component of the consumer price index published by the Bureau of Labor Statistics. In terms of 1966 constant dollars, the 1966 expenditures represented a 57-percent increase over those in 1950—an average annual increase of 2.9 percent. Much of this growth has taken place in the past few years. In constant dollars, the average annual increase since 1963 was 6 percent. Although total expenditures rose 11.1 percent in the calendar year 1966, the increase is only 5.2 percent when price and population changes are eliminated.

The figures above show the effect of various factors on health expenditures but do not show

the proportion of the increase that can be attributed to each factor. The calculation of these proportions is most meaningful in terms of personal health care expenditures, which are defined here as all expenditures for health services and supplies except expenses for prepayment and administration, government public health activities, and amounts spent by private voluntary agencies for fundraising and general health services. This definition is in accord with that used in the social welfare expenditures series.

Personal health care expenditures, shown in table 7, amounted to \$39.1 billion in 1966, an increase of nearly \$4 billion over 1965 and 3½ times the total in 1950. Chart 3 shows that of the \$28 billion increase since 1950, 46 percent can be attributed to increases in medical care prices and 18 percent to the population increase. The remaining portion—35 percent—represents the increase resulting from greater utilization of services and the introduction of new medical techniques.

### Consumer Expenditures

Private consumer expenditures for health services and supplies, as shown here, include all payments by private individuals for such care and for purchase of health insurance. They also include contributions or payments by employers for the purchase of health insurance for their employees. They do not, however, include premium payments by aged persons enrolled under Medicare, payments for the medical care of injured workers under workmen's compensation programs, or payments for medical care made by the State funds under the California and New

TABLE 7.—Amount and percent of personal health care expenditures and consumer expenditures for personal health care met by private insurance, selected years, 1950–66

[In millions]

Year	Personal health care expenditures <sup>1</sup>	Consumer expenditures for personal health care		Private insurance payments		
		Amount	Percent	Amount <sup>2</sup>	As a percent of—	
					Personal health care	Consumer expenditures
All types of service						
1950	\$11,109	\$8,201	73.8	\$992	8.9	12.1
1955	15,933	11,807	74.1	2,536	15.9	21.5
1960	23,758	18,066	76.0	4,996	21.0	27.7
1961	25,184	19,031	75.6	5,695	22.6	29.9
1962	27,131	20,555	75.8	6,344	23.4	30.9
1963	29,088	22,028	75.7	6,980	24.0	31.7
1964	32,408	24,837	76.6	7,832	24.2	31.5
1965	35,242	26,988	76.6	8,729	24.8	32.3
1966	39,115	28,660	73.3	9,142	23.4	31.9
Hospital care						
1950	\$3,845	\$1,965	51.1	\$680	17.7	34.6
1955	5,929	3,244	54.7	1,679	28.3	51.8
1960	9,044	5,188	57.4	3,304	36.5	63.7
1961	9,869	5,692	57.7	3,766	38.2	66.2
1962	10,598	6,153	58.1	4,197	39.6	68.2
1963	11,642	6,912	59.4	4,642	39.9	67.2
1964	12,621	7,613	60.3	5,187	41.1	68.1
1965	13,807	8,463	61.3	5,790	41.9	68.4
1966	15,429	8,772	56.9	5,993	38.8	68.3
Physicians' services <sup>3</sup>						
1950	\$2,755	\$2,597	94.3	\$312	11.3	12.0
1955	3,680	3,433	93.3	857	23.3	25.0
1960	5,684	5,309	93.4	1,593	28.0	30.0
1961	5,895	5,497	93.2	1,796	30.5	32.7
1962	6,498	6,042	93.0	1,992	30.7	33.0
1963	6,891	6,406	93.0	2,153	31.2	33.6
1964	8,065	7,543	93.5	2,427	30.1	32.2
1965	8,745	8,184	93.6	2,680	30.6	32.7
1966	9,392	8,608	91.7	2,831	30.1	32.9
Other						
1950	\$4,509	\$3,639	80.7	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
1955	6,324	5,130	81.1	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
1960	9,030	7,669	83.8	\$99	1.1	1.3
1961	9,420	7,860	83.4	133	1.4	1.7
1962	10,035	8,360	83.3	155	1.5	1.9
1963	10,555	8,710	82.5	185	1.8	2.1
1964	11,722	9,681	82.6	218	1.9	2.3
1965	12,690	10,341	81.5	259	2.0	2.5
1966	14,294	11,280	78.9	318	2.2	2.8

