

Age Differences in Health Care Spending, Fiscal Year 1975

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This report of health care spending in fiscal year 1975 reveals that of the \$103.2 billion spent by the Nation for personal health care, 15 percent was spent for those under age 19, 56 percent for persons aged 19-64, and 29 percent for those aged 65 or older. The average health care bill for the oldest group was \$1,360, it was \$472 for the intermediate age group and \$212 for the young. Third-party payments met 71 percent of the aged group's health care expense and 66 percent of the health expenditures of persons under age 65. Public funds paid for one-fourth of the health expenses of the young, nearly one-third of the health bills of those aged 19-64, and two-thirds of those of the aged. Medicare alone paid 72 percent of the hospital expense for the aged and 54 percent of their doctor bills. The average direct payment by the consumer amounted to \$390 for those aged 65 and older and \$128 for persons under age 65.

AGE HAS A DIRECT bearing on the size and the nature of the Nation's health care bill. These relationships are analyzed here by type of health care and by source of funds, for persons in three age groups—persons under age 19, aged 19-64, and aged 65 and over.¹ Age differences in spending under public programs and from private sources are presented for fiscal years 1973, 1974, and 1975. Trends are examined from the beginning of the Medicare program in fiscal year 1967 to the present. As is customary in this series, statistics for the two previous years have been revised to reflect more reliable data that have since become available.

EXPENDITURES IN 1975

Americans spent an estimated \$103.2 billion for personal health care in fiscal year 1975 (table 1).

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¹ For estimates of total national spending on health in fiscal year 1975 and in previous years, see Marjorie Smith Mueller and Robert M. Gibson, "National Health Expenditures, Fiscal Year 1975," *Social Security Bulletin*, February 1976.

Personal health care expenditures include all health services and supplies received directly by individuals. Together with spending for medical research and medical facilities construction, administrative costs of government programs, government public health activities, philanthropic organization fund-raising activities for health, and the net cost of private health insurance, they make up the total national expenditures for health—\$118.5 billion in 1975.

As the following tabulation shows, persons aged 65 and over were only about one-fifth as

Age	Health expenditures		Population	
	1974	1975	1974	1975
All ages	100.0	100.0	100.0	100.0
Under 19	15.3	14.0	34.1	34.7
19-64	56.1	55.6	55.7	55.3
65 and over	28.6	29.4	10.2	10.0

numerous as those aged 19-64, but they had a health bill more than half as large as that of the intermediate age group. Persons under age 19—who comprise about a third of the total population—accounted for only 15 percent of total personal health care expenditures and for less than half of the 1975 health bill of the aged. These figures reflect the more frequent illnesses of the aged and the greater expense involved in their care, which occurs primarily in a hospital setting. Aged persons are more than four times as likely to have their activity limited by chronic health conditions than are those under age 65.² The aged are hospitalized at two and a half times the rate for persons under age 65, and their average length of stay is almost twice that of such persons.³

² National Center for Health Statistics, *Limitation of Activity and Mobility Due to Chronic Conditions, United States, 1972* (Series 10, No. 96, Vital and Health Statistics), 1974, tables 25 and 26.

³ Estimates based on unpublished data from National Center for Health Statistics, Hospital Discharge Survey, 1974.

TABLE 1—Estimated personal health care expenditures, by type of expenditure and source of funds, for three age groups, fiscal years 1973-75

(In millions)

Type of expenditure	All ages			Under 19			19-64			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public
1975 ¹												
Total	\$103 200	\$62,276	\$40 924	\$15,406	\$11 657	\$3,749	\$57,411	\$40 163	\$17,258	\$30,383	\$10 466	\$19,917
Hospital care	46 600	20 957	25 643	5,173	3 063	2,110	27 960	16 515	11,445	13 467	1 379	12,088
Physicians' services	22 100	16 245	5,855	8 083	4 431	652	12,155	9 826	2,329	4 862	1 987	2,875
Dentists' services	7 500	7,085	415	1 545	1,387	158	5 415	5 196	219	540	502	38
Other professional services	2 100	1 591	509	462	378	84	1 197	993	204	441	220	221
Drugs and drug sundries	10 600	9 695	905	2,014	1,893	121	5 957	5 517	440	2 629	2 285	344
Eyeglasses and appliances	2 300	2 198	102	379	365	15	1 415	1 335	80	506	498	8
Nursing home care	9,000	3 799	5 201	225	139	86	1,125	88	1 037	7,650	3,571	4 079
Other health services	3,000	707	2,293	525	1	524	2,187	682	1,505	288	24	264
1974 ¹												
Total	\$90 088	\$56,630	\$33 458	\$13 761	\$10 438	\$3 323	\$50,581	\$36,096	\$14 485	\$25 746	\$10,096	\$15 651
Hospital care	39,963	18 639	21,324	4,476	2,572	1,904	24 258	14 491	9,767	11 230	1 577	9 653
Physicians' services	19 571	14 834	4 737	4,501	3,953	548	10 764	8 852	1,912	4,306	2 028	2,278
Dentists' services	6 783	6 460	333	1,458	1,334	125	4 863	4 686	177	461	430	31
Other professional services	1 927	1,576	351	424	359	65	1,098	949	149	405	268	136
Drugs and drug sundries	9 612	8 862	750	1,855	1 755	101	5 450	5,086	364	2 307	2 021	286
Eyeglasses and appliances	2 160	2 070	90	356	343	14	1 328	1,259	70	475	468	7
Nursing home care	7 450	3 574	3 876	186	122	64	931	169	762	6,332	3,282	3 050
Other health services	2 622	625	1,997	503	1	503	1,888	604	1,284	231	20	210
1973 ²												
Total	\$82,490	\$52 428	\$30 062	\$13 011	\$9,507	\$3 504	\$46 360	\$33 927	\$12 433	\$23,119	\$8,994	\$14 126
Hospital care	36 155	17,113	19 042	4 086	2 234	1,852	22 091	13 663	8 427	9 979	1 216	8 763
Physicians' services	17 995	13 861	4,134	4 139	3 642	496	9,897	8 453	1 444	3 959	1 765	2 194
Dentists' services	6 101	5 780	321	1,318	1,203	115	4 405	4,229	176	378	347	31
Other professional services	1 781	1 440	341	392	317	75	997	854	143	392	269	123
Drugs and drug sundries	8 987	8 272	715	1,752	1 652	100	5 168	4,823	345	2 067	1,795	269
Eyeglasses and appliances	1 988	1 905	81	328	315	13	1 221	1,159	62	437	431	6
Nursing home care	6 650	3 477	3 173	166	114	52	631	223	609	5,682	3 141	2,512
Other health services	2 835	679	2 256	831	29	802	1 749	622	1,227	255	28	227

¹ Preliminary estimates

² Revised estimates

Total personal health care expenditures were nearly 15 percent higher in fiscal year 1975 than in 1974. The fastest growth occurred in spending for the aged, whose 18-percent rate of increase in expenditures was a third higher than that for the intermediate age group and half again as high as the rate for the young. The differences reflect higher utilization of hospital care by the aged and the fact that hospital costs soared 15 percent after price controls in the health care industry were removed in April 1974.

Personal health care expenditures per capita for the population as a whole climbed to \$476 in fiscal year 1975 (table 2). The average health bill for persons aged 65 or older (\$1,360) was more than six times the average expenditure for those under age 19 (\$212) and almost three times the average expense for those aged 19-64 (\$472). Per capita expenses for the aged were 15 percent higher than they were in 1974. The 1975 increases were nearly 12 percent for those in the interme-

mediate age group and 13 percent for those under age 19.

