

National Health Expenditures, 1929-72

by BARBARA S. COOPER and NANCY L. WORTHINGTON*

This article presents the fiscal year 1972 estimates in the annual national health expenditures series. The health expenditure data are analyzed for a variety of factors, including type of expenditure, source of funds, historical trends, and the effect of the economic stabilization program. In summary, the article reports that health spending in fiscal year 1972 reached \$83.4 billion—\$394 per person—and represented 7.6 percent of the GNP. The impact of the economic stabilization program was felt as expenditures rose at the lowest annual rate in 6 years—10.3 percent. Third-party payments, however—those of government, private health insurance, industry, and philanthropy—increased 14 percent, reducing the direct out-of-pocket share of personal health care expenditures to 35 percent, compared with 38 percent in the previous year.

IN THE FISCAL YEAR 1972, the Nation spent \$83.4 billion for health. Increasing 10.3 percent over 1971, health expenditures registered the lowest annual percentage gain in 6 years. The gross national product (GNP), on the other hand, showed the largest percentage gain in several years—8.4 percent. As a result, health spending rose slightly as a proportion of GNP—from 7.5 to 7.6 percent (chart 1).

Highlights of health spending in fiscal year 1972 reveal that

- the Nation paid an \$83.4 billion health bill that represented 7.6 percent of the GNP
- each person incurred an average health bill of \$394—\$33 more than in the previous year
- the impact of the economic stabilization program that began in August 1971 was felt as total health outlays increased at the lowest annual rate in 6 years
- third-party payments increased 14 percent, with government outlays rising 15 percent and private health insurance benefits growing 13 percent
- one-third of the rise in Government spending for health services and supplies was due to the 21-percent increase in Medicaid outlays

- third parties together—government, private health insurance, philanthropy, and industry—financed 65 percent of the total personal health care bill, 92 percent of the hospital bill, and 59 percent of the bill for physicians' services
- direct out-of-pocket payments rose just 1.6 percent and represented 35 percent of the total personal health care bill, compared with 38 percent in the previous year
- hospital care continued to be the largest item of expenditure, increasing 10.6 percent to a total of \$32.5 billion.

EXPENDITURES IN FISCAL YEAR 1972

The \$83.4 billion medical care bill in fiscal year 1972 represents an addition of \$7.8 billion over the previous year. A growth of 10.3 percent, it is the lowest relative increase in 6 years. Per capita expenditures reached \$394 for the year, a rise of 9.2 percent (table 1).¹

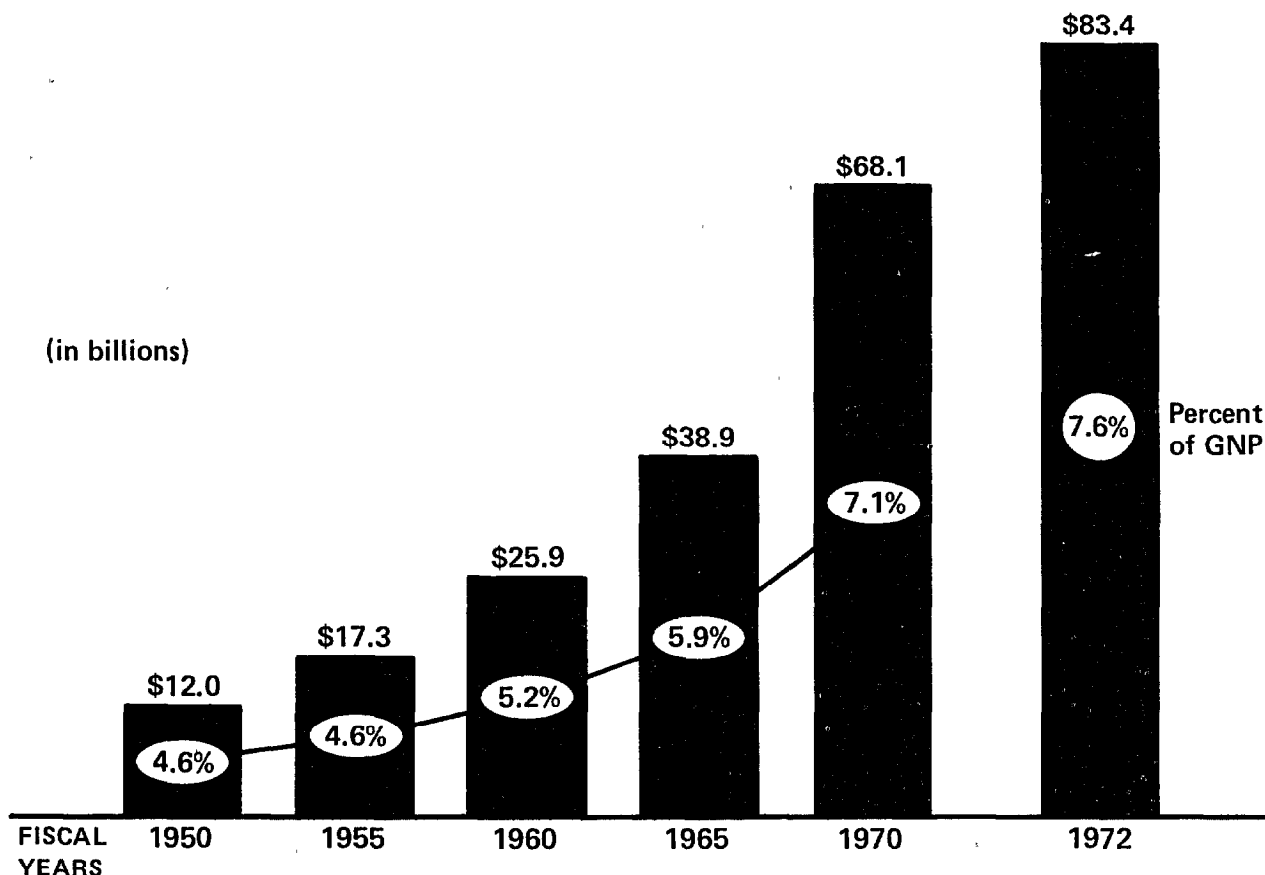
Health expenditures are a function of the price of goods and services, use of services, supply of facilities and personnel, and developments in medical technology. The deceleration in aggregate spending and in spending for most types of services during fiscal year 1972 reflected, in part, the slowdown in the growth of medical care prices that took place during the year. This slowdown in the rate of inflation resulted largely from the economic stabilization program, instituted on August 15, 1971, with a 3-month wage-price freeze and continuing with the imposition of wage-price controls on most sectors of the economy—including the health services industry. More than 10 months of fiscal year 1972 were thus affected by the new economic policies.

As a proportion of total expenditures in fiscal year 1972, hospital care once again had the largest share—39 percent. The percentage increase in

¹ For comparable data on a calendar-year basis, see Barbara S. Cooper and Nancy L. Worthington, *National Health Expenditures, Calendar Years 1929-71* (Research and Statistics Note No. 3), Office of Research and Statistics, 1973.

* Division of Health Insurance Studies, Office of Research and Statistics.

CHART 1.—National health expenditures and percent of gross national product, selected fiscal years 1950-72



spending for hospital care also was the lowest in 6 years, but still amounted to 10.6 percent. By contrast, during the 5-year period ending with fiscal year 1971, spending for this purpose had grown at an average annual rate of 15.6 percent.

The rise in outlays for hospital care reflects the continuing increase in charges paid by hospitals for services and supplies, wages of hospital personnel, and improvements in the quality of services. During fiscal year 1972, the semiprivate-room-charges component of the BLS consumer price index rose 9.4 percent.² The increase in 1971 was considerably higher—13.2 percent.

²The semiprivate-room charge represents the basic charge for the most common type of accommodation but does not include other charges typically included in the hospital bill, such as laboratory work, X-rays, drugs, use of operating room, and special nursing. Beginning January 1971, the Bureau of Labor Statistics added seven ancillary charges and developed a composite index for hospital service charges. Comparable data are not available for earlier periods.

Hospital costs, rather than charges, are the major determinant of expenditure, since the majority of hospital financing is on a cost-reimbursement basis, either under government programs or by insurance companies. The American Hospital Association measure of hospital costs is the expense per patient day. During fiscal year 1972, this measure increased 12.4 percent, less than the 13.2-percent rise of the previous year.

Although hospital costs rose at decelerated rates, they still may seem to be high in light of the economic stabilization program. Several of the noncontrollable factors affecting hospital costs, however, precluded a lower expense per patient day. Data from the American Hospital Association (AHA) show that for community hospitals (which account for more than three-fourths of hospital care expenditures) declines in the average length of stay and in the rate of occupancy, along with a very slight increase in admissions, resulted in a decrease in inpatient

TABLE 1.—Aggregate and per capita national health expenditures, by source of funds, and percent of gross national product, selected fiscal years, 1928–29 through 1971–72

Fiscal year	Gross national product (in billions)	Health expenditures								
		Total			Private			Public		
		Amount (in millions)	Per capita	Percent of GNP	Amount (in millions)	Per capita	Percent of total	Amount (in millions)	Per capita	Percent of total
1928-29.....	\$101.0	\$3,589	\$29.16	3.6	\$3,112	\$25.28	86.7	\$477	\$3.88	13.3
1931-35.....	68.7	2,816	22.04	4.1	2,303	17.84	80.9	543	4.21	19.1
1939-40.....	95.1	3,863	28.83	4.1	3,081	22.99	79.8	782	5.84	20.2
1949-50.....	263.4	12,028	78.35	4.6	8,962	58.38	74.5	3,065	19.97	25.5
1954-55.....	379.7	17,330	103.76	4.6	12,909	77.29	74.5	4,420	26.46	25.5
1959-60.....	495.6	25,856	141.63	5.2	19,460	106.60	75.3	6,395	35.03	24.7
1961-65.....	655.6	38,892	197.81	5.9	29,357	149.32	75.5	9,535	48.50	24.5
1965-66.....	718.5	42,109	211.64	5.9	31,279	157.21	74.3	10,830	54.43	25.7
1966-67.....	771.4	47,860	237.93	6.2	32,037	159.27	66.9	15,823	78.66	33.1
1967-68.....	827.0	53,563	263.49	6.5	33,523	164.91	62.6	20,040	98.58	37.4
1968-69.....	899.0	59,975	292.19	6.7	37,041	180.46	61.8	22,934	111.73	38.2
1969-70.....	955.1	68,058	328.17	7.1	42,823	206.49	62.9	25,235	121.68	37.1
1970-71.....	1,010.6	75,624	360.89	7.5	47,018	224.52	62.2	28,576	136.37	37.8
1971-72.....	1,095.9	83,417	394.16	7.6	50,560	238.90	60.6	32,857	155.25	39.4

days from fiscal year 1971 to fiscal year 1972.