<sup>1</sup> All expenditures for health services and supplies other than (1) expenses for prepayment and administration, (2) government public health activities, and (3) expenditures of private voluntary agencies for other health services.

<sup>2</sup> For 1966, based on data from Louis S. Reed, "Private Health Insurance: Coverage and Financial Experience, 1940-66," *Social Security Bulletin*,

November 1967; for other years, based on earlier *Bulletin* articles in the private health insurance series.

<sup>3</sup> Includes insurance payments of small amounts for other types of professional services for 1950 and 1955.

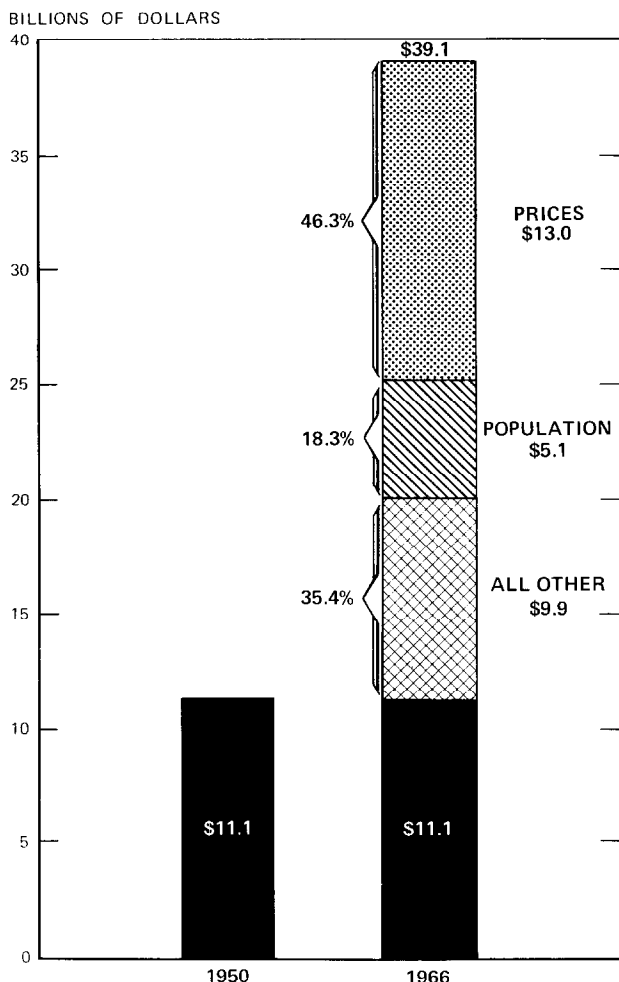
<sup>4</sup> Included in physicians' services.

York temporary disability programs. Such payments have been classified as government expenditures. Also excluded are all other government payments for medical care, as well as philanthropic contributions to hospitals or other health agencies and payments by philanthropic organizations, "united funds," "community chests," and similar organizations to hospitals, physicians, etc., for the care of needy or medically indigent patients.

Private consumer expenditures for health services and supplies (\$30.1 billion) accounted for 5.9 percent of the national disposable income in 1966—a decrease from the 1965 figure of 6.0 percent. This decline is the first in the 16 years covered by table 8 and can be attributed to the shift from consumer to government expenditures because of the new public programs, primarily Medicare.