Source of Funds

Although they provided half again as much funding for personal health care as did the public sector, private spending sources, as a share in total health expenditures, continued their gradual downward trend. In 1970, the private sector accounted for almost two-thirds of all spending, in 1975, 40 percent of health care expenditures were publicly financed and private spending accounted for only 60 percent of total outlays.

For members of the intermediate and younger age groups—largely the working population and their families—private funds in the form of health insurance and consumer out-of-pocket payments were the major source of financing for

TABLE 2—Estimated per capita personal health care expenditures, by type of expenditure and source of funds, for three age groups, fiscal years 1973–75

Type of expenditure	All ages			Under 19			19-64			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public
1975 ¹												
Total	\$476 40	\$287 48	\$188 92	\$212 14	\$160 82	\$51 62	\$471 88	\$330 03	\$141 85	\$1,360 16	\$468 53	\$891 63
Hospital care	215 12	96 74	118 38	71 23	42 17	29 05	229 82	135 74	94 07	602 89	61 75	541 14
Physicians' services	102 02	74 99	27 03	69 99	61 02	8 98	99 91	80 77	19 14	217 66	88 96	128 69
Dentists' services	34 62	32 71	1 92	21 27	19 10	2 17	44 51	42 71	1 80	24 17	22 45	1 72
Other professional services	9 69	7 35	2 35	6 36	5 21	1 15	9 84	8 17	1 67	19 74	9 83	9 91
Drugs and drug sundries	48 03	44 78	4 18	27 73	26 07	1 66	48 96	45 35	3 62	117 68	102 30	15 38
Eyeglasses and appliances	10 62	10 15	4 7	5 23	5 03	20	11 63	10 97	65	22 65	22 29	36
Nursing home care	41 55	17 64	24 01	8 10	1 91	1 19	9 25	73	8 52	342 47	159 88	182 58
Other health services	13 85	3 28	10 59	7 23	01	7 22	17 98	5 61	12 37	12 89	1 05	11 84
1974 ¹												
Total	\$419 44	\$263 66	\$155 78	\$187 70	\$142 38	\$45 32	\$422 64	\$301 61	\$121 03	\$1,181 46	\$463 27	\$718 20
Hospital care	186 06	86 78	99 28	61 05	35 08	25 97	202 69	121 08	81 61	515 31	72 35	442 95
Physicians' services	91 12	69 06	22 06	61 40	53 92	7 48	89 94	73 97	15 97	197 58	93 05	104 53
Dentists' services	31 58	30 03	1 55	19 89	18 19	1 70	40 64	39 16	1 48	21 17	19 75	1 42
Other professional services	8 97	7 34	1 63	5 78	4 90	89	0 18	7 93	1 25	18 57	12 31	6 26
Drugs and drug sundries	44 75	41 28	3 49	25 80	23 93	1 87	45 64	42 60	3 04	105 86	93 76	13 10
Eyeglasses and appliances	10 06	9 64	4 2	4 86	4 68	18	11 10	10 52	58	21 81	21 49	31
Nursing home care	34 69	16 64	18 05	2 54	1 67	8 7	7 78	1 41	6 37	290 59	150 61	139 98
Other health services	12 21	2 01	9 30	6 87	01	6 85	15 77	5 04	10 73	10 59	94	9 65
1973 ¹												
Total	\$386 84	\$245 86	\$140 98	\$175 66	\$128 35	\$47 31	\$393 58	\$288 03	\$105 55	\$1,061 35	\$420 66	\$660 69
Hospital care	169 55	80 25	89 30	55 16	30 16	25 00	187 54	116 00	71 55	466 73	56 87	409 87
Physicians' services	84 39	65 00	19 39	65 88	49 18	6 70	84 02	71 78	12 26	185 17	82 66	102 61
Dentists' services	26 61	27 10	1 51	17 79	16 25	1 55	37 40	35 90	1 49	17 69	16 23	1 46
Other professional services	8 35	6 75	1 60	5 29	4 28	1 01	8 47	7 25	1 21	18 33	12 57	5 76
Drugs and drug sundries	42 15	38 79	3 36	23 66	22 30	1 36	43 87	40 94	2 93	96 68	84 08	12 59
Eyeglasses and appliances	9 31	8 93	3 8	4 42	4 25	17	10 37	9 84	53	20 44	20 15	28
Nursing-home care	31 19	16 31	14 88	2 24	1 84	70	7 06	1 89	5 17	264 38	146 89	117 49
Other health services	13 30	2 72	10 58	11 21	39	10 83	14 85	4 44	10 41	11 93	1 31	10 62

¹ Preliminary estimates

² Revised estimates

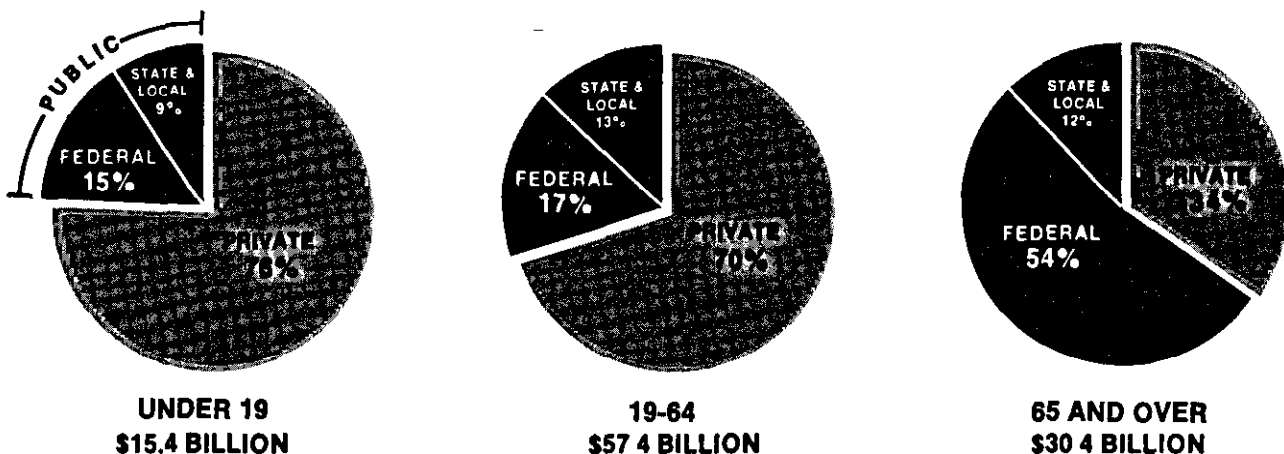
hospitals, physicians, dentists, other health professionals, and drugs. Public program expenditures, which represented only 29 percent of the total, were limited mostly to the poor (Medicaid) and the disabled (Medicare) in these age groups. For the aged, private funds were used primarily to supplement Medicare protection by meeting the deductible and coinsurance payments and reimbursing for services the program does not cover—that is, drugs, dentists, eyeglasses, care in noncertified skilled-nursing facilities, and non-assigned physician fees.

The public share of health care expenditures for the young remained about the same in 1975 as it was in 1974—24 percent (chart 1). It should be noted, however, that total State and local expenditures are slightly understated for both years because school health expenditures can no longer be identified separately from education expenditures and are therefore omitted from the State and local total. For the intermediate age

group, the public share of spending continued to increase gradually in 1975 to 30 percent, reflecting growing expenditures under several new programs for this segment of the population—principally family planning services under Medicaid and the Medicare coverage for the disabled, including those with chronic renal disease. For the aged, the public share rose sharply, from 61 percent in 1974 to 66 percent in 1975, primarily because of sharp increases in Medicare expenditures.