When the rate of occupancy falls, the fixed hospital costs—which tend to be a high proportion of the total—are spread over fewer days of care, and the cost per day rises. A reduction in average length of stay may further increase the cost per day because patients are receiving more services for each day spent in the hospital. The following tabulation presents utilization and expense data for community hospitals for the past 7 years.

Fiscal year	Admissions (in thousands)	Patient days (in thousands)	Average length of stay (days)	Occupancy rate (percent)	Out-patient visits (in thousands)	Total expenses (in millions)	Expense per patient day
Number or amount in year							
1965.....	26,557	202,098	7.6	77.1	89,078	\$8,828	\$43.68
1966.....	26,831	203,647	7.6	76.4	91,083	9,721	47.73
1967.....	27,048	214,454	7.9	78.0	100,301	11,510	53.67
1968.....	27,465	221,891	8.1	78.2	108,150	13,697	61.73
1969.....	28,027	227,633	8.1	78.5	113,921	15,965	70.13
1970.....	29,247	231,643	7.9	77.4	126,639	18,669	80.70
1971.....	30,312	234,413	7.7	77.1	142,582	21,418	91.37
1972.....	30,706	232,892	7.6	75.1	152,810	23,925	102.73
Percentage change from preceding year							
1966.....	1.0	0.8	-----	-0.9	5.6	10.1	9.3
1967.....	.8	5.3	-----	2.1	6.6	18.4	12.4
1968.....	1.5	3.5	2.5	.3	7.8	19.0	15.0
1969.....	2.0	2.6	-----	.4	5.3	16.6	13.6
1970.....	4.4	1.8	-2.4	-1.4	11.2	16.9	16.1
1971.....	3.6	1.2	-2.5	-.4	12.6	14.7	13.2
1972.....	1.3	-6	-1.3	-2.6	7.0	11.7	12.4

Source: "Hospital Indicators," *Hospitals*, midmonth issues.

Technological change also accounts for increased hospital care outlays. Physicians are using more intensive, costly, and presumably more effective services. Hospitals are acquiring more

costly equipment, and such acquisitions are reflected in higher daily patient costs. American Hospital Association data, for example, show that 346 additional hospitals acquired intensive cardiac care units from 1970 to 1971—an increase of 14 percent.

Another factor in increased hospital care outlays is the steady growth in the number of outpatient visits in recent years. The rise in the total number of visits in community hospitals from fiscal year 1971 to fiscal year 1972 was 7.0 percent. Although the cost of an outpatient visit is considerably less than that of an inpatient day, the rapid growth in the use of outpatient services has had some impact on hospital expenditures.

The second largest category of expenditure was physicians' services. In 1972, expenditures for such services rose 7.4 percent to nearly \$16.2 billion. The growth in these outlays in part reflects increases in the supply and productivity of physicians. From December 1970 to December 1971 (the latest period for which data are available) the total number of active physicians rose about 3.6 percent. In addition, data from the National Disease and Therapeutic Index indicate that the total number of visits to physicians in private practice was 6 percent higher than the number in the preceding year, suggesting that the number of visits per physician—a significant measure of productivity—increased during fiscal year 1972.

The major factor contributing to the growth

in expenditures for physicians' services, however, was price increase. Fees for these services rose 5.2 percent in fiscal year 1972. Compared with the 1971 fee increase of 7.5 percent, this is a significant deceleration. In light of the Price Commission's ruling that physicians must limit aggregate annual fee increases to 2.5 percent, the average annual increase of 5.2 percent may appear to be excessive.³ In assessing the effectiveness of the economic stabilization program in containing physicians' fees, the average annual increase used here is not an appropriate measure as it is significantly influenced by price rises during the last months of the previous period.⁴

For example, physicians' fees rose so quickly during the last few months of fiscal year 1971, that by June the index was 3.3 percent higher than the average for the fiscal year. If physicians during 1972 had not raised their fees beyond the June 1971 level, the average annual increase in fiscal year 1972 would still have been 3.3 percent. The June 1971 to June 1972 price rise in physicians' fees was only 3.1 percent. In examining physicians' fees beginning August 1971—the start of the economic stabilization program—to the end of the fiscal year, the annualized fee increase was 2.5 percent.⁵

The following tabulation shows percentage increases for fiscal year 1972 in outlays for total

Item	Percentage increase in—		
	Health expenditures, fiscal year, 1971 to 1972	CPI medical care component	
		Average annual, fiscal year, 1971 to 1972	June 1971 to June 1972
Health services and supplies.....	10.1	14.7	13.0
Hospital care.....	10.6	19.4	16.9
Physicians' services.....	7.4	5.2	3.1
Dentists' services.....	8.4	5.7	4.7

¹ Represents increase in the medical care index.

² Represents increase in the index for hospital semiprivate room charges.

³ For the Price Commission ruling, see section 300.19(c) "Economic Stabilization," *Code of Federal Regulations* 6, revised as of June 1, 1972.

⁴ The average annual percentage increase represents the average of the 12 monthly index numbers divided by the comparable figure for the previous 12 months times 100. An alternative measure of 12-month change is a comparison of the yearend monthly indexes.

⁵ The increase in the physicians' fees component of the CPI from August 1971 to August 1972 was 2.3 percent.

and selected types of health services and supplies with the alternative measures of price increase for comparable items.

Source of Funds

Traditionally, health care in the United States has been financed primarily by the private sector of the economy. With the influx of Medicare and Medicaid funds beginning in fiscal year 1967, the trend has been toward increasingly greater public financing of health. In 1972, this trend continued with government health outlays rising twice as fast as those from private sources—15 percent compared with 7.5 percent. As a result, the government share of the Nation's health bill now represents about two-fifths of the total; in 1966 it was one-fourth.

The government contribution is financed by Federal funds and those from State and local governments. Before 1967, both sources spent about the same amount. Addition of Medicare funds and expansion of other federally financed programs however, raised the Federal share to about two-thirds of the public total in the past few years. The growth rates in these two sources of funds have fluctuated from year to year with each government source increasing about 15 percent in 1972, as shown below.

Fiscal year	Annual increase			Percentage distribution		
	Total public funds	Federal	State and local	Total public funds	Federal	State and local
1936.....	13.6	16.3	11.0	100.0	49.7	50.3
1937.....	46.1	52.7	9.9	100.0	62.1	37.9
1938.....	26.6	32.9	16.4	100.0	65.2	34.8
1969.....	14.4	16.5	10.6	100.0	66.4	33.6
1970.....	10.0	9.0	12.1	100.0	65.8	34.2
1971.....	13.2	13.0	13.6	100.0	65.7	34.3
1972.....	15.0	14.9	15.1	100.0	65.6	34.4

Private expenditures for health—three-fifths of the total—represent, for the most part, payments made by private consumers or by private insurers in their behalf. These consumer outlays amounted to \$46.2 billion in 1972, about \$3 billion more than the total in 1971 (table 2).

Included in the remaining private expenditures are philanthropy, amounts spent by industry for maintenance of in-plant health services (classi-

TABLE 2.—National health expenditures, by type of expenditure and source of funds, fiscal years, 1969-70 through 1971-72

(In millions)