Per capita consumer expenditures amounted to

CHART 3.—Factors affecting the increase in personal health care expenditures, 1950 and 1966



\$155.24 in 1966, an increase of more than 175 percent since 1950 (table 8). When adjustments are made for the rise in medical care prices, consumer spending for health purposes grew approximately 58 percent in the same 16-year period. Because of the recent shift in source of funds, however, 1966 expenditures showed scarcely any rise from expenditures in the preceding year. In constant dollars, the increase amounted to only \$1.50, compared with \$7.00 between 1964 and 1965.

As a proportion of personal health care expenditures, consumer expenditures for such care have decreased—73 percent in 1966 compared with 77 percent in 1965. The proportion in 1966 is the lowest in the 16-year period and again is attributable to the shift in the source of funds for such expenditures.

### Third-Party Payments

Third-party payments include private health insurance benefit payments, government expenditures including those for health insurance for the aged and philanthropy and the expenditures of employers to maintain industrial in-plant health facilities.

The proportion of personal health care expenditures met by third parties has increased significantly since 1950 (table 9). In that year, third-party payments represented only 35 percent of personal health care expenditures. The proportion rose to 45 percent in 1960, and by 1966 had reached 50 percent.

The type of third party providing payment has also changed considerably since 1950, when government funds represented two-thirds of the third-party payments, private health insurance accounted for one-fourth, and philanthropy and others took care of the balance. In 1960, private health insurance payments and government expenditures each represented about 47 percent of the third-party payments, and philanthropy and others accounted for only 5 percent. By 1965, private health insurance payments were slightly larger than government payments—\$8.7 billion and \$7.6 billion, respectively. In 1966, however, a change in the trend occurred with the government again providing a larger proportion. Of the \$19.6 billion total in third-party payments in 1966, \$9.7 billion came from the government, \$9.1 billion came from private health insurance, and \$0.7 billion came from philanthropy and other sources.

The diminishing role played by private health insurance in paying for personal health care is primarily in the area of hospital care (table 7). Private insurance payments represented 39 percent of hospital care expenditures in 1966, compared with 42 percent in 1965. For physicians' services, the decrease was nominal and for other health services there was a slight increase. The substantial government payments for hospital care of the aged reduced private health insurance outlays for this large population group. As a proportion of consumer expenditures for hospital care, however, private insurance payments remained about the same.

When third-party payments are deducted from total personal health care expenditures, the re-

TABLE 8.—Gross and per capita amounts of private consumer expenditures for health services and supplies, by type of expenditure, selected years, 1950–66

Type of expenditure	1950	1955	1960	1961	1962	1963	1964	1965	1966
	Amount (in millions)								
Total.....	\$8,501	\$12,421	\$18,911	\$20,009	\$21,622	\$23,102	\$25,988	\$28,260	\$30,082
Hospital care.....	1,965	3,244	5,188	5,692	6,153	6,912	7,613	8,463	8,772
Physicians' services.....	2,597	3,433	5,309	5,479	6,042	6,406	7,543	8,184	8,608
Dentists' services.....	961	1,508	1,974	2,063	2,210	2,250	2,615	2,773	2,959
Other professional services.....	370	531	826	842	854	869	887	895	905
Drugs and drug sundries.....	1,716	2,355	3,598	3,750	4,002	4,126	4,320	4,671	5,049
Eyeglasses and appliances.....	482	586	760	783	885	925	1,045	1,193	1,560
Nursing-home care.....	110	150	411	422	409	540	814	809	807
Expense for prepayment.....	300	614	845	978	1,067	1,074	1,151	1,272	1,422
Total consumer expenditures as a percent of national disposable personal income.....	4.1	4.5	5.4	5.5	5.6	5.7	5.9	6.0	5.9
	Per capita <sup>1</sup>								
Total.....	\$56.38	\$76.22	\$106.15	\$110.42	\$117.64	\$123.76	\$137.23	\$147.27	\$155.24
Hospital care.....	13.03	19.91	29.12	31.41	33.48	37.03	40.20	44.10	45.27
Physicians' services.....	17.22	21.07	29.80	30.24	32.87	34.32	39.83	42.65	44.42
Dentists' services.....	6.37	9.25	11.08	11.38	12.02	12.05	13.81	14.45	15.27
Other professional services.....	2.45	3.26	4.64	4.65	4.66	4.66	4.68	4.66	4.67
Drugs and drug sundries.....	11.38	14.45	20.20	20.69	21.77	22.10	22.81	24.34	26.06
Eyeglasses and appliances.....	3.20	3.60	4.27	4.32	4.82	4.96	5.52	6.22	8.05
Nursing-home care.....	.73	.92	2.31	2.33	2.23	2.89	4.30	4.22	4.16
Expense for prepayment.....	1.99	3.77	4.74	5.40	5.81	5.75	6.08	6.63	7.34
Total consumer expenditures per capita in 1966 prices <sup>2</sup> .....	98.05	109.83	125.32	126.63	131.59	135.11	146.77	153.73	155.24