Government spending for personal health care purposes rose to \$41 billion in 1975, a record increase of 22 percent over the previous year (table 3). Federal spending rose more rapidly than State and local expenditures—24 percent compared with 18 percent. The biggest increase in Federal spending (28 percent) was for the aged group, reflecting a 29-percent rise in Medicare expenditures and a gain of 26 percent in Medicaid payments for the elderly. The 23-percent

CHART 1—Percentage distribution of expenditures for personal health care, by source of funds and age group, fiscal year 1975



increase in Federal spending for the health care of persons aged 19-64—accounted for largely by a 70-percent gain in Medicare spending for the disabled—was two and a half times as great as the 9-percent growth in expenditures for the young—those under age 19. Total State and local spending for personal health care amounted to \$12.3 billion. The largest increases were for the aged and the young and were due largely to higher Medicaid expenditures. Spending for the aged rose 24 percent—twice as fast as it did a year earlier, when the gain was 12 percent.

As the following percentage distributions indicate, the Federal share of government spending

Age	1974			1975		
	Total	Federal	State and local	Total	Federal	State and local
All ages	100.0	68.6	31.4	100.0	69.8	30.2
Under 19	100.0	65.8	34.2	100.0	63.1	36.8
19-64	100.0	65.4	44.6	100.0	57.1	42.9
65 and over	100.0	81.5	18.5	100.0	82.0	18.0

has continued its gradual increase over the past 2 years. Federal expenditures represented about two-thirds of all public funds in 1973, but by 1975 the share had increased to 70 percent. The Federal proportion was slightly higher than that for persons aged 65 and over and substantially more than it was a year earlier for those in the intermediate age group. The State and local share for health care of the young was larger in 1975 than in the previous year but smaller for the other two age groups.

Expenditures for those under age 19—About \$11.7 billion, or approximately three-fourths, of the \$15.4 billion spent in 1975 on health care for persons under age 19 came from private funds. The largest share of public expenditures—which totaled \$3.7 billion for this age group—came from public assistance under the Medicaid program (56 percent), as table 4 shows.

Other large blocks of expenditures were Department of Defense hospital and medical care (19 percent)—chiefly through the civilian health and medical program of the uniformed services (CHAMPUS)—and general hospital and medical programs (14 percent). The latter represented the net costs apportioned to this age group for the operations of State and local community, psychiatric, and long-term care hospitals after Medicaid and patient payments and capital outlay are excluded. Federal funds used to provide direct services through public health service hospitals, the Indian Health Service, and other programs of the Department of Health, Education, and Welfare are also included in this figure. The remaining 11 percent of public outlays were for Federal, State, and local maternal and child health and medical vocational rehabilitation programs and hospital and medical care for the disabled under the Medicare program.

Federal outlays (\$2.4 billion) were almost twice as large as those of State and local governments (\$1.3 billion) for this youngest age group. Almost three-fourths of State funds were for Medicaid. A little more than three-fourths of Federal funds represented Medicaid matching

TABLE 3—Estimated personal health care expenditures under public programs, by type of expenditure and source of funds, for three age groups, fiscal years 1973-75

Type of expenditure	[In millions]											
	All ages			Under 19			19-64			65 and over		
	Total	Federal	State and local	Total	Federal	State and local	Total	Federal	State and local	Total	Federal	State and local
1975 ¹												
Total	\$40 924	\$28,578	\$12 846	\$3,749	\$2,391	\$1 358	\$17,258	\$9 856	\$7 402	\$19,917	\$16,331	\$3,586
Hospital care	25,643	18,263	7,360	2,110	1,373	737	11 445	6,298	5,147	12 088	10 692	1,496
Physicians' services	5 855	4,262	1,893	652	391	280	2,329	1,116	1,213	2,875	2 755	119
Dentists' services	415	255	160	158	88	70	219	141	78	38	26	13
Other professional services	509	342	167	84	52	31	204	94	109	221	196	26
Drugs and drug sundries	905	478	427	121	68	52	440	225	215	344	184	159
Eyeglasses and appliances	102	57	45	15	10	5	80	40	39	8	7	1
Nursing home care	5,201	2,982	2,219	86	45	40	1,037	588	448	4,079	2,347	1,731
Other health services	2,293	1,939	864	524	362	162	1,505	1,354	151	264	223	41
1974 ²												
Total	\$33 458	\$22,959	\$10,499	\$3 323	\$2,187	\$1,135	\$14 485	\$8 022	\$6,463	\$15 651	\$12,750	\$2 901
Hospital care	21,324	14,626	6 698	1,904	1,275	629	9,787	5,102	4 665	9,653	8 249	1 404
Physicians' services	4 737	3,420	1 318	548	339	209	1,912	809	1 013	2,278	2 181	97
Dentists' services	333	215	117	125	73	51	177	120	57	31	22	9
Other professional services	351	224	126	65	41	24	140	65	84	138	119	18
Drugs and drug sundries	760	410	340	101	59	42	364	191	173	286	160	126
Eyeglasses and appliances	90	50	40	14	9	5	70	35	34	7	6	1
Nursing home care	3,876	2,314	1,562	64	36	28	762	447	315	3 050	1,832	1,218
Other health services	1,997	1,699	298	503	355	148	1 284	1,162	122	210	182	29
1973 ¹												
Total	\$30,062	\$20,178	\$9 884	\$3 504	\$2,139	\$1,366	\$12,433	\$6 516	\$5 916	\$14,126	\$11 524	\$2,602
Hospital care	19,042	12 793	6 249	1,852	1,241	611	8,427	4 095	4 333	8 763	7,457	1,306
Physicians' services	4 134	3 008	1,126	496	319	177	1,444	577	667	2 194	2,112	82
Dentists' services	321	218	104	115	69	45	176	125	50	31	23	8
Other professional services	341	224	117	75	52	23	143	66	77	123	106	17
Drugs and drug sundries	715	387	328	100	60	41	345	180	165	269	147	122
Eyeglasses and appliances	81	45	35	13	8	4	62	32	30	6	5	1
Nursing home care	3 173	1,849	1,323	62	28	24	609	341	267	2,512	1,480	1 032
Other health services	2,256	1,654	601	802	361	441	1,227	1,100	127	227	194	34

¹ Preliminary estimates

² Revised estimates

payments and Department of Defense health spending, chiefly for military dependents and retirees under the CHAMPUS program

Expenditures for the intermediate age group—Personal health care expenditures for members of this large age group totaled \$57.4 billion in 1975. Private sources provided \$40.2 billion, or 70 percent, of this amount, and the remaining \$17.2 billion was financed from public sources. The largest share of public funds (32 percent) came from the Federal-State Medicaid program. Next was health care for active and retired military servicemen and their dependents under the Veterans Administration and Department of Defense health care programs (27 percent), followed by the general hospital and medical care program primarily in State and local psychiatric hospitals (21 percent). The remaining 20 percent of public funds providing for the health care

of the intermediate group represented expenditures by Medicare for the disabled and expenditures under temporary disability insurance, workmen's compensation, and the programs for maternal and child health and medical vocational rehabilitation.

Federal funds accounted for a slightly higher share of public expenditures (57 percent) than they did in fiscal year 1974 (55 percent). Outlays for the Medicaid program and the health care programs of the Department of Defense and Veterans Administration represented 77 percent of Federal spending for this age group. Payments for Medicaid and for State and local hospital care accounted for 74 percent of all State spending.