Type of expenditure	Total	Source of funds					
		Private			Public		
		Total	Consumers	Other	Total	Federal	State and local
1971-72							
Total.....	\$83,417	\$50,560	\$46,170	\$4,390	\$32,857	\$21,560	\$11,297
Health services and supplies.....	77,291	47,665	46,170	1,495	29,625	19,207	10,418
Hospital care.....	32,460	15,267	14,840	427	17,193	11,220	5,973
Physicians' services.....	16,150	12,430	12,419	11	3,720	2,803	916
Dentists' services.....	5,025	4,771	4,771	-----	254	165	90
Other professional services.....	1,655	1,427	1,395	32	228	166	62
Drugs and drug sundries ¹	7,909	7,340	7,340	-----	569	303	266
Eyeglasses and appliances.....	2,037	1,960	1,960	-----	77	44	34
Nursing-home care.....	3,500	1,370	1,345	25	2,130	1,282	848
Expenses for prepayment and administration.....	2,868	2,100	2,100	-----	768	638	130
Government public health activities.....	2,100	-----	-----	-----	2,100	823	1,276
Other health services.....	3,587	1,000	-----	1,000	2,587	1,763	824
Research and medical-facilities construction.....	6,127	2,895	-----	2,895	3,232	2,353	879
Research ¹	2,029	195	-----	195	1,831	1,755	79
Construction.....	4,098	2,700	-----	2,700	1,398	598	800
Publicly owned facilities.....	1,052	-----	-----	-----	1,052	266	786
Privately owned facilities.....	3,046	2,700	-----	2,700	346	332	14
1970-71							
Total.....	\$75,624	\$47,018	\$43,176	\$3,872	\$28,576	\$18,764	\$9,812
Health services and supplies.....	70,182	44,571	43,176	1,395	25,611	16,658	8,952
Hospital care.....	29,357	14,447	14,047	400	14,910	9,739	5,171
Physicians' services.....	15,038	11,612	11,601	11	3,426	2,586	840
Dentists' services.....	4,637	4,402	4,402	-----	235	148	87
Other professional services.....	1,542	1,341	1,311	30	201	148	53
Drugs and drug sundries ¹	7,506	6,988	6,988	-----	518	276	242
Eyeglasses and appliances.....	1,922	1,856	1,856	-----	66	35	31
Nursing-home care.....	3,282	1,309	1,286	23	1,973	1,196	777
Expenses for prepayment and administration.....	2,383	1,685	1,685	-----	698	569	129
Government public health activities.....	1,698	-----	-----	-----	1,698	678	1,021
Other health services.....	2,817	931	-----	931	1,886	1,283	603
Research and medical-facilities construction.....	5,443	2,477	-----	2,477	2,966	2,106	860
Research ¹	1,838	195	-----	195	1,643	1,577	78
Construction.....	3,605	2,282	-----	2,282	1,323	541	782
Publicly owned facilities.....	909	-----	-----	-----	909	141	768
Privately owned facilities.....	2,696	2,282	-----	2,282	414	400	14
1969-70							
Total.....	\$68,058	\$42,823	\$39,174	\$3,619	\$25,235	\$16,598	\$8,637
Health services and supplies.....	63,044	40,464	39,174	1,290	22,579	14,492	8,087
Hospital care.....	25,929	12,997	12,626	371	12,932	8,283	4,648
Physicians' services.....	13,447	10,324	10,314	10	3,123	2,378	745
Dentists' services.....	4,233	4,029	4,029	-----	204	114	89
Other professional services.....	1,386	1,176	1,149	27	210	155	55
Drugs and drug sundries ¹	7,057	6,613	6,613	-----	444	224	224
Eyeglasses and appliances.....	1,814	1,755	1,755	-----	59	31	28
Nursing-home care.....	2,860	1,195	1,173	22	1,665	1,001	664
Expenses for prepayment and administration.....	2,105	1,515	1,515	-----	590	491	98
Government public health activities.....	1,437	-----	-----	-----	1,437	590	847
Other health services.....	2,776	860	-----	860	1,916	1,228	688
Research and medical-facilities construction.....	5,015	2,359	-----	2,359	2,656	2,106	550
Research ¹	1,846	193	-----	193	1,653	1,577	76
Construction.....	3,169	2,166	-----	2,166	1,003	529	474
Publicly owned facilities.....	820	-----	-----	-----	820	359	461
Privately owned facilities.....	2,349	2,166	-----	2,166	183	170	13

¹ Research expenditures of drug companies included in drugs and drug sundries and excluded from research expenditures.

fied under "other health services"), expenditures made from capital funds for expansion, renovation, or new construction of medical facilities, and outlays for research by private foundations. These expenditures amounted to \$4.4 billion in fiscal year 1972.

The type of service purchased differs with the source of funds. About three-tenths of the \$50.6 billion spent in 1972 from private sources was for hospital care; more than half the \$32.9 billion from public funds was for hospital care. Similarly, nursing-home care was less than 3

percent of private expenditures but represented 6 percent of the public outlays. The proportion spent for medical research was also smaller in the private sector—0.4 percent, compared with 6 percent in the nonprivate sector.

In contrast, only 2 percent of the public medical care dollar was spent, compared with 15 percent of the private dollar. About 37 percent of the private health dollar purchased services of health professionals—doctors, dentists, nurses, and other medical personnel; only 13 percent of public funds were spent for these services.

The above analysis of expenditures by source of funds classifies all of the Medicare outlays, including premium payments by individuals, as public expenditures. This classification conforms with that of social insurance in the Social Security Administration social welfare expenditure series, where all outlays under various government programs, including those financed through employee contributions, are treated as public outlays.⁶

In fiscal year 1972, Medicare outlays reached \$8.8 billion. Premium payments by individuals (excluding those paid by Medicaid) accounted for an estimated 14.2 percent of the total. If these premium payments were classified as private expenditures, it would raise the private share of national health expenditures from 60.6 percent to 62.0 percent.

The estimated source of funds for Medicare outlays in fiscal years 1970–72 is indicated below for both hospital insurance and supplementary medical insurance.

Source of funds	1970	1971	1972
Total Medicare expenditures (in millions).....	\$7,149 2	\$7,875 0	\$8,819 2
Percent from—			
Payroll tax.....	61.2	60.3	61.6
Premium payments by individuals.....	13.8	13.0	14.2
General revenues ¹	24.9	26.7	24.2
Hospital insurance expenditures (in millions).....	\$4,952.8	\$5,592.4	\$6,275.8
Percent from—			
Payroll tax.....	88.4	84.9	90.5
General revenues.....	11.6	15.1	9.5
Medical insurance expenditures (in millions).....	\$2,196 3	\$2,282 6	\$1,543.4
Percent from—			
Premium payments by individuals.....	45.0	44.9	44.4
General revenues ¹	55.0	55.1	55.6

¹ Includes premium payments by Medicaid.

⁶ See Alfred M. Skolnik and Sophie R. Dales, "Social Welfare Expenditures, 1971–72," *Social Security Bulletin*, December 1972.

Expenditures Under Public Programs

Government spending for health services and supplies (which excludes research and construction) reached \$29.6 billion in fiscal year 1972. About \$19.2 billion or 65 percent came from Federal sources and the remainder came from State and local government sources.

There are 12 major government programs with outlays for health services and supplies: some are solely Federal programs, some are State and local, and some are financed by both. Each government program with health expenditures is listed, by source of funds, in table 3, which distributes the amounts spent in fiscal years 1970–72 by type of expenditure. These programs and their outlays are the same as those currently reported in the health expenditure table in the annual BULLETIN article on social welfare expenditures.

Public spending for health services and supplies in 1972 rose \$4 billion or nearly 16 percent over 1971. Almost three-fifths of this increase reflected increased spending under Medicare and Medicaid. Public assistance vendor payments—essentially Medicaid—rose \$1.3 billion to constitute one-fourth of all public outlays for health services and supplies. The \$7.6 billion in outlays under this program represented a growth of 21 percent.

Part of this increase results from payments to intermediate-care facilities shifted to Medicaid in January 1972. From fiscal year 1969 to January 1972, payments for this type of service had been made by the cash assistance program. Intermediate-care facilities provide institutional health services to persons who require more than custodial care but less intensive care than that provided by a hospital or skilled nursing home. The following tabulation shows outlays for these

Fiscal year	Amount (in thousands)		
	Total	Federal	State and local
1969.....	\$97,936	\$55,645	\$42,291
1970.....	317,791	186,613	131,152
1971.....	537,015	314,179	222,837
1972.....	798,059	457,778	340,281

facilities under public assistance; included in the figure for fiscal year 1972 is the amount paid by Medicaid in the last half of the year.

The largest public health care program is Medicare, which finances three-tenths of the public bill. Medicare outlays rose nearly \$1 billion, reaching a total of \$8.8 billion. Most of Medicare's 12-percent growth was in payments for hospital care, reflecting the overall rise in hospital care costs. As indicated earlier, with the wage-price controls, community hospital expense per patient day went up 12.4 percent, accounting for most of the 13.7-percent increase in Medicare's hospital spending. In 1971, before institution of the controls, Medicare hospital outlays rose 16 percent.

Physicians' services under Medicare showed a growth of nearly 8 percent in 1972. This growth is considerably higher than the 2-percent

rise in 1971, but the method of reimbursement accounts for this relatively large increase. In fiscal year 1971, reimbursement procedures were redefined so that Medicare recognized for that year only those charges that fell within the 75th percentile of the customary charges for similar services made in calendar year 1969. As a result, reductions were made in about 41 percent of the total claims and outlays were relatively low. In 1972, Medicare continued this reimbursement procedure, using calendar year 1970 as a base. In 1970, however, physicians' fees rose faster than any year before or since—7.5 percent. Medicare outlays rose accordingly, but if this procedure had not been instituted, the level of outlays would

TABLE 3.—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years, 1969-70 through 1971-72

[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
Total.....	\$29,624.8	\$17,192.9	\$3,719.6	\$254.5	\$227.5	\$569.0	\$77.2	\$2,129.8	\$2,099.7	\$2,586.6	\$767.7
Health insurance for the aged ^{1,2}	8,819.2	6,017.1	2,006.1		82.0			216.0		43.0	455.0
Temporary disability insurance (medical benefits) ³	74.2	53.7	17.6		1.2	.8	.8				
Workmen's compensation (medical benefits) ⁴	1,200.0	604.5	510.6		36.9	24.0	24.0				
Public assistance (vendor medical payments) ⁵	7,602.7	3,207.0	781.2	185.0	34.3	513.9		1,822.8		768.2	290.2
General hospital and medical care.....	4,235.4	4,181.4	7.4	1.7		1.3				43.5	
Defense Department hospital and medical care (including military dependents) ⁶	2,187.8	1,393.4	155.2							639.2	
Maternal and child health services.....	499.2	74.7	44.7	11.1	36.0	10.7	14.3			307.7	
School health.....	295.0									295.0	
Other public health activities.....	2,099.7								2,099.7		
Veterans' hospital and medical care ⁷	2,255.6	1,592.1	18.4	47.9		4.1	19.7	91.0		459.9	22.5
Medical vocational rehabilitation.....	179.1	69.0	91.7				18.4				
Office of Economic Opportunity.....	176.9		86.7	8.8	37.1	14.2				30.1	
Federal.....	19,206.9	11,220.2	2,803.3	164.8	165.7	302.9	43.5	1,282.1	823.2	1,763.1	637.9
Health insurance for the aged ^{1,2}	8,819.2	6,017.1	2,006.1		82.0			216.0		43.0	455.0
Workmen's compensation (medical benefits).....	30.0	19.5	7.5		1.8	.6	.6				
Public assistance (vendor medical payments) ⁵	4,089.9	1,715.5	417.9	99.0	18.3	274.9		975.1		428.7	160.4
General hospital and medical care.....	446.3	392.3	7.4	1.7		1.3				43.5	
Defense Department hospital and medical care (including military dependents) ⁶	2,187.8	1,393.4	155.2							639.2	
Maternal and child health services.....	234.7	35.1	30.7	7.4	26.5	7.8	8.5			118.7	
Other public health activities.....	823.2							823.2			
Veterans' hospital and medical care ⁷	2,255.6	1,592.1	18.4	47.9		4.1	19.7	91.0		459.9	22.5
Medical vocational rehabilitation.....	179.1	69.0	91.7				18.4				
Office of Economic Opportunity.....	176.9		86.7	8.8	37.1	14.2				30.1	
State and local.....	10,418.0	5,972.7	916.3	89.7	61.7	266.1	33.7	847.7	1,276.5	823.5	129.8
Temporary disability insurance (medical benefits) ³	74.2	53.7	17.6		1.2	.8	.8				
Workmen's compensation (medical benefits).....	1,170.0	585.0	503.1		35.1	23.4	23.4				
Public assistance (vendor medical payments) ⁵	3,512.9	1,491.5	363.3	86.0	15.9	239.0		847.7		339.5	129.8
General hospital and medical care.....	3,789.1	3,789.1									
Maternal and child health services.....	264.5	39.6	14.0	3.7	9.5	2.9	5.8			189.0	
School health.....	295.0									295.0	
Other public health activities.....	1,276.5							1,276.5			
Medical vocational rehabilitation.....	35.8	13.8	18.3				3.7				