<sup>1</sup> Based on U.S. civilian resident population as of July 1.

<sup>2</sup> Based on medical care component of the consumer price index.

mainder represents the out-of-pocket outlays—the amount the consumer must pay himself. Although the aggregate amount of out-of-pocket expenditures has increased, the proportion of total personal health care expenditures has declined—from 65 percent in 1950 to 50 percent in 1966 thereby lessening the burden on the consumer (chart 4). Out-of-pocket expenditures will probably continue to represent a diminishing proportion of personal health care expenditures.

## DEFINITIONS, METHODOLOGY, AND SOURCES OF DATA

The national health expenditures estimates in this article are prepared in conjunction with similar data presented in the social welfare expenditures series. The amounts reported in the two series are essentially the same, except that estimates in this series are on a calendar-year basis and those in the social welfare series are on a fiscal-year basis. In addition, the national health expenditures shown here are reported by type of expenditure (hospital care, physicians' and dentists' services, etc.) and by source of funds. The social welfare series presents the expenditures in the public sector by government program and

those in the private sector by major category of expenditure (direct payments, insurance benefits, etc.).

Expenditures for both series are developed at the same time. The health and medical expenditures under public programs in the social welfare series are calculated by adding fiscal-year expenditures for each program specifically concerned with health to the medical care expenditures under programs for social insurance, public assistance, veterans' programs, and other programs.<sup>2</sup>

In the private sector, the data are estimated first on a calendar-year basis by type of expenditure and then presented in summary form in the fiscal-year report. The general method is to estimate the total outlays for each type of medical service or expenditure and to deduct the amounts paid to public and private hospitals, physicians in private practice, etc., under the public programs reported in the social welfare expenditures series. Except for a few programs where calendar figures are available, the fiscal-year figures from the social welfare series are averaged to obtain calendar-year figures and then allocated by type

<sup>2</sup> For a complete description of these public programs, see *Social Welfare Expenditures Under Public Programs in the United States, 1929–66*, Social Security Administration, Research Report No. 25 (in press).



TABLE 9.—Amount and percent of expenditures for personal health care met by third parties, selected years, 1950–66