Expenditures for the aged—Most of the elderly receive a major portion of their health care under Medicare and nearly one-fifth of them

TABLE 4—Estimated personal health care expenditures under public programs, by program and source of funds, for three age groups, fiscal years 1973-75

[In millions]

Program	All ages			Under 19			19-64			65 and over		
	Total	Federal	State and local	Total	Federal	State and local	Total	Federal	State and local	Total	Federal	State and local
1972 ¹												
Total	\$40,924	\$28,578	\$12,346	\$3,749	\$2,391	\$1,358	\$17,258	\$9,856	\$7,402	\$19,917	\$16,331	\$3,586
Health insurance for the aged and disabled	14,121	14,121	-	3	3	-	1,355	1,355	-	12,762	12,762	-
Temporary disability insurance	73	-	73	-	-	-	73	-	73	-	-	-
Workmen's compensation (medical benefits)	1,830	51	1,779	-	-	-	1,773	49	1,724	57	2	55
Public assistance (vendor medical payments)	12,487	6,692	5,795	2,098	1,125	974	5,475	2,034	2,541	4,914	2,633	2,280
General hospital and medical care	5,492	1,090	4,402	518	320	198	3,638	685	2,954	1,335	85	1,250
Defense Department hospital and medical care (including military dependents)	2,989	2,989	-	726	726	-	2,173	2,173	-	90	90	-
Maternal and child health services	535	272	263	365	186	179	171	87	84	-	-	-
School health	-	-	-	-	-	-	-	-	-	-	-	-
Veterans' hospital and medical care	3,206	3,206	-	-	-	-	2,450	2,450	-	756	756	-
Medical vocational rehabilitation	190	157	33	38	31	7	148	122	26	4	3	1
Office of Economic Opportunity	-	-	-	-	-	-	-	-	-	-	-	-
1974 ²												
Total	\$33,458	\$22,959	\$10,499	\$3,323	\$2,187	\$1,135	\$14,485	\$8,022	\$6,463	\$15,651	\$12,750	\$2,901
Health insurance for the aged and disabled	10,680	10,680	-	2	2	-	798	798	-	9,879	9,879	-
Temporary disability insurance	71	-	71	-	-	-	71	-	71	-	-	-
Workmen's compensation (medical benefits)	1,560	36	1,524	-	-	-	1,510	35	1,475	50	1	49
Public assistance (vendor medical payments)	9,938	5,563	4,375	1,732	969	762	4,465	2,499	1,965	3,742	2,095	1,647
General hospital and medical care	5,061	821	4,240	452	261	191	3,367	512	2,855	1,252	48	1,204
Defense Department hospital and medical care (including military dependents)	2,719	2,719	-	767	767	-	1,881	1,881	-	71	71	-
Maternal and child health services	489	230	259	333	157	176	156	73	83	-	-	-
School health	-	-	-	-	-	-	-	-	-	-	-	-
Veterans' hospital and medical care	2,756	2,756	-	-	-	-	2,103	2,103	-	653	653	-
Medical vocational rehabilitation	185	154	31	37	31	6	144	120	24	4	3	1
Office of Economic Opportunity	-	-	-	-	-	-	-	-	-	-	-	-
1973 ²												
Total	\$30,062	\$20,178	\$9,884	\$3,504	\$2,139	\$1,366	\$12,433	\$6,516	\$5,916	\$14,126	\$11,524	\$2,602
Health insurance for the aged	9,040	9,040	-	-	-	-	-	-	-	9,040	9,040	-
Temporary disability insurance	70	-	70	-	-	-	70	-	70	-	-	-
Workmen's compensation (medical benefits)	1,335	32	1,303	-	-	-	1,292	31	1,261	43	1	42
Public assistance (vendor medical payments)	8,817	4,783	4,034	1,581	858	723	4,068	2,207	1,861	3,168	1,719	1,450
General hospital and medical care	4,712	805	3,908	441	265	176	3,095	473	2,622	1,177	67	1,110
Defense Department hospital and medical care (including military dependents)	2,448	2,448	-	774	774	-	1,606	1,606	-	69	69	-
Maternal and child health services	451	216	234	307	147	160	144	69	75	-	-	-
School health	300	-	300	300	-	300	-	-	-	-	-	-
Veterans' hospital and medical care	2,561	2,561	-	-	-	-	1,955	1,955	-	606	606	-
Medical vocational rehabilitation	175	140	35	35	28	7	136	109	27	3	3	1
Office of Economic Opportunity	152	152	-	67	67	-	66	66	-	20	20	-

¹ Preliminary estimates

² Revised estimates

receive Medicaid benefits that supplement Medicare protection or pay the premium costs for the supplementary medical insurance part of the program. Thus the financing of health care for the aged comes primarily from public funds. Private payments, consisting of private health insurance premiums and direct payments to providers of services, constituted only 34 percent of total health expenditures for the aged in 1975.

A total of \$12.8 billion from Medicare and \$4.9 billion from Medicaid accounted for 89 percent of the \$19.9 billion in public spending and 58 percent of total health spending for persons

aged 65 and older. The remaining 11 percent of public outlays for health care came from expenditures for general hospital and medical care primarily at the State and local level and from the Veterans Administration health program. Additional small amounts came from the Department of Defense and State and Federal workmen's compensation and medical and vocational rehabilitation programs.

Medicare benefit payments are classified as public expenditures in this article, as they are in the Office of Research and Statistics series on national health expenditures. The private share

of health spending is therefore slightly understated. The 1976 article in that series⁴ notes that, in fiscal year 1975, 39 percent of supplementary medical insurance receipts came from premium payments by enrollees. If the supplementary medical insurance premiums were regarded as private payments, the public share would be reduced from 66 percent to 61 percent.

Type of Expenditure

Expenditures for hospital care, the largest single item of health care expense, represented 45 percent of all personal health care expenditures in the Nation in 1975. Hospital expenditures for the aged rose sharply—20 percent in 1975, compared with 13 percent in 1974. Hospital expense increases for the young and those aged 19–64 were also rapid, rising in both cases from nearly 10 percent in 1974 to a little more than 15 percent in 1975. Price increases and greater utilization were the controlling factors.

As shown below, almost half of all personal health care expenditures for members of the

Type of expenditure	Age			
	All ages	Under 19	19–64	65 and over
Total	100.0	100.0	100.0	100.0
Hospital care	45.2	33.6	48.7	44.3
Physicians' services	21.4	33.0	21.2	16.0
Other professional services	9.3	13.0	11.5	3.3
Drugs and drug sundries	10.3	13.1	10.4	8.7
Nursing home care	8.7	1.5	2.0	25.2
Other health services	5.1	5.9	6.3	2.6

older group and those aged 19–64 was for hospital care, but such expenditures represented only a third of health spending for the young. Physicians' services represented a larger share of health spending for the under-age-19 group than was true for the others.

Expenditures for physicians' services, which represented 21 percent of all personal health care expenditures in 1975, also rose at a faster rate than in the previous year—13 percent, compared with 9 percent. The increases were due to price rises and additional use of services.

Drug expenditures, the next largest single block

of health expenditures, also rose sharply in 1975—10 percent, compared with a 7-percent rise in the previous year. Drugs represented a greater proportion (13 percent) of total health spending for the young than for the other two age groups, but the fastest increase in drug outlays was for the elderly (14 percent). Drug expenses for the intermediate age group rose 9 percent and accounted for 10 percent of their total health expenditures.

Nursing-home care accounted for 25 percent of health care expenditures for the older group but less than 2 percent of total outlays for the young and intermediate age groups. Expenditures in this category rose almost 21 percent for all age groups, up sharply from the 12-percent increase recorded for 1974. Greater Medicaid spending as well as price increases and greater utilization accounted for the increases.