See footnotes at end of table.

have been much higher. In fiscal year 1973, the price controls begun August 1971 will affect Medicare payments because the aggregate increase in these payments to physicians is being limited to 2.5 percent.⁷

Medicare and Medicaid combined pay about 55 percent of the public medical care bill. There is, however, a small amount of duplication in the amount spent by these two programs. Medicaid expenditures include premiums paid into Medicare's supplementary medical insurance trust fund for medical insurance coverage of old-age

⁷ Department of Health, Education, and Welfare, Social Security Administration, Bureau of Health Insurance, Part B Intermediary Letter No. 72-13, May 31, 1972.

assistance recipients and in some States for the aged who are medically indigent. To the extent that the premium payments are also subsequently reflected in disbursements made from the supplementary medical insurance trust fund, they are counted again. The amount of premiums paid by States to "buy-in" coverage for such aged persons since the beginning of the Medicare program is as follows:

Fiscal year	Amount (in millions)
1967	\$32.1
1968	53.0
1969	75.8
1970	97.2
1971	131.5
1972	137.9

TABLE 3.—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years, 1969-70 through 1971-72—Continued

[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
1970-71											
Total.....	\$25,610.8	\$14,910.3	\$3,425.7	\$235.2	\$201.3	\$517.8	\$65.8	\$1,973.0	\$1,698.4	\$1,885.5	\$697.8
Health insurance for the aged ^{1 2}	7,875.0	5,290.0	1,859.0	.....	78.0	.....	.....	223.0	.....	28.0	397.0
Temporary disability insurance (medical benefits) ³	68.4	51.4	14.6	.....	1.0	.7	.7	.....	.....	.....	.....
Workmen's compensation (medical benefits).....	1,100.0	553.7	468.5	.....	33.7	22.0	22.0	.....	.....	.....	.....
Public assistance (vendor medical payments) ²	6,277.5	2,802.7	719.6	179.9	24.0	467.8	.....	1,679.1	.....	323.8	280.6
General hospital and medical care.....	3,737.7	3,688.3	6.7	1.1	.....	1.4	.....	.....	.....	40.3	.....
Defense Department hospital and medical care (including military dependents) ⁴	1,956.6	1,246.9	134.9	.....	.....	.....	.....	.....	.....	574.8	.....
Maternal and child health services.....	403.3	60.4	32.8	8.2	25.3	7.7	10.9	.....	.....	258.0	.....
School health.....	270.0	.....	.....	.....	.....	.....	.....	.....	.....	270.0	.....
Other public health activities.....	1,698.4	.....	.....	.....	.....	.....	.....	.....	1,698.4	.....	.....
Veterans' hospital and medical care ⁴	1,873.9	1,354.2	14.5	36.6	.....	3.2	15.5	70.9	.....	358.8	20.2
Medical vocational rehabilitation.....	182.8	62.7	83.4	.....	.....	.....	16.7	.....	.....	.....	.....
Office of Economic Opportunity.....	187.2	.....	91.7	9.4	39.3	15.0	.....	.....	.....	31.8	.....
Federal.....	16,658.5	9,739.4	2,585.7	1.8.4	1.8.3	276.3	34.7	1,196.0	677.6	1,283.1	569.1
Health insurance for the aged ^{1 2}	7,875.0	5,290.0	1,859.0	.....	78.0	.....	.....	223.0	.....	28.0	397.0
Workmen's compensation (medical benefits).....	25.1	16.3	6.3	.....	1.5	.5	.5	.....	.....	.....	.....
Public assistance (vendor medical payments) ²	3,373.9	1,398.3	386.6	96.7	12.9	251.3	.....	902.1	.....	174.0	151.9
General hospital and medical care.....	410.8	361.4	6.7	1.1	.....	1.4	.....	.....	.....	40.3	.....
Defense Department hospital and medical care (including military dependents) ⁴	1,956.6	1,246.9	134.9	.....	.....	.....	.....	.....	.....	574.8	.....
Maternal and child health services.....	138.2	22.1	19.3	4.6	16.6	4.9	5.3	.....	.....	75.4	.....
Other public health activities.....	677.6	.....	.....	.....	.....	.....	.....	.....	677.6	.....	.....
Veterans' hospital and medical care ⁴	1,873.9	1,354.2	14.5	36.6	.....	3.2	15.5	70.9	.....	358.8	20.2
Medical vocational rehabilitation.....	130.2	50.2	66.7	.....	.....	.....	13.4	.....	.....	.....	.....
Office of Economic Opportunity.....	187.2	.....	91.7	9.4	39.3	15.0	.....	.....	.....	31.8	.....
State and local.....	8,952.4	5,170.9	8.0.0	86.9	53.0	241.5	31.1	777.0	1,020.8	602.6	128.6
Temporary disability insurance (medical benefits) ³	68.4	51.4	14.6	.....	1.0	.7	.7	.....	.....	.....	.....
Workmen's compensation (medical benefits).....	1,074.9	537.4	462.2	.....	32.2	21.5	21.5	.....	.....	.....	.....
Public assistance (vendor medical payments) ²	2,903.6	1,204.4	333.0	83.3	11.1	216.5	.....	777.0	.....	149.9	128.6
General hospital and medical care.....	3,326.9	3,326.9	.....	.....	.....	.....	.....	.....	.....	.....	.....
Maternal and child health services.....	255.2	38.3	13.5	3.6	8.7	2.8	5.6	.....	.....	182.7	.....
School health.....	270.0	.....	.....	.....	.....	.....	.....	.....	.....	270.0	.....
Other public health activities.....	1,020.8	.....	.....	.....	.....	.....	.....	.....	1,020.8	.....	.....
Medical vocational rehabilitation.....	32.6	12.5	16.7	.....	.....	.....	3.3	.....	.....	.....	.....

See Footnotes at end of table.

The third largest category of public expenditure was for general hospital and medical care. Primarily State and local spending in mental hospitals, this program furnished \$4.2 billion in 1972, up nearly \$500 million from the total in the previous year.

The type of expenditure that received the largest public support in 1972 was hospital care, which represented 58 percent of all public outlays for health services and supplies. The proportion going to hospitals varies, however, among the public programs. In 1972, hospital expenditures accounted for nearly all of the outlays under

general hospital and medical care, 68 percent of expenditures under Medicare, and 71 percent of those under the Veterans Administration. Hospital care expenditures represented only 15 percent of outlays for maternal and child health, however.

For physicians' services—the second largest public outlay for health—the distribution also varies among the programs. Medicare devoted 23 percent of its health outlay to these services, workmen's compensation spent 43 percent, and the Veterans Administration less than 1 percent. It should be noted that most of the expenditures

TABLE 3.—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years, 1969-70 through 1971-72—Continued