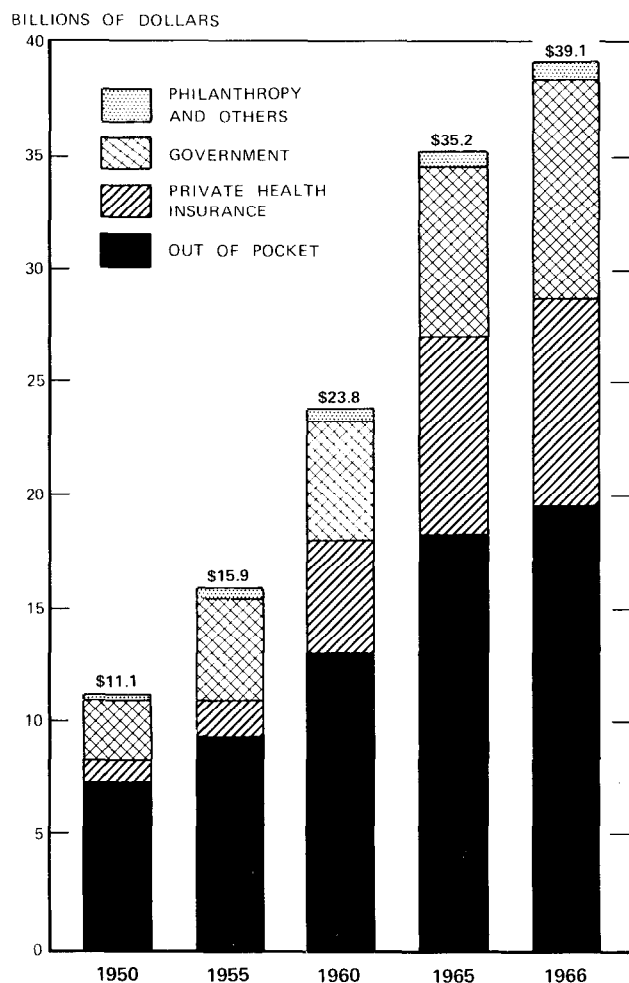
[Amounts in millions]

Year	Personal health care expenditures <sup>1</sup>	Out-of-pocket expenditures		Third-party payments							
		Amount	Percent	Total		Private health insurance		Government		Philanthropy and others	
				Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
1950.....	\$11,109	\$7,209	64.9	\$3,900	35.1	\$992	8.9	\$2,588	23.3	\$320	2.9
1955.....	15,933	9,271	58.2	6,662	41.8	2,536	15.9	3,705	23.3	421	2.6
1960.....	23,758	13,068	55.0	10,690	45.0	4,996	21.0	5,157	21.7	537	2.3
1961.....	25,184	13,334	52.9	11,850	47.1	5,695	22.6	5,578	22.1	577	2.3
1962.....	27,131	14,212	52.4	12,919	47.6	6,344	23.4	5,967	22.0	608	2.2
1963.....	29,088	15,048	51.7	14,040	48.3	6,980	24.0	6,419	22.1	641	2.2
1964.....	32,408	17,005	52.5	15,403	47.5	7,832	24.2	6,903	21.3	668	2.1
1965.....	35,242	18,259	51.8	16,983	48.2	8,729	24.8	7,557	21.4	697	2.0
1966.....	39,115	19,517	49.9	19,598	50.1	9,142	23.4	<sup>2</sup> 9,712	24.8	744	1.9

<sup>1</sup> All expenditures for health services and supplies other than (1) expenses for prepayment and administration, (2) government public health activities, and (3) expenditures of private voluntary agencies for other health services.

<sup>2</sup> Includes benefit payments under health insurance for the aged (Medicare).

CHART 4.—Personal health care expenditures by source of payment, selected years 1950–66



of expenditure on the basis of published and unpublished reports for each program.

The private sector is further subdivided into

consumer payments, philanthropic expenditures, and the "other" category, representing expenditures for industrial in-plant services. In general, the consumer expenditures are residual amounts, derived by deducting expenditures from philanthropic and government sources from the total expenditures for each type of service.

### Hospital Care

The estimates of expenditures for hospital care are based on the data on hospital finances published by the American Hospital Association, projected to represent data for the calendar year in question and increased slightly to allow for nonreporting and osteopathic hospitals. Expenditures for the education and training of physicians and other health personnel are included where they are not separable from the costs of hospital operations.

There are some definitional differences between the public and private sectors in hospital care expenditures. Expenditures by the Veterans Administration and the Department of Defense for physicians' services are included as part of hospital care expenditures. Services of paid physicians in mental, tuberculosis, and general hospitals, whether public or private are part of hospital care. The cost of drugs used in hospitals are also included in hospital care. Anesthesia and X-ray services are sometimes hospital and sometimes expenditures for physician services.