Other professional services, including dental care, represented 9 percent of overall spending for personal health care. The proportions varied according to age group—13 percent for the young, 12 percent for those aged 19–64, and 3 percent for the older age group. Growth rates were only 7 percent for the young but nearly 11 percent for those aged 19–64 and 13 percent for those aged 65 and older. The more rapid increases for the two latter age groups were accounted for by growing expenditures for the disabled under the Medicare program and by expansion and liberalization of Medicare benefits for other professional services. Medicaid expenditures for other professional services also rose faster for those over age 18 than for the younger group.

The different types of expenditures were financed in different ways. Fifty-five percent of all hospital spending came from public funds. For the aged, the government share was 90 percent. The Medicare program alone provided 72 percent of public funding (table 5). The \$2.9 billion spent by Federal, State, and local governments for physicians' services to members of this age group accounted for 59 percent of total outlays for this purpose. Fifty-four percent of that (\$2.6 billion) came from Medicare's supplementary medical insurance trust fund. That fund was financed 39 percent from the premium payments of enrollees, 54 percent from general revenues, 5 percent from premiums paid by Medicaid, and the remainder from interest earnings. For all

⁴Marjorie Smith Mueller and Robert M. Gibson, *op cit*, page 6.

TABLE 5—Estimated amount and percentage distribution of personal health care expenditures for the aged, by type of expenditure and source of funds, fiscal years 1973-75

Type of expenditure	Amount (in millions)					Percentage distribution				
	Total	Private	Public			Total	Private	Public		
			Total	Medicare	Other			Total	Medicare	Other
1975 ¹										
Total	\$30,383	\$10,466	\$19,917	\$12,762	\$7,155	100 0	34 4	65 6	42 0	23 5
Hospital care	13,467	1,379	12,088	9,725	2,363	100 0	10 2	89 8	72 2	17 5
Physicians' services	4,862	1,987	2,875	2,629	246	100 0	40 9	59 1	54 1	5 1
Dentists' services	540	502	38	38	38	100 0	92 9	7 1	-	7 1
Other professional services	441	220	221	167	54	100 0	49 8	50 2	38 0	12 2
Drugs and drug sundries	2,629	2,285	344	-	344	100 0	56 9	13 1	-	13 1
Eyeglasses and appliances	506	498	8	-	8	100 0	98 4	1 6	-	1 6
Nursing home care	7,650	3,571	4,079	241	3,838	100 0	46 7	53 3	3 1	50 2
Other health services	288	24	264	-	264	100 0	8 2	91 8	-	91 8
1974 ²										
Total	\$25,746	\$10,096	\$15,651	\$9,878	\$5,773	100 0	39 2	60 8	38 4	22 4
Hospital care	11,230	1,577	9,653	7,517	2,136	100 0	14 0	86 0	66 9	19 0
Physicians' services	4,306	2,028	2,278	2,072	205	100 0	47 1	52 9	48 1	4 8
Dentists' services	461	430	31	31	31	100 0	93 3	6 7	-	6 7
Other professional services	405	268	136	98	38	100 0	66 3	33 7	24 2	9 5
Drugs and drug sundries	2,307	2,021	286	-	286	100 0	87 6	12 4	-	12 4
Eyeglasses and appliances	475	468	7	-	7	100 0	98 6	1 4	-	1 4
Nursing home care	6,332	3,282	3,050	190	2,860	100 0	51 8	48 2	3 0	45 2
Other health services	231	20	210	-	210	100 0	8 8	91 2	-	91 2
1973 ²										
Total	\$23,119	\$8,994	\$14,126	\$9,040	\$5,085	100 0	38 9	61 1	39 1	22 0
Hospital care	9,979	1,216	8,763	6,768	1,995	100 0	12 2	87 8	67 8	20 0
Physicians' services	3,959	1,765	2,194	2,016	178	100 0	44 6	55 4	50 9	4 5
Dentists' services	378	347	31	31	31	100 0	91 7	8 3	-	8 3
Other professional services	392	209	123	83	40	100 0	68 6	31 4	21 2	10 3
Drugs and drug sundries	2,087	1,798	289	-	289	100 0	87 0	13 0	-	13 0
Eyeglasses and appliances	437	431	6	-	6	100 0	98 6	1 4	-	1 4
Nursing home care	5,652	3,141	2,512	173	2,339	100 0	55 6	44 4	3 1	41 4
Other health services	255	28	227	-	227	100 0	11 0	89 0	-	89 0

¹ Preliminary estimates

² Revised estimates

ages, public funds accounted for only 26 percent of the \$221 billion in expenditures for physicians' services

The public share of the total for all other types of expenditures was 27 percent. Among age groups, the proportion was 19 percent for persons under age 19, 20 percent for the group aged 19-64, and 41 percent for those aged 65 and over.

The average amount spent per person for each type of expenditure varies widely with age, as the following tabulation shows. Seventy percent

Age	Per capita expenditures			
	Total	Hospital care	Physicians' services	All other
All ages.....	\$476	\$215	\$102	\$159
Under 19..	212	71	70	71
19-64	472	230	100	142
65 and over	1,360	603	218	540

of the average health care bill of the aged went for hospital and nursing-home care. Health expenditures for those under age 19 averaged only a seventh those of the aged, primarily because of the younger group's low utilization of hospital care. Their hospital bills were only a tenth those of the aged, and their nursing-home expense was only about a hundredth of that of the elderly. The average health care bill for the intermediate age group was approximately a third that of the aged, reflecting about 38 percent of the hospital expenditures of the aged and about 3 percent of the elderly group's nursing-home expenses.

The per capita expenditures of \$100 for physicians' services for the intermediate group were 43 percent higher, on the average, than they were for young persons (\$70) but somewhat less than 50 percent of the average expense of the elderly (\$218). Average expenditures for physicians' services for the young were less than a third of those for the aged.

TRENDS

In the 3 years following the beginning of the Medicare program operations in fiscal year 1967, personal health care expenditures went up rapidly. The first deceleration in spending for this purpose occurred in 1971, when the rate of increase dropped sharply to 11.8 percent from a growth rate of 14.1 percent in 1970. The implementation of the economic stabilization program in the form of mandatory controls on the health care industry beginning in August 1971 had a further slowing effect on health care expenditures in fiscal years 1972, 1973, and 1974. The rate of increase dropped from 11.1 percent in 1972 to 9.2 percent in 1974, the year that saw the final 10 months of price controls. In fiscal year 1975, with price controls off, expenditures jumped 14.6 percent. The greater use of services was undoubtedly an additional factor.

The overall trends show up to a varying extent in outlays for the three age groups. The rate of increase in health expenditures for the aged peaked in 1968 (23.1 percent) as the Medicare program went into full swing. Since that time, the rate has declined, particularly during the period when price controls were in effect for the health care industry. In 1975, however, spending for the aged increased 18.0 percent, compared with a rise of 11.4 percent during 1974. For the two other age groups there are generally similar patterns of rate decline followed by a sharp upturn during 1975. Personal health care spending in 1975 rose 12.0 percent, double the 1974 rate, for the young. Spending for the intermediate age group also accelerated from a rate of 9.1 percent in 1974 to 13.5 percent in 1975.

Source of Funds

The Medicare and Medicaid programs continued to exert a strong influence on the source of funds for personal health care, particularly among the aged population. In 1966, before the two programs went into operation, public funds financed 30 percent of health care expenditures for the aged, in 1975, government's share was 66 percent (61 percent if Medicare premiums are regarded as private expenditures).

Yet from 1969 to 1975 the Medicare share of

the aged's overall health bill and its hospital and physicians' care components has been decreasing for a number of reasons. The average length of hospital stay for the older group has been declining by more than 3 percent a year during much of the period 1969-74 (table 6). As a result, the patient's initial share of the hospital bill—a deductible roughly equivalent to the average cost nationally of a day of care—has become a larger proportion of the total bill and the Medicare proportion has become smaller.