[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
Total.....	\$22,579.0	\$12,931.7	\$3,122.6	\$203.7	\$209.9	\$444.3	\$58.6	\$1,665.0	\$1,437.0	\$1,916.3	\$589.8
Health insurance for the aged ^{1,2}	7,149.2	4,555.3	1,820.1		87.0			290.1		31.0	365.7
Temporary disability insurance (medical benefits) ³	62.6	49.0	11.7		.8	.5	.5				
Workmen's compensation (medical benefits).....	985.0	495.7	419.8		30.1	19.7	19.7				
Public assistance (vendor medical payments) ²	5,212.8	1,912.0	585.1	170.9	35.1	401.1		1,326.5		545.4	206.7
General hospital and medical care.....	3,382.3	3,347.6	5.2	.9		.9				27.8	
Defense Department hospital and medical care (including military dependents) ⁴	1,759.6	1,127.4	100.7							531.5	
Maternal and child health services.....	431.4	61.8	35.2	9.5	30.2	9.1	12.3			287.3	
School health.....	246.6									246.6	
Other public health activities.....	1,437.0								1,437.0		
Veterans' hospital and medical care ⁴	1,651.4	1,297.5	12.0	16.0		2.8	12.2	48.4		245.1	17.4
Medical vocational rehabilitation.....	133.8	52.4	67.4				13.9				
Office of Economic Opportunity.....	127.3		62.4	6.4	26.7	10.2				21.6	
Federal.....	14,901.9	8,283.3	2,377.8	114.5	154.6	220.7	30.8	1,000.7	590.3	1,228.1	491.4
Health insurance for the aged ^{1,2}	7,149.2	4,555.3	1,820.1		87.0			290.1		31.0	365.7
Workmen's compensation (medical benefits).....	20.7	13.5	5.2		1.2	.4	.4				
Public assistance (vendor medical payments) ²	2,607.1	969.5	292.4	85.0	17.5	199.9		662.2		272.4	108.3
General hospital and medical care.....	283.3	248.6	5.2	.9		.9				27.8	
Defense Department hospital and medical care (including military dependents) ⁴	1,759.6	1,127.4	100.7							531.5	
Maternal and child health services.....	198.0	29.5	25.8	6.2	22.2	6.5	7.1			98.7	
Other public health activities.....	590.3								590.3		
Veterans' hospital and medical care ⁴	1,651.4	1,297.5	12.0	16.0		2.8	12.2	48.4		245.1	17.4
Medical vocational rehabilitation.....	107.0	42.0	54.0				11.1				
Office of Economic Opportunity.....	127.3		62.4	6.4	26.7	10.2				21.6	
State and local.....	8,086.9	4,648.4	745.0	89.2	55.3	223.6	27.8	661.3	846.7	688.1	98.4
Temporary disability insurance (medical benefits) ³	62.6	49.0	11.7		.8	.5	.5				
Workmen's compensation (medical benefits).....	964.3	482.2	414.6		28.9	19.3	19.3				
Public assistance (vendor medical payments) ²	2,605.6	972.4	292.8	85.9	17.6	201.2		661.3		273.0	98.4
General hospital and medical care.....	3,099.0	3,099.6									
Maternal and child health services.....	235.3	35.3	12.4	3.3	8.0	2.6	5.2			168.5	
School health.....	246.6									246.6	
Other public health activities.....	846.7								846.7		
Medical vocational rehabilitation.....	26.8	10.5	13.5				2.8				

¹ Includes premium payments for supplementary medical insurance by or in behalf of enrollees.

² Includes duplication in the Medicare and Medicaid amount where premium payments for Medicare are paid for by Medicaid for old-age recipients and, in some States, for the aged medically indigent.

³ Includes medical benefits paid under public law by private insurance carriers and self-insurers.

⁴ Payments for services outside the hospital (excluding "other health services") represent only those made under contract medical care programs.

for this purpose by the Veterans Administration, as well as those by the Department of Defense, are included with hospital care expenditures (see Definitions, page 14).

Expenditures for eyeglasses and appliances accounted for 10 percent of vocational rehabilitation outlays. These items did not even appear as an identifiable category in expenditures under public assistance.

TRENDS IN HEALTH EXPENDITURES

That health expenditures have been rising at a rapid rate is no longer news. The health bill of the past few years has climbed so quickly that in 8 years it has doubled; in 12 years it more than tripled; and, in the 22 years since 1950, it has increased sixfold (table 4).

The substantial rise in national health expendi-

tures 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 rising level and scope of services resulting from development of new techniques, new drugs, and improved treatment procedures.

By examining expenditures in terms of per capita amounts, one can eliminate population growth as a factor. With this factor eliminated, health expenditures still show a substantial increase from fiscal year 1950 to fiscal year 1972. During this period, per capita expenditures grew from \$78 to five times that figure—\$394.

By eliminating the effect of inflation as well as population growth, one can determine the increase in expenditures that results from more utilization and higher quality of care. When per capita expenditures are converted to constant

TABLE 4.—Aggregate and per capita national health expenditures, by type of expenditure, selected fiscal years, 1928–29 through 1971–72

Type of expenditure	1928-29	1934-35	1939-40	1949-50	1954-55	1959-60	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72
Aggregate amount (in millions)														
Total.....	\$3,589	\$2,846	\$3,863	\$12,028	\$17,330	\$25,856	\$38,892	\$42,109	\$47,860	\$53,563	\$59,975	\$68,058	\$75,624	\$83,417
Health services and supplies.....	3,362	2,788	3,729	11,181	16,392	24,162	35,664	38,661	44,324	49,599	55,668	63,044	70,182	77,291
Hospital care.....	651	731	969	3,898	5,689	8,499	13,132	14,245	16,921	19,384	22,356	25,929	29,357	32,460
Physicians' services.....	994	744	946	2,689	3,632	5,580	8,405	8,865	9,738	10,734	11,822	13,447	15,038	16,150
Dentists' services.....	476	298	402	940	1,457	1,944	2,728	2,866	3,158	3,498	3,821	4,233	4,637	5,025
Other professional services.....	248	150	173	384	552	848	989	1,140	1,139	1,210	1,282	1,386	1,542	1,655
Drugs and drug sundries.....	601	471	624	1,642	2,282	3,591	4,647	5,032	5,480	5,864	6,480	7,057	7,506	7,909
Eyeglasses and appliances.....	131	128	180	475	605	750	1,151	1,309	1,514	1,665	1,743	1,814	1,922	2,037
Nursing-home care.....			28	178	291	480	1,271	1,407	1,692	2,070	2,465	2,860	3,282	3,500
Expenses for prepayment and administration.....	101	91	161	290	605	867	1,234	1,446	1,820	1,935	2,058	2,105	2,383	2,868
Government public health activities.....	89	112	155	351	384	401	671	731	884	1,001	1,195	1,437	1,698	2,100
Other health services.....	90	63	92	534	895	1,262	1,416	1,620	1,978	2,238	2,434	2,776	2,817	3,587
Research and medical-facilities construction.....	207	58	134	847	938	1,694	3,228	3,448	3,536	3,964	4,290	5,015	5,443	6,127
Research.....			3	110	194	592	1,391	1,545	1,606	1,800	1,790	1,846	1,838	2,029
Construction.....	207	58	131	737	744	1,102	1,837	1,903	1,930	2,164	2,500	3,169	3,605	4,098
Per capita amount ¹														
Total.....	\$29.16	\$22.04	\$28.83	\$78.35	\$103.76	\$141.63	\$197.81	\$211.64	\$237.93	\$263.49	\$292.19	\$328.17	\$360.89	\$394.16
Health services and supplies.....	27.48	21.59	27.83	72.83	98.14	132.35	181.39	191.31	220.35	243.99	271.29	303.99	334.92	365.21
Hospital care.....	5.29	5.66	7.23	24.09	31.06	46.56	68.89	71.59	81.12	95.35	108.91	125.03	140.10	153.38
Physicians' services.....	8.08	5.76	7.06	17.52	21.75	30.57	42.75	44.56	48.41	52.80	57.69	64.84	71.76	76.31
Dentists' services.....	3.87	2.31	3.00	6.12	8.72	10.65	13.88	14.40	15.70	17.21	18.62	20.41	22.13	23.74
Other professional services.....	2.01	1.16	1.29	2.50	3.30	4.65	5.03	5.73	5.66	5.95	6.29	6.68	7.36	7.82
Drugs and drug sundries.....	4.88	3.65	4.66	10.70	13.66	19.67	23.61	25.29	27.24	28.85	31.57	34.03	35.82	37.37
Eyeglasses and appliances.....	1.06	.99	1.34	3.09	3.62	4.11	5.85	6.58	7.53	8.19	8.49	8.75	9.17	9.63
Nursing-home care.....			.21	1.16	1.74	2.63	6.46	7.07	8.41	10.18	12.01	13.79	15.66	16.54
Expenses for prepayment and administration.....	.82	.70	1.20	1.89	3.62	4.42	6.28	7.27	9.05	9.62	10.03	10.15	11.37	13.55
Government public health activities.....	.72	.87	1.16	2.29	2.30	2.19	3.41	3.67	4.39	4.92	5.82	6.93	8.10	9.92
Other health services.....	.73	.49	.69	3.48	5.36	6.91	7.20	8.14	9.83	11.01	11.86	13.39	13.44	16.95
Research and medical-facilities construction.....	1.68	.45	1.00	5.52	5.62	9.28	16.42	17.33	17.58	19.50	20.90	24.18	25.98	28.95
Research.....			.02	.72	1.16	3.24	7.07	7.77	7.98	8.85	8.72	8.90	8.77	9.59
Construction.....	1.68	.45	.98	4.80	4.45	6.04	9.34	9.56	9.59	10.65	12.18	15.28	17.20	19.36

¹ Based on January 1 data from the Bureau of the Census for total U.S. population (including Armed Forces and Federal civilian employees overseas

and the civilian population of outlying areas).

fiscal year 1972 dollars by means of the medical care component of the consumer price index, health expenditures still maintain considerable growth from 1950: in per capita constant dollars, expenditures doubled—rising more than \$200.

Medical care outlays include expenditures for both personal and nonpersonal health care. As defined here and in the social welfare series, personal health care expenditures represent 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 fund-raising and administrative services.

In 1972, personal health care outlays amounted to \$71.9 billion or \$340 per person. This per capita expenditure was 8.4 percent higher than that for 1971, but in constant dollars it was only 3.5 percent higher. Except for 1971, this rise in per capita constant dollars—representing the rise in use and quality of services—was the lowest in the last 7 years.

Part of the reason for this small rise in 1972 was the decline in use of community hospitals, a major portion of personal health care expenditures. As noted earlier, days of care actually went down, but the fixed overhead costs of running a hospital remain about the same, regardless of the number of patients and the number of days. As a result, this cost is reflected in increased expenses per patient day, with none of the increase due to greater use and a relatively small portion due to higher quality of care.

Per capita personal health care expenditure in current and constant 1972 dollars, as well as the annual percentage increase, is shown below for fiscal years 1965-72.

Fiscal year	Current dollars		Constant 1972 dollars ¹	
	Amount	Percentage Increase	Amount	Percentage Increase
1965.....	\$170 38	-----	\$252.19	-----
1966.....	182.02	6.8	261.72	3.8
1967.....	205.43	12.9	277.37	6.0
1968.....	227.88	10.9	289.16	4.2
1969.....	253.61	11.3	302.16	4.5
1970.....	284.98	12.4	319.17	5.6
1971.....	313.39	10.0	328.20	2.8
1972.....	339.56	8.4	339.56	3.5

¹ Based on the medical care component of the Consumer Price Index.