Estimates of the sources of funds are made for each type of hospital ownership separately.

The Federal expenditures for Federal hospitals represent the total expenses of the hospitals, less consumer payments for care in such hospitals and any payments to them by State and local governments.

State and local government expenditures for care in their own hospitals represent total hospital expenses of State and local governments, plus vendor payments from State and local programs, less State and local payments to Federal and nongovernment hospitals.

Consumer payments for care in nongovernment hospitals represent total revenues of the hospitals, less Federal, State, and local government payments and less estimated receipts from philanthropy.

### **Services of Physicians' and Other Health Professionals**

The estimates of expenditures for the services of physicians in private practice are based on the gross incomes from self-employment practice reported by physicians to the Internal Revenue Service on Schedule C of the income-tax return (as shown in *Statistics of Income*, published by the Internal Revenue Service). Data are totaled for physicians in sole proprietorships, partnerships, and offices organized as corporations. The total also includes the estimated gross receipts of osteopathic physicians, a share of the gross receipts of medical and dental laboratories estimated to represent patient payments to medical laboratories, and the estimated expenses of group-practice prepayment plans in providing physicians' services (to the extent that these are not included in physicians' income from self-employment). Estimated receipts of physicians for making life insurance examinations are deducted.

The gross receipts of physicians and dentists represent total expenditures for these services. Consumer payments are estimated by deducting vendor payments under government programs and estimated payments to physicians and dentists from philanthropic agencies.

The salaries of physicians and dentists on the staffs of hospitals and hospital outpatient facilities are considered a component of hospital care. The salaries of physicians and dentists serving in dispensaries and field services of the Armed

Forces and the Indian Health Service are included in expenditures of "other health activities." Also excluded are expenditures for their education and training (except in hospitals), which are considered as expenditures for education.

The Internal Revenue Service now provides data on the income of other health professionals in private practice. Expenses of visiting nurse associations, estimated from surveys conducted by the National League for Nursing, are added to the private income of other health professionals. Deductions and exclusions are made in the same manner as for expenditures for physicians' and dentists' services.

### **Drugs and Drug Sundries, Eyeglasses, and Appliances**

The basic source of the estimates for drugs and drug sundries and for eyeglasses and appliances is the report of personal consumption expenditures in the Department of Commerce national income accounts in the *Survey of Current Business*. To estimate the consumer portion, vendor payments under workmen's compensation programs are subtracted. The Department of Commerce counts this expenditure as a consumer expenditure, but the Office of Research and Statistics counts it as an expenditure of government. Total expenditures for drugs and appliances are the sum of the Department of Commerce estimates and the expenditures under all public programs for these products.

### **Nursing-Home Care**

Only rough estimates of national expenditures for nursing-home care can be made from available data. These estimates are based on the number of long-term general beds reported annually by the State hospital planning agencies under the Hill-Burton hospital construction program, with adjustments to exclude long-term beds in non-Federal general hospitals. Application of occupancy rates for the various ownership groups of nursing homes, as reported in a Public Health Service inventory, yields the estimated number of days of care provided in nursing homes. To obtain total expenditures in nursing homes, the

average cost per day, as reported in the annual nationwide survey of *Professional Nursing Home*, is multiplied by total days of care.

Consumer expenditures in nursing homes represent the difference between total nursing-home expenditures and expenditures from philanthropic and governmental sources.

### **Expenses for Prepayment and Administration**

Prepayment expenses represent the difference between the earned premiums or subscription charges of health insurance organizations and their claim or benefit expenditures (expenditures in providing such services in the case of organizations that directly provide services). In other words, it is the amount retained by health insurance organizations for operating expenses, additions to reserves, and profits and is considered a consumer expenditure.