Additionally, expenditures have been increasing for outpatient hospital diagnostic and therapeutic services, which are included as hospital expenses but paid from the Medicare supplementary medical insurance trust fund. These expenses are reimbursed at a lower rate than those for inpatient hospital care, mainly because of the 20-percent coinsurance requirement.

The decline in Medicare's share of expenditures for physicians' services has resulted partly from the increase in the deductible from \$50 to \$60 in 1973, but an even more important influence has been the decrease in the proportion of claims for which physicians have accepted assignment. Physicians who do not accept assignment may bill the patient for more than Medicare's "reasonable charges." In fiscal year 1969, the net assignment rate (excluding hospital-based physicians) was 61 percent, in 1974, it had declined to 52 percent. As a result, a greater proportion of total charges is being met through private insurance, Medicaid, or out-of-pocket payments by the patient and a smaller proportion by Medicare.

Although still not at the 1969 level, Medicare's share of the health bill in 1975 showed a sharp increase, reaching 42 percent of the total. For hospital care, Medicare's share rose to 72 percent in contrast to the previous high of 66 percent in 1969, for physicians' and other professional services, the 1975 shares were 54 percent and 38 percent, respectively, compared with a high of 60 percent for physicians' services in 1969 and a previous high of 31 percent for other professional services in 1970. This growth in 1975 came about mainly because of financing procedures under the program. A steep rise occurred in hospital insurance benefits in fiscal year 1975 because of the switch by many providers—following repayment of outstanding current financing funds in fiscal year 1974—to the "periodic interim payment"

TABLE 6—Community hospital utilization and expenses, by age group, fiscal years 1967-75

Fiscal year	Number of admissions (in thousands)			Number of patient days (in thousands)			Average length of stay (days)			Expenses	
	All ages	Under 65	65 and over	All ages	Under 65	65 and over	All ages	Under 65	65 and over	Total (in millions)	Per adjusted patient day
1967	27 048	21 840	5 208	214 454	148,538	65,918	7 9	6 8	12 7	\$11 510	\$49
1968	27 465	21 960	5 505	221 971	148 878	73,093	8 1	6 8	13 3	13 697	56
1969	28 027	22,123	5 904	227 633	149,585	78,048	8 1	6 8	13 2	15 965	64
1970	29,238	23 101	6 137	231 601	153 120	78 481	7 9	6 6	12 8	18,699	73
1971	30 312	23 966	6,346	234,413	155,475	78 938	7 7	6 5	12 4	21 418	83
1972	30 706	24 071	6 635	232 892	153,587	79,305	7 6	6 4	12 0	23 925	92
1973	31 483	24 513	6 970	235 984	155,623	80,361	7 5	6 3	11 5	26,589	101
1974	32,752	25 291	7 461	242 393	157 715	84 678	7 4	6 2	11 3	30 115	111
1975	33 331	25 528	7 803	245 940	157 822	88 118	7 4	6 2	11 3	35 610	128
Percentage change from preceding year											
1968	1 5	0 5	5 7	3 5	0 2	10 9	1 9	-0 3	4 9	19 0	14 3
1969	2 0	7	7 2	2 6	5	6 8	5	-3	-4	16 6	13 2
1970	4 3	4 4	3 9	1 7	2 4	6	-2 5	-2 0	-3 3	17 1	14 9
1971	3 7	3 7	3 4	1 2	1 5	6	-2 4	-2 1	-2 7	14 5	13 1
1972	1 3	4	4 6	-6	-1 2	5	-1 9	-1 6	-3 9	11 7	11 8
1973	2 5	1 8	5 0	1 3	1 3	1 3	-1 2	-5	-3 5	11 1	9 3
1974	4 0	3 2	7 0	2 7	1 3	5 4	-1 3	-1 8	-1 6	13 3	9 6
1975	1 8	9	4 6	1 5	1	4 1	-3	-9	-5	18 2	15 8
Utilization rate per 1 000 population											
1967	134	120	278	1 066	814	3,512					
1968	135	119	288	1 091	808	3,823					
1969	136	119	303	1 109	805	4 001					
1970	141	123	308	1,116	817	3 936					
1971	145	127	309	1 119	823	3,844					
1972	145	126	317	1 101	806	3 786					
1973	148	128	326	1,107	811	3 759					
1974	152	131	342	1,129	817	3 886					
1975	154	131	349	1,135	812	3 945					

Source "Hospital Indicators," *Hospitals* (midmonth issues), and unpublished data from the American Hospital Association

method of financing Under this method, payments, which are based on estimated costs and utilization, were 65 percent greater than they were in fiscal year 1974 and accounted for half of the increase in hospital insurance benefits

A comparable rise in supplementary medical insurance benefits was largely the result of catch-up increases in physicians' fees following the end of the economic stabilization program Medicare placed a limit of 55 percent on fee increases in determining its calendar-year base for fiscal-year 1974 payments The amounts paid physicians in fiscal year 1975, however, were based on prevailing and customary charges derived from actual charges in calendar year 1973 Increased utilization of medical services and increased charges for outpatient services have also contributed to the sharp rise in supplementary medical insurance benefits, as have the extension of Medicare coverage to services performed by independent physical therapists and chiropractors and the elimination of coinsurance payments for home-health visits Another factor was the submission of bills on a more frequent, "even flow" basis by physicians accepting assignment—a practice encouraged by the carriers Beneficiaries, feeling the effects of the recession and the pinch

of inflation on their incomes, also submitted their bills more frequently A trend toward increased use of outpatient services because of the nonavailability of physicians was another contributing factor

During the past several years, only about 3 percent of nursing-home expenditures have been paid by Medicare By contrast, in 1968, toward the beginning of the program and before controls on the use of skilled-nursing facilities were tightened, Medicare covered nearly 16 percent of total outlays for care of the aged in nursing homes The program does not pay for dental care, out-of-hospital prescribed drugs, or eyeglasses Because of these program limitations, Medicare's share in the financing of total health care for the aged has not kept pace with the advance of its share of financing hospital and medical services