Although the above discussion indicates the effect of price, population, and use on health

expenditures, it does not show the proportion of the increases that each of the factors produces.

For all personal health care expenditures, about 52 percent of the \$38.4 billion increase from fiscal year 1965 to fiscal year 1972 reflected the rise in prices, 10 percent (\$3.8 billion) was the result of population growth, and the remaining 38 percent (\$14.7 billion) was attributable to greater utilization of services and the introduction of new medical techniques.

THIRD-PARTY PAYMENTS

Although the Nation's personal health care bill has been rising rapidly, the portion paid by third parties has been rising even faster. The aggregate amount paid directly out of the individual's pocket still has increased, but not nearly as fast as his total bill. Government, private health insurance, philanthropy, and industry (through industrial in-plant services) have made up the difference (table 5).

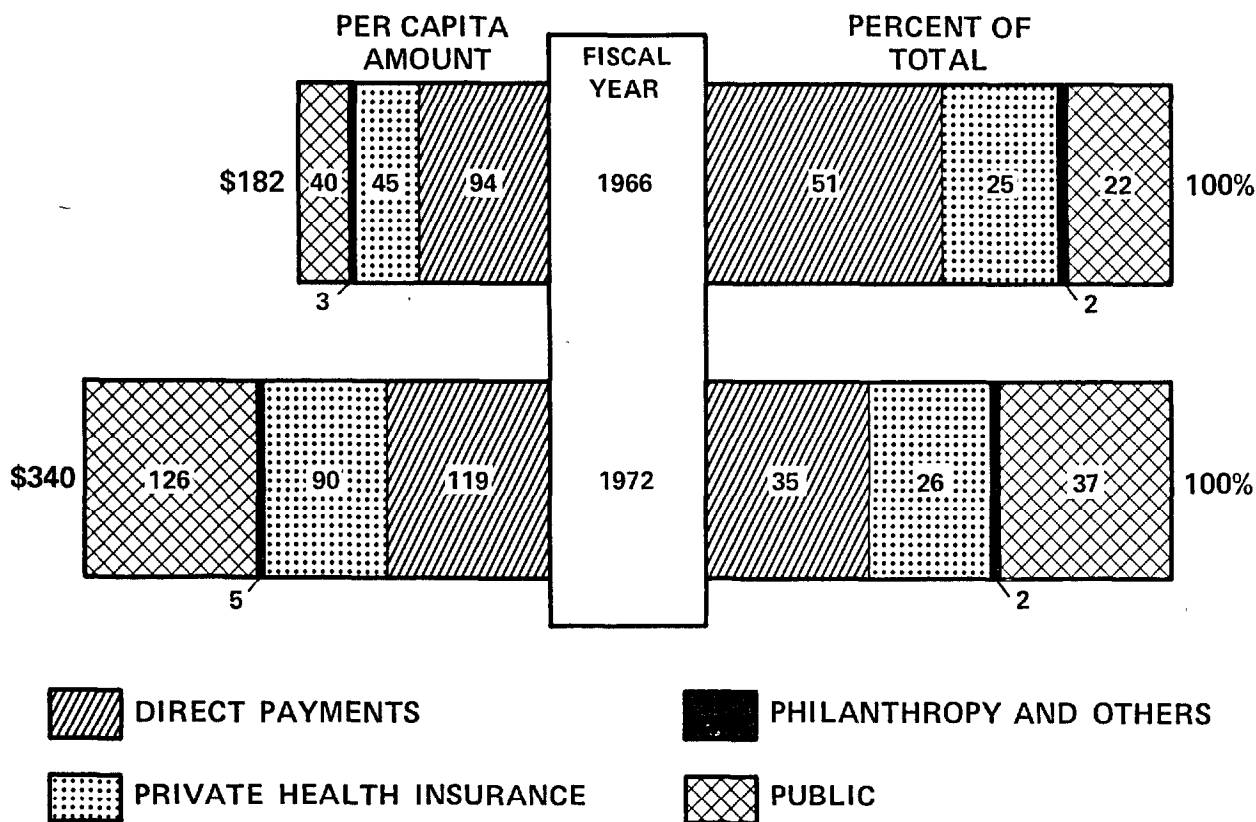
In fiscal year 1950, direct payments represented 68 percent of the total and the remaining 32 percent was contributed by third parties as follows: Federal, State, and local governments, 20 percent; private health insurance, 9 percent; and philanthropy and others, 3 percent.

In the 1950's, private health insurance grew substantially so that by fiscal year 1960, third parties paid 45 percent of the personal health care bill with private health insurance alone contributing 21 percent.

In the 1960's, private health insurance continued its growth and in fiscal year 1967, with the implementation of Medicare and Medicaid, government, too, assumed a large responsibility for the health bill. By 1972, third parties were paying 65 percent of the individual's health bill with the government portion rising to 37 percent and the share held by private health insurance advancing to 26 percent.

The impact of third parties on the financing of health care since the implementation of Medicare and Medicaid is depicted in chart 2. In 1966—the year before the two new government programs began—each individual directly paid an average of \$94, or 51 percent of his bill. In 1972, his average direct payment was \$119, but it represented just 35 percent of the bill.

CHART 2.—Per capita amount and percentage distribution of personal health care expenditures, by source of funds, fiscal years 1966 and 1972



In the area of hospital care expenditures, the growth of private health insurance and the impact of Medicare and Medicaid have been the most influential in reducing the share of direct payments by consumers. In fiscal year 1972, the third-party share of hospital care expenditures reached 92 percent—38 percent from private health insurance, 1 percent from philanthropy and industry, and 53 percent from government. Consumers directly paid only 8 percent of the total hospital bill (chart 3).

For physicians' services, however, the share paid by third parties is smaller. In 1972, third-party payments were about 60 percent of the total—36 percent came from health insurance, 23 percent from public funds, and the remaining fraction from philanthropy and industry.

Private Health Insurance

The private health insurance portion of third-party outlays has grown considerably in recent years. In 1972 alone, benefit payments rose 13

percent to reach an estimated total of \$19 billion.

The impact of private health insurance varies substantially with the type of service. For all types of personal health services and supplies, private health insurance paid 26 percent of the bill. For both hospital care and physicians' services it paid 37 percent and 36 percent, respectively, but for all other services and supplies it paid only 5 percent (table 6).

The cost of private health insurance is classified as a consumer expenditure. About 43 percent of the 1971 consumer personal health bill was financed through private health insurance benefit payments. Benefit payments financed more than four-fifths of the consumer's hospital bill and almost one-half of his physician's bill.

DEFINITIONS, METHODOLOGY, AND SOURCES OF DATA

The national health expenditures estimates for fiscal and for calendar years are prepared together. The social welfare series presented in the

December issues of the BULLETIN report data for fiscal years on health expenditures in the public sector by government program and those in the private sector by source of funds (direct payments, insurance benefits, etc.). The national health expenditures shown here are reported by type of expenditure (hospital care, physicians' and dentists' services, etc.) and by source of funds.

A growing category of health expenditures—medical training and education—is not included in the above estimates of total health expenditures. A compilation of Federal expenditures for medical training and education, made by the Office of Management and Budget, is shown below. This summary reports some amounts now included in the health expenditures—mainly the sums reported by the Department of Defense and the Veterans Administration.

[In millions]

Agency	Fiscal year		
	1970	1971	1972
Total Federal expenditures for medical training and education.....	\$968.8	\$1,113.3	\$1,286.9
Department of Health, Education, and Welfare.....	653.0	713.3	855.3
Department of Defense.....	79.7	134.1	142.8
Veterans Administration.....	95.0	106.8	123.4
Department of State.....	4.3	4.9	5.2
Atomic Energy Commission.....	.6	.5	.5
Department of Labor.....	113.7	126.4	127.1
Other agencies.....	22.5	27.3	32.6

Source: *Special Analyses, Budget of the United States Government, Fiscal Year 1972*, page 171 and *Budget of the United States Government, Fiscal Year 1973*, pages 176-177.

The health and medical expenditures under public programs in the social welfare series are calculated by adding to fiscal-year expenditures for health programs the medical care expenditures under programs for social insurance, public assistance, veterans' programs, and other programs.⁸ Data for several health programs—including those of the Department of Defense and the Public Health Service—are taken from the Office of Management and Budget special analysis of Federal health programs.⁹

⁸ For a complete description of these public programs, see Ida C. Merriam and Alfred M. Skolnik, *Social Welfare Expenditures Under Public Programs in the United States, 1929-66* (Research Report No. 25), Office of Research and Statistics, Social Security Administration, 1968.

⁹ See "Special Analysis K: Federal Health Programs," *Special Analyses, Budget of the United States Government, Fiscal Year 1973*.

In the private sector, the data are estimated first on a calendar-year basis by type of expenditure and then converted to fiscal-year figures on the basis of price and utilization change during 6-month periods. 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 expenditure series. The fiscal-year figures for each public program are allocated by type of expenditure on the basis of published and unpublished reports for each program. In general, the consumer expenditures are residual amounts, derived by deducting philanthropic and government expenditures 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, and increased slightly to allow for nonreporting and for osteopathic hospitals. Expenditures for the education and training of physicians and other health personnel are included only where they are not separable from 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, but self-employed physicians' services in hospitals are not counted as hospital expenditures. The costs of drugs used in hospitals are also included in hospital care. Anesthesia and X-ray services are sometimes hospital care expenditures and sometimes expenditures for physicians' 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 expense of these hospitals, less consumer payments for care in such hospitals and any payments to them by State and local governments.