The data on the financial experience of health insurance organizations are reported annually in an article on private health insurance.<sup>3</sup>

The administration component represents the administrative expenses (where they are reported) of federally financed health programs. Such data were available for the following programs: health insurance for the aged, military dependents' medical care, maternal and child health services, Indian health, and the Veterans Administration hospital and medical program.

### **Government Public Health Activities**

The category "government public health activities" is the same as the "other public health activities" category in the social welfare series. The Federal portion is comprised of Public Health Service expenditures for disease prevention, community health, environmental control, Indian health field services, salaries and expenses of the Office of the Surgeon General, national health statistics, the National Library of Medicine, emergency health activities, and other miscellaneous items. In addition, public health activities of the Food and Drug Administration,

<sup>3</sup> See Louis S. Reed, "Private Health Insurance: Coverage and Financial Experience, 1940-66," *Social Security Bulletin*, November 1967.

Canal Zone, and the Cuban refugee program are included. The data for these programs are taken from the *United States Budget and Budget Appendix*.

The State and local portion represents expenditures of all State and local health departments and intergovernmental payments to the States and localities for public health activities. It excludes expenditures of other State and local government departments for air—and water—pollution control, sanitation, water supplies, and sewage treatment. The source of these data is *Government Finances*, the annual publication of the Bureau of the Census.

### **Other Health Activities**

Items of expenditures that could not be elsewhere classified are brought together in the category, "other health activities." It includes, for each public program, the residual amount of expenditures not classified as a specific type of medical service. In addition, it includes the following programs, previously listed separately: (1) industrial in-plant services, (2) school health services, (3) medical activities in Federal units other than hospitals, and (4) those of private voluntary health agencies.

Industrial in-plant services consist of amounts spent for maintaining in-plant health services and are based on estimates made by the Division of Occupational Health of the Public Health Service. This item is classified as a private expenditure in the "other" category and is readily identifiable in table 1 as the only portion of "other health services" so classified.

School health services are also readily identified as they are the only State and local expenditure in this category. Expenses for these services, estimated by the Office of Education, are reported as a separate item in the social welfare expenditures series. The amounts reported here are an average of the fiscal-year data.

Medical activities in Federal units other than hospitals are residual amounts representing primarily the cost of maintaining outpatient facilities (separately from hospitals), dispensaries, and field and shipboard medical stations. Such expenditures are the only Federal outlays in this category.

Expenditures for private voluntary health agencies, identified as a private philanthropic expense, are the expenditures that remain after amounts for hospital care, physicians' services, etc., have been distributed. They represent the amounts spent for health education, lobbying, fundraising, etc.

### **Medical Research**

Expenditures for medical research include all such spending by agencies whose primary object is the advancement of human health. Also included are those research expenditures directly related to health that are made by other agencies, such as those of the Department of Defense or the National Aeronautics and Space Administration. Research expenditures of drug and medical supply companies are excluded, since they are included in the cost of the product. The public amounts reported here represent the averages of the fiscal year data for medical research reported in the social welfare expenditures series. The amounts shown for public and private expenditures are based on published and unpublished estimates prepared by the Resources Analysis Branch of the National Institutes of Health,

primarily in the periodic publications, *Resources for Medical Research* and *Basic Data Relating to the National Institutes of Health*.

### **Construction of Medical Facilities**

Expenditures for construction represent "value put in place" for hospitals, nursing homes, medical clinics, and medical-research facilities but not for private office buildings providing office space for private practitioners. Excluded are amounts spent for construction of water-treatment or sewage-treatment plants and Federal grants for these purposes.

The data for value put in place for construction of publicly and privately owned medical facilities in each year are taken from the Department of Commerce report, *Construction Review*. Amounts spent by Federal and State and local governments for construction, as reported in the social welfare expenditures series, are converted to a calendar-year basis, and subtracted from the total. The residual represents the amount coming from private funds. The source-of-funds distribution of expenditures in each type of facility (public and private) is based on various published and unpublished reports.