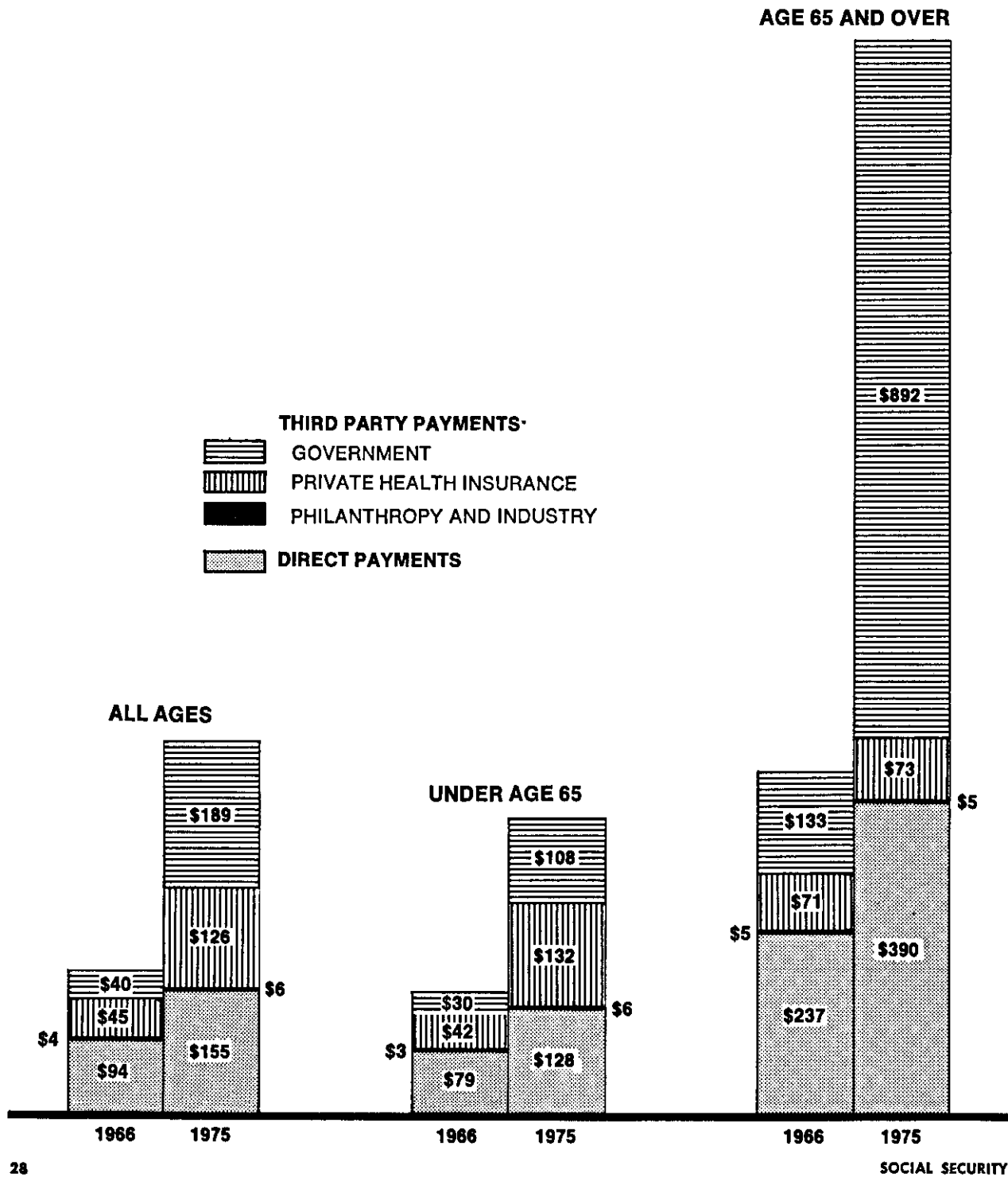
Third-Party Financing

Third-party financing has been a major factor in the growth of health care spending More than two-thirds of the Nation's health care bill in 1975 was paid by third parties—private health

insurance, government, and, to a much lesser extent, philanthropy and industry (table 7 and chart 2)

While the share paid by private health insurance has remained stable at around 25 percent for the past 10 years, government's share has almost

CHART 2—Per capita expenditures for personal health care met by third parties and paid directly, by age group, fiscal years 1966 and 1975



doubled in the same period—increasing from 22 percent in 1966 to 40 percent in 1975. Although direct payments by consumers represented less than a third of their total health expenditures in 1975, compared with a little more than half

10 years earlier, the dollar amounts per capita rose 65 percent in that period—from an average of \$94 to \$155.

Payments by the two major third parties—government and private health insurance—have

TABLE 7—Amount and percent of expenditures for personal health care met by third parties for two age groups, fiscal years 1966–75

Fiscal year	Total	Direct payments	Third party payments			
			Total	Private health insurance	Government	Philanthropy and industry
All ages						
Total amount (in millions)						
1966	\$36 216	\$18 688	\$17,548	\$8 936	\$7 892	\$720
1967	41 343	18 786	22 557	9 344	12 461	753
1968	46 521	19,103	27,419	10 444	16 200	775
1969	52 690	20 957	31 733	12,206	18 705	824
1970	60,113	24 272	35 841	14 406	20,545	890
1971	67 228	26 307	40,921	16 728	23 229	964
1972	74,688	28,083	46 604	18 620	26 949	1 035
1973 ¹	82 490	30,348	52,142	20 955	30 062	1 125
1974 ¹	90 088	31 310	58,778	24,100	33 458	1,220
1975 ²	103 200	33 600	69,600	27,340	40,924	1,337
Per capita amount						
1966	\$181 96	\$93 79	\$88 17	\$44 90	\$39 65	\$3 62
1967	205 45	93 35	112 10	46 43	61 92	3 74
1968	228 75	93 91	134 84	51 35	79 66	3 84
1969	256 59	102 06	154 53	59 44	91 09	4 01
1970	289 76	117 00	172 76	69 44	99 03	4 29
1971	320 84	125 55	195 29	79 83	110 86	4 60
1972	353 00	132 73	220 27	88 00	127 37	4 89
1973 ¹	386 84	142 32	244 53	98 27	140 98	5 28
1974 ¹	419 44	145 77	273 66	112 21	155 78	5 68
1975 ²	476 40	155 11	321 30	126 21	188 92	6 17
Percentage distribution						
1966	100 0	51 5	48 5	24 7	21 8	2 0
1967	100 0	45 4	54 6	22 6	30 1	1 8
1968	100 0	41 1	58 9	22 5	34 8	1 7
1969	100 0	39 8	60 2	23 2	35 5	1 6
1970	100 0	40 4	59 6	24 0	34 2	1 5
1971	100 0	39 1	60 9	24 9	34 6	1 4
1972	100 0	37 6	62 4	24 9	36 1	1 4
1973 ¹	100 0	36 8	63 2	25 4	36 4	1 4
1974 ¹	100 0	34 8	65 2	26 8	37 1	1 4
1975 ²	100 0	32 6	67 4	26 5	39 7	1 3
Under age 65						
Total amount (in millions)						
1966	\$27,974	\$14,286	\$13 688	\$7 627	\$5 432	\$629
1967	31,302	15,070	16 233	8 755	6 801	677
1968	34 159	16,702	18 457	9 786	7 971	701
1969	38 349	16 938	21,411	11,437	9,229	746
1970	43 699	18 885	24 714	13 498	10,407	809
1971	48,213	19 802	28 411	15 708	11,829	874
1972	53 041	20,390	32 651	17 503	14 207	941
1973 ¹	59,371	22,712	36 659	19,697	15,937	1 025
1974 ¹	64 342	22,769	41,572	22,654	17 807	1 111
1975 ²	72,817	24 890	47,926	25,699	21,007	1,220
Per capita amount						
1966	\$154 96	\$79 13	\$75 82	\$42 25	\$30 09	\$3 48
1967	171 55	82 69	88 96	47 98	37 27	3 71
1968	185 39	85 22	100 17	53 11	43 26	3 80
1969	206 36	91 14	115 21	61 54	49 66	4 01
1970	232 50	100 71	131 79	71 98	55 50	4 81
1971	255 09	104 77	150 32	83 11	62 69	4 82
1972	278 23	108 96	171 27	91 81	74 52	4 74
1973 ¹	309 45	118 38	191 07	102 67	83 07	5 24
1974 ¹	333 39	117 98	215 41	117 38	92 27	5 76
1975 ²	374 79	128 11	246 68	132 28	108 12	6 28
Percentage distribution						
1966	100 0	48 9	48 9	27 3	19 4	2 2
1967	100 0	48 1	51 9	28 0	21 7	2 2
1968	100 0	46 0	54 0	28 7	23 3	2 1
1969	100 0	44 2	55 8	29 8	24 1	2 0
1970	100 0	43 3	56 7	31 0	25 9	1 9
1971	100 0	41 1	58 9	32 6	24 5	1 8
1972	100 0	38 4	61 6	33 0	26 8	1 8
1973 ¹	100 0	38 3	61 7	33 2	26 8	1 7
1974 ¹	100 0	35 4	64 6	35 2	27 7	1 7
1975 ²	100 0	34 2	65 8	35 3	28 8	1 7