TABLE 5.—Distribution of personal health care expenditures, by source of funds, selected fiscal years, 1928–29 through 1971–72¹

Fiscal year	Total	Source of funds						
		Private				Public		
		Total	Direct payments	Insurance benefits	Other	Total	Federal	State and local
Amount (in millions)								
1928-29.....	\$3,165.2	\$2,883.0	\$2,800.0	-----	\$83.0	\$282.2	\$84.8	\$197.4
1934-35.....	2,585.5	2,204.0	*2,134.0	-----	70.0	381.5	88.7	292.8
1939-40.....	3,413.7	2,891.0	*2,798.0	-----	92.0	522.7	133.3	389.4
1949-50.....	10,400.4	8,298.0	7,107.0	8879.0	312.0	2,102.4	978.8	1,123.6
1954-55.....	15,231.0	11,762.0	8,992.0	2,358.0	412.0	3,469.0	1,582.9	1,886.1
1959-60.....	22,728.7	17,799.0	12,576.0	4,698.0	525.0	4,029.7	2,102.1	2,827.6
1964-65.....	33,498.3	26,540.0	17,577.0	8,280.0	683.0	6,958.3	2,839.9	4,118.4
1965-66.....	36,216.3	28,324.0	18,668.0	8,936.0	720.0	7,892.3	3,319.4	4,542.9
1966-67.....	41,323.9	28,803.0	18,766.0	9,344.0	753.0	12,460.9	7,470.3	4,990.6
1967-68.....	46,323.3	30,118.0	18,899.0	10,444.0	775.0	16,205.3	10,407.8	5,797.5
1968-69.....	52,057.3	33,346.0	20,310.0	12,206.0	821.0	18,711.3	12,290.1	6,421.2
1969-70.....	59,101.2	38,649.0	23,253.0	14,406.0	890.0	20,552.2	13,410.2	7,141.8
1970-71.....	65,689.6	42,455.0	24,674.0	16,817.0	964.0	23,214.6	15,411.8	7,803.0
1971-72.....	71,862.4	45,105.0	25,070.0	19,000.0	1,035.0	26,757.4	17,745.8	9,011.7
Percentage distribution								
1928-29.....	100.0	91.1	88.5	-----	2.6	8.9	2.7	6.2
1934-35.....	100.0	85.2	82.5	-----	2.7	14.8	3.4	11.3
1939-40.....	100.0	84.7	82.0	-----	2.7	15.3	3.9	11.4
1949-50.....	100.0	79.8	68.3	8.5	3.0	20.2	9.4	10.8
1954-55.....	100.0	77.2	59.0	15.5	2.7	22.8	10.4	12.4
1959-60.....	100.0	78.3	55.3	20.7	2.3	21.7	9.2	12.4
1964-65.....	100.0	79.2	52.5	24.7	2.0	20.8	8.5	12.3
1965-66.....	100.0	78.2	51.5	24.7	2.0	21.8	9.2	12.5
1966-67.....	100.0	69.8	45.4	22.6	1.8	30.2	18.1	12.1
1967-68.....	100.0	65.0	40.8	22.5	1.7	35.0	22.5	12.5
1968-69.....	100.0	64.1	39.0	23.4	1.6	35.9	23.6	12.3
1969-70.....	100.0	65.2	39.3	24.4	1.5	34.8	22.7	12.1
1970-71.....	100.0	64.6	37.6	25.6	1.5	35.4	23.5	11.9
1971-72.....	100.0	62.8	34.9	26.4	1.4	37.2	24.7	12.5

¹ Personal health care expenditures include all expenditures for health services and supplies other than (a) expenses for prepayment and administration, (b) government public health activities, and (c) expenditures of private

voluntary agencies for other health services.

² Includes any insurance benefits and expenses for prepayment (insurance premiums less insurance benefits).

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 Professions

The estimates of expenditures for the services of physicians and dentists in private practice are based on the gross incomes from self-employment practice reported by physicians and dentists 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 practitioners in sole proprietorships and partnerships. The total also includes the estimated gross income of offices that are organized as corporations, 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 Indian health activities, as well as those in the field services of the Armed Forces, are included with expenditures of "other health services." Expenditures for the education and training of medical personnel (except in hospitals) are considered as expenditures for education and are excluded from health expenditures.

The Internal Revenue Service also provides data on the income of other health professionals in private practice. Salaries 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, Drug Sundries, Eyeglasses, and Appliances

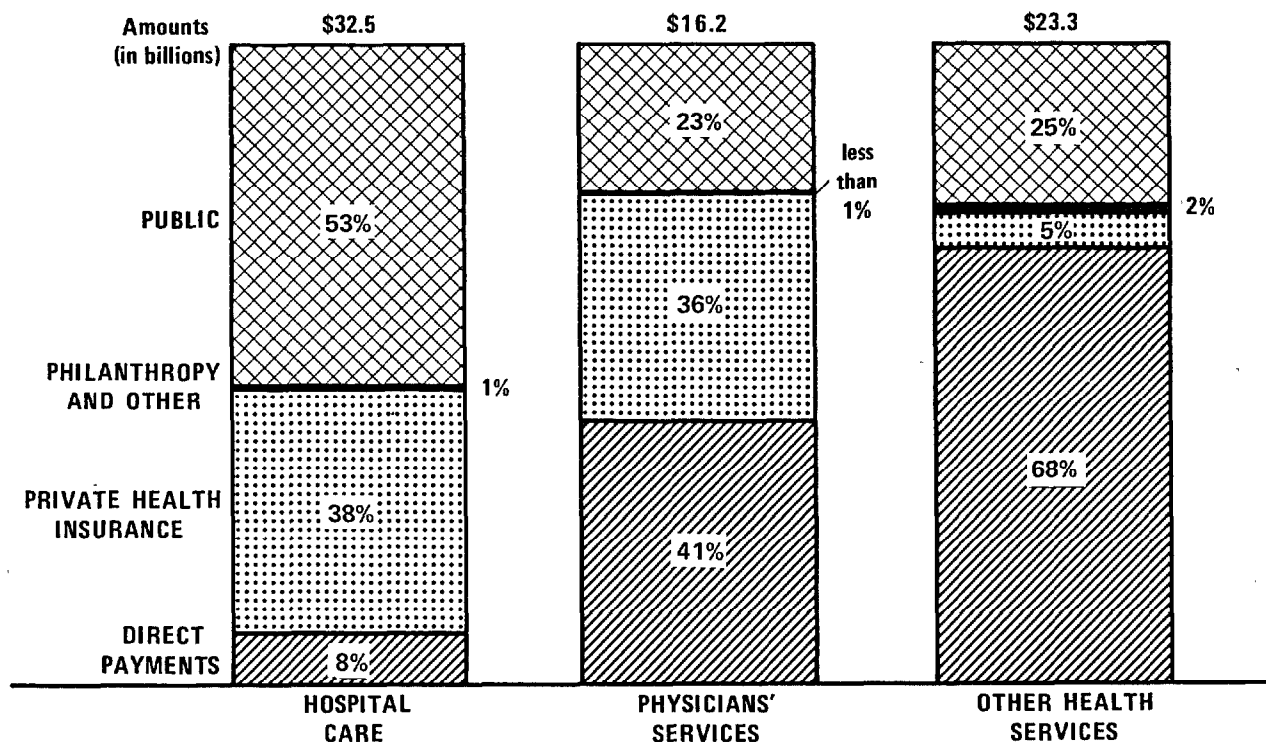
The basic source of the estimates for drugs and drug sundries and for eyeglasses and appliances

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, workmen's compensation payments 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 these consumer expenditure estimates and the expenditures under all public programs for these products.

Nursing-Home Care

Expenditures for nursing-home care are derived by applying an estimated cost per patient day to the total days of care. Total days of care are estimated by applying an average occupancy rate to the number of nursing-home beds, as reported by the Division of Hospital and Medical Facilities of the Public Health Service in their annual report, *Hill-Burton State Plan Data*.

CHART 3.—Distribution of personal health care expenditures, by source of funds and type of expenditure, fiscal year 1972



The cost per patient-day is based on unpublished data from a current survey of nursing homes financed by the Social Security Administration.

Consumer expenditures in nursing homes represent the difference between total nursing-home expenditures and expenditures from philanthropic and government 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

TABLE 6.—Amount and percent of personal health care expenditures and consumer expenditures for personal health care met by private insurance, selected fiscal years, 1949-50 through 1971-72

Fiscal year	Personal health care expenditures ¹ (in millions)	Consumer expenditures for personal health care		Private insurance payments		
		Amount (in millions)	Percent	Amount ² (in millions)	As a percent of—	
					Personal health care	Consumer expenditures
All types of services						
1949-50.....	\$10,400	\$7,986	76.8	\$379	8.5	11.0
1954-55.....	15,231	11,350	74.5	2,358	15.5	20.8
1959-60.....	22,729	17,274	76.0	4,698	20.7	27.2
1964-65.....	33,498	25,857	77.2	8,280	24.7	32.0
1965-66.....	36,216	27,604	76.2	8,936	24.7	32.4
1966-67.....	41,324	28,110	68.0	9,344	22.6	33.2
1967-68.....	46,323	29,343	63.3	10,444	22.5	35.6
1968-69.....	52,057	32,522	62.5	12,206	23.4	37.5
1969-70.....	59,101	37,659	63.7	14,406	24.4	38.3
1970-71.....	65,670	41,491	63.2	16,817	25.6	40.5
1971-72.....	71,862	44,070	61.3	19,000	26.4	43.1
Hospital care						
1949-50.....	\$3,698	\$1,875	50.7	\$610	16.5	32.5
1954-55.....	5,689	2,904	51.0	1,560	27.4	53.7
1959-60.....	8,499	4,707	55.4	3,124	36.8	66.4
1964-65.....	13,152	7,922	60.2	5,488	41.7	69.3
1965-66.....	14,245	8,520	59.8	5,892	41.4	69.2
1966-67.....	16,921	8,149	48.2	6,063	35.8	74.4
1967-68.....	19,384	8,801	45.4	6,731	34.7	76.5
1968-69.....	22,356	10,150	45.4	7,942	35.1	77.3
1969-70.....	25,929	12,626	48.7	9,182	35.4	72.7
1970-71.....	29,357	14,047	47.8	10,688	36.4	76.1
1971-72.....	32,460	14,840	45.7	12,128	37.4	81.7
Physicians' services ³						
1949-50.....	\$2,689	\$2,549	94.8	\$270	10.0	10.6
1954-55.....	3,632	3,384	93.2	797	21.9	23.6
1959-60.....	5,590	5,209	93.4	1,524	27.3	29.3
1964-65.....	8,405	7,869	93.6	2,544	30.4	32.5
1965-66.....	8,865	8,258	93.2	2,756	31.1	33.4
1966-67.....	9,738	8,338	85.6	2,898	29.8	34.8
1967-68.....	10,734	8,404	78.3	3,220	30.0	36.3
1968-69.....	11,842	9,150	77.3	3,753	31.7	41.0
1969-70.....	13,447	10,314	76.7	4,468	33.2	43.3
1970-71.....	15,038	11,601	77.1	5,204	34.6	44.9
1971-72.....	16,150	12,419	76.9	5,776	35.8	46.5
Other health services						
1949-50.....	\$4,013	\$3,562	88.8	(⁴)	(⁴)	(⁴)
1954-55.....	5,910	5,062	85.7	(⁴)	(⁴)	(⁴)
1959-60.....	8,650	7,358	85.1	\$50	0.6	0.7
1964-65.....	11,941	10,066	84.3	238	2.0	2.4
1965-66.....	13,106	10,826	82.6	288	2.2	2.7
1966-67.....	14,665	11,623	79.3	382	2.6	3.3
1967-68.....	16,205	12,198	74.9	492	3.0	4.1
1968-69.....	17,859	13,222	74.0	611	3.4	4.6
1969-70.....	19,725	14,719	74.6	758	3.8	5.1
1970-71.....	21,275	15,843	74.5	925	4.3	5.8
1971-72.....	23,252	16,811	72.3	1,096	4.7	6.5

¹ All expenditures for health services and supplies other than (a) expenses for prepayment and administration, (b) government public health activities, and (c) expenditures of private voluntary agencies for other health services.

² Based on data from annual articles on private health insurance coverage

and financial experience in the *Social Security Bulletin*.

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

⁴ Included in physicians' services.

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 by the Office of Research and Statistics annually in an article on private health insurance in the February BULLETIN.

The administration component represents the administrative expenses (where they are reported) of federally financed health programs. Such data were available for Medicare and Medicaid and for 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 of the Office of Research and Statistics. The Federal portion consists of outlays for the organization and delivery of health services and prevention and control of health problems by the Health Services and Mental Health Administration and the National Institutes of Health of the Public Health Service. Also included are outlays by other Federal agencies for similar health activities. The data for these programs are taken from the Special Analyses of the Budget.

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

Other Health Services

Items of expenditure that could not be elsewhere classified are brought together in the category "other health services." It includes, for each public program, the residual amount of expendi-

tures not classified as a specific type of medical service. In addition, it includes the following: (1) industrial in-plant services, (2) school health services, (3) medical activities in Federal units other than hospitals, (4) payments to intermediate-care facilities under the Medicaid program beginning January 1, 1972, and (5) a portion of private voluntary health agency expenses.

Industrial in-plant services consist of amounts spent for maintaining in-plant health services and are based on estimates made by the National Institute for Occupational Safety and Health of the Public Health Service.

School health services are estimated by the Office of Education and reported as a separate item in the social welfare expenditure series.

Medical activities in Federal units other than hospitals are residual amounts that represent primarily the cost of maintaining outpatient facilities (separately from hospitals), and field and shipboard medical stations.

Expenditures for private voluntary health agencies, included in the "other" private outlays, 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 Federal amounts represent those reported as medical research in the Special Analyses of the Budget. The amounts shown for State and local governments and private expenditures are based on published estimates that have been prepared in the National Institutes of Health—primarily in the periodic publications, *Resources for Medical Research* and *Basic Data Relating to the National Institutes of Health*.

(Continued on page 40)

TABLE M-4.—Selected social insurance and related programs: Contributions and taxes collected, 1939-72

[In thousands]

Period	Retirement, disability, and survivor				Hospital insurance under OASDHI 1 2 3	Unemployment		
	Old-age and survivors insurance 1 2	Disability insurance 1 2	Federal civil service 3	Railroad retirement 3 4		State unemployment insurance 5	Federal unemployment taxes 7	Railroad unemployment insurance 8
Fiscal year:								
1939-40.....	\$604,694		\$131,880	\$120,967		\$853,955	\$107,523	\$49,167
1944-45.....	1,309,919		486,719	285,038		1,251,958	184,544	131,993
1949-50.....	2,106,388		662,262	550,172		1,094,406	226,306	18,855
1954-55.....	5,087,154		469,856	600,106		1,142,009	279,986	23,720
1959-60.....	9,482,685	\$987,079	1,509,695	606,865		2,164,757	341,108	161,912
1960-61.....	11,292,676	1,022,002	1,745,833	570,713		2,361,279	345,356	161,308
1961-62.....	11,454,643	1,020,866	1,750,409	564,218		2,709,253	452,638	155,259
1962-63.....	13,327,762	1,076,621	1,884,796	571,534		3,005,409	945,367	157,682
1963-64.....	15,502,726	1,143,161	2,036,419	593,477		3,043,408	846,567	156,056
1964-65.....	15,857,212	1,175,244	2,182,203	635,545		3,046,428	614,891	152,300
1965-66.....	17,865,947	1,556,652	2,277,013	683,458	\$908,797	2,961,878	561,014	148,411
1966-67.....	22,567,002	2,249,397	2,469,071	776,493	2,704,884	2,911,247	596,773	145,665
1967-68.....	22,662,430	2,699,368	2,807,751	814,327	3,557,662	2,597,675	600,980	139,591
1968-69.....	25,952,737	3,532,434	2,998,184	884,746	4,477,012	2,555,110	633,178	134,400
1969-70.....	29,954,673	4,141,358	3,732,893	918,832	4,846,096	2,558,065	769,639	130,898
1970-71.....	41,915,231	4,569,470	4,611,334	980,394	4,961,234	2,574,410	964,435	127,328
1971-72 9.....	35,710,725	4,852,996	5,289,873	1,008,383	5,225,891	3,209,560	1,010,869	119,516
1971								
September.....	2,604,985	399,548	320,890	87,039	419,640	19,354	4,349	24,042
October.....	2,052,626	278,583	320,533	10,283	299,636	127,445	27,101	662
November.....	2,622,130	324,181	358,901	159,927	350,743	319,227	61,761	7,184
December.....	1,796,307	245,456	317,161	82,746	234,322	18,177	5,083	22,561
1972								
January.....	2,505,025	345,352	357,423	6,432	381,566	95,801	98,159	547
February.....	3,879,734	450,070	328,050	164,734	497,076	230,130	282,821	6,852
March.....	2,917,948	472,008	406,672	96,887	536,448	19,350	7,651	21,684
April.....	3,939,890	543,319	334,952	5,636	559,348	431,112	103,205	517
May.....	4,357,956	497,119	372,881	178,188	539,573	1,176,910	295,944	7,863
June 9.....	2,709,121	477,627	1,074,560	96,120	528,521	42,086	10-16,561	20,562
July 9.....	2,950,097	399,181	877,665	8,258	436,292	342,611	89,012	616
August 9.....	4,344,244	431,983	375,710	125,194	527,931	803,562	194,791	12,346
September 9.....	2,591,976	501,120	363,711	101,332	540,932	(11)	7,890	16,935

¹ Represents contributions of employees, employers, and the self-employed in employments covered by OASDHI under the Social Security Act, on an estimated basis, with suitable subsequent adjustments. Data for earlier years reflect former appropriation bases. Includes deposits by States under voluntary coverage agreements. Employee-tax refunds deducted. Excludes transfers from general revenues.

² Excludes transfers between OASDHI system and railroad retirement account under the financial interchange provisions of the Railroad Retirement Act.

³ Includes foreign service retirement. Represents employee and Government contributions. Employee share includes voluntary contributions to purchase additional annuity. Government share includes Federal and District of Columbia agency contributions and, beginning 1968, Federal payment for current unfunded liability.

⁴ Beginning 1959, net of tax refunds. Contributions for hospital insurance of railroad workers are collected and reported with railroad retirement contributions initially and are transferred once a year (usually in August) to the hospital insurance trust fund; data for that month only are adjusted by the Treasury source to reflect the transfer.

⁵ Excludes reimbursement from Treasury general funds for cost of benefits for persons not insured for cash benefits under OASDHI or railroad retirement. Includes contributions for hospital insurance coverage of railroad workers under the Social Security Amendments of 1965; (principal amount only).

⁶ Represents deposits in State clearing accounts of contributions plus penalties and interest collected from employers and contributions from employees (3 States in recent years). Excludes contributions collected for deposit in State temporary disability insurance funds. Data reported by State agencies.

⁷ Represents taxes paid by employers under the Federal Unemployment Tax Act. Beginning 1961, net of tax refunds. Includes tax proceeds for financing temporary extended unemployment compensation programs for 1958 and 1961.

⁸ Beginning 1947, also covers railroad temporary disability insurance.

⁹ Preliminary.

¹⁰ Includes adjustment to amounts previously reported.

¹¹ Data not available.

Source: *Monthly and Final Statement of Receipts and Expenditures of the U.S. Government* and other Treasury reports, unless otherwise noted.

NATIONAL HEALTH EXPENDITURES

(Continued from page 19)

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 are subtracted from the total. The residual represents the amount coming from private funds.