See footnotes at end of table

TABLE 7—Amount and percent of expenditures for personal health care met by third parties for two age groups, fiscal years 1966-75—Continued

Fiscal year	Total	Direct payments	Third party payments			
			Total	Private health insurance	Government	Philanthropy and industry
Aged 65 and over						
Total amount (in millions)						
1966	\$8,242	\$4,382	\$3,860	\$1,309	\$2,460	\$91
1967	10,041	3,716	6,325	589	5,660	76
1968	12,362	3,401	8,961	658	8,229	74
1969	14,342	4,019	10,323	789	9,478	78
1970	16,514	5,387	11,127	908	10,138	81
1971	19,015	6,505	12,510	1,020	11,490	80
1972	21,649	7,696	13,953	1,117	12,742	84
1973 ¹	23,119	7,636	15,483	1,257	14,126	100
1974 ¹	25,746	8,540	17,206	1,446	15,651	109
1975 ²	30,383	8,709	21,674	1,640	19,917	116
Per capita amount						
1966	\$445 25	\$236 72	\$208 52	\$70 71	\$132 89	\$4 92
1967	535 03	198 01	337 03	31 38	301 59	4 05
1968	640 65	177 90	468 75	34 42	430 45	3 87
1969	735 19	206 02	529 17	39 42	485 76	4 00
1970	828 31	270 20	558 11	45 54	508 50	4 06
1971	925 98	316 78	609 20	49 67	555 15	4 38
1972	1,033 51	357 40	666 11	53 33	608 30	4 49
1973 ¹	1,081 35	357 16	724 19	58 81	660 69	4 70
1974 ¹	1,181 46	391 80	789 66	66 35	718 20	5 01
1975 ²	1,360 16	389 88	970 28	73 44	891 63	5 22
Percentage distribution						
1966	100 0	53 2	46 8	15 9	29 8	1 1
1967	100 0	37 0	63 0	5 9	56 4	8
1968	100 0	27 5	72 5	5 3	66 6	6
1969	100 0	28 0	72 0	5 4	66 1	6
1970	100 0	32 6	67 4	5 5	61 4	6
1971	100 0	34 2	65 8	5 4	60 0	6
1972	100 0	35 6	64 5	5 2	58 9	4
1973 ¹	100 0	33 0	67 0	5 4	61 1	4
1974 ¹	100 0	33 2	66 8	5 6	60 8	4
1975 ²	100 0	28 7	71 3	5 4	65 6	4

¹ Revised estimates

² Preliminary estimates

had differing impacts on the three age groups. The role of private health insurance with respect to expenditures for the aged, for example, diminished rapidly with the advent of the Medicare program. Although the number of aged persons who carry private insurance is now even larger than it was before Medicare, insurance payments now make up only about 5 percent of their total outlays, compared with about 16 percent in 1966. Insurance for this group now generally only supplements or complements the Medicare benefit structure. Government's share of the health bill for the aged, which includes the broad coverage available under Medicare, more than doubled—from 30 percent in 1966 to 66 percent in 1975.

For persons under age 65, private health insurance met 35 percent of their 1975 health expenditures. This substantial proportion reflects significant gains in private coverage for the working-age population that have been achieved through collective bargaining over the past 10 years.

Medicaid has helped reduce the direct costs of health care for the poor and medically indigent members of the young and intermediate age

groups. Government programs, including Medicaid and Medicare for the disabled under age 65, met 29 percent of outlays for these age groups, compared with 19 percent in 1966.

Despite third-party payments, 29 percent of the Nation's health bill for the aged was paid directly from their own resources. Direct expenditures generally paid for services covered neither by Medicare nor private insurance. Not included in the direct payments are private insurance premiums and the premiums for supplementary medical insurance also paid by the aged, or in some cases by employers in their behalf.

Per Capita Spending

Per capita spending is significant because it provides a realistic measure of the increase in expenditures for personal health care. The substantial growth over the past 10 years in the average amount spent by Americans—from \$182 in 1966 to \$476 in 1975—reflects, not only inflationary costs and prices, but increased use of

services, technological advances, and quality improvements in the field of health and medical care and treatment. The growth in the average amount spent for health care has been substantial for all

ages. For a person under age 65, the average amount spent in 1975 was almost two and a half times the sum spent in 1966. For the aged, per capita spending more than tripled since 1966.

Social Security Abroad

Administrative Costs for Social Security Programs in Selected Countries*

Information on the amount social security systems spend on administration in relation to their total benefit expenditures has been collected by the International Labor Organization (ILO) in its most recent study of the cost of social security.¹ The data provided by 13 selected countries in response to the ILO's uniform questionnaire have been brought together in the accompanying table. The table is based on advance information from the ILO and presents administrative costs as a percentage of all benefit expenditures in 1971.

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¹ International Labor Office, *The Cost of Social Security* (Eighth International Inquiry, 1967-1971, Basic Tables), Geneva (scheduled for publication in 1976). For an outline of the structure and provisions of programs in other countries, see *Social Security Programs Throughout the World, 1975* (Research Report No. 48), Social Security Administration, Office of Research and Statistics, 1976.

for the old-age, invalidity, and survivor insurance system, for the general health insurance system, and for all cash benefit programs in 10 Western European countries, Canada, Japan, and the United States.

For comparative purposes, these data (for a fiscal-year period that differs somewhat from country to country) appear to be the most representative available, though a number of conceptual difficulties are involved. The mix of programs, for example, may not be the same from one country to another. Some countries lump together old-age, invalidity, and survivor insurance, others administer the invalidity program with health insurance. The United States, for example, has no family allowance program.

OLD-AGE, INVALIDITY, AND SURVIVOR INSURANCE

Administrative costs as a proportion of benefit expenditures for old-age, invalidity, and survivor insurance in 1971 are compared here for 9 of the 13 countries—those for whom data are available and distinguishable (except that Belgium's figure excludes the invalidity program, which

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Administrative costs as a percentage of total benefit expenditures under social security programs, 13 countries

Country	Cash benefits under old age, invalidity, and survivors insurance, ¹ 1971	Total cash benefits under public programs ²		Medical care benefits under health insurance, ¹ 1971
		1966	1971	
Austria	3.1	3.8	3.7	3.9
Belgium	³ 2.4	6.2	5.3	7.9
Canada	2.0	1.9	1.9	⁴ 2.3
Denmark	(⁵)	2.9	2.4	6.4
Germany (Federal Republic)	⁴ 1.3	5.1	3.7	5.0
Italy	3.6	5.4	3.7	6.4
Japan	10.6	3.9	3.6	4.0
Netherlands	2.1	4.3	3.6	3.4
Norway	3.6	2.7	3.3	4.3
Sweden	(⁵)	2.4	1.9	7.6
Switzerland	(⁵)	3.4	3.0	11.2
United Kingdom	(⁵)	3.2	3.3	(⁵)
United States	2.2	3.7	3.2	⁴ 5.3

¹ General system.
² Old age, invalidity, and survivor insurance; cash sickness payments for temporary disability; cash maternity payments, workmen's compensation, unemployment insurance, family allowances, public employee pensions, public assistance, and benefits for war victims.
³ Excludes invalidity program, which is administered with health insurance.

⁴ Much of the administration is not at the national level.
⁵ Comparable data not available.
⁶ For hospital insurance and supplementary medical insurance covering only persons aged 65 and over.