

Voluntary Health Insurance and Private Medical Care Expenditures, 1948-59

by AGNES W. BREWSTER*

THE NATION's private expenditures for medical care required \$18.3 billion in 1959, a sum equivalent to 5.4 percent of disposable personal income. Seventy-two percent—\$13 billion—was spent directly by consumers, and the balance was accounted for by insurance and prepayment arrangements. The total was nearly \$1.6 billion higher than the amount spent in 1958. Expenditures made directly by consumers rose \$916 million, an increase exceeded in only 2 other years. Those represented by insurance and prepayment rose an unprecedented \$641 million.

Per capita expenditures for medical care in 1959 amounted to \$105, almost double the 1948 figure. Out-of-pocket expenditures by consumers were \$75.49 per capita, and insurance accounted for \$29.33 per capita.

Expenditures made from public funds for the medical care of civilians are largely, though not entirely, excluded from these sums. The amounts spent for medical care of veterans and Indians and for Public Health Service hospitals are thus excluded, as well as vendor payments for persons receiving public assistance. Also excluded are expenditures of \$50 million under Medicare—the program that provides care in civilian hospitals from private doctors for dependents of the members of the uniformed services. To date the series excludes most civilian expenditures in Alaska and Hawaii.

The data include increasing sums derived from taxes, however, when tax funds are used for the contributions of government, as employer, toward the purchase of private health insurance for local, State, and Federal government employees. In 1960 these amounts will be further increased by the Federal Government's use of general revenue to pay its share of the costs of private health insurance under the recently enacted program covering nearly 1.8 million Federal employees and their 2 million or more dependents. This program alone will require at least \$114 million

of tax funds yearly. In New York and Massachusetts, State government employees and employees of local government units electing to come under the State program are also eligible for this type of fringe benefit; expenditures for the latest 12 months amounted to \$18.6 million, of which government as employer contributed \$8.0 million. State employees in Rhode Island and Wisconsin became insured, with the State contributing to the cost, in 1960; and such a program is being actively considered in California and Michigan. Many smaller units of government also contribute as employer to the cost of private health insurance for their employees, but the extent of this use of public funds has not been measured.

AGGREGATE PRIVATE EXPENDITURES FOR MEDICAL CARE

The National Income Division of the Department of Commerce prepares basic data on personal consumption expenditures. It projects estimates for the latest year from past trends and revises the data as necessary when firm figures for past years become available. The data relating to medical care expenditures released in August 1960 contain upward adjustments for 1957 and 1958, based on more complete reports from the income-tax returns of members of the health professions and on more recent data from the Bureau of the Census.

As a result of these adjustments, the aggregate for 1957 personal consumption expenditures for medical care is \$135 million more than the estimate published in this series in the December 1959 BULLETIN. The revised figure for 1958 is \$362 million higher than the figure released in 1959. Upward adjustments in the 1958 data were found necessary for physicians' incomes (a rise of \$225 million), dentists' incomes (\$180 million), other professional services (\$18 million), and medicines (\$49 million). The previous estimate for expenditures for appliances was reduced by \$110 million.

* Division of Program Research, Office of the Commissioner.

The Division of Program Research of the Social Security Administration uses the Department of Commerce figures without adjustment for dentists' services, medicines, appliances, and other

professional services. Data relating to private expenditures for hospital care and for nursing homes are developed annually by the Division. The extent of health insurance income and of

TABLE 1.—Private expenditures for medical care and for voluntary health insurance: Amount, percentage distribution, and percent of disposable personal income, by type of expenditure, 1948-59¹

Type of expenditure	1948	1950	1955	1957	1958	1959
	Amount (in millions)					
Total.....	\$7,647	\$8,645	\$12,849	\$15,488	\$16,750	\$18,317
Direct payments.....	6,785	7,354	9,699	11,344	12,262	13,178
Insurance benefits.....	606	992	2,536	3,474	3,877	4,399
Expenses for prepayment ²	256	299	614	670	620	740
Hospital services ³	1,881	2,315	3,851	4,596	5,102	5,514
Direct payments.....	1,234	1,446	1,833	1,917	2,170	2,131
Insurance benefits.....	455	680	1,679	2,304	2,591	2,945
Expenses for prepayment.....	192	189	339	375	341	439
Physicians' services ⁴	2,424	2,572	3,529	4,151	4,515	4,988
Direct payments.....	2,209	2,150	2,397	2,717	2,950	3,233
Insurance benefits ⁵	151	312	857	1,170	1,286	1,454
Expenses for prepayment.....	64	110	275	294	279	302
Dentists' services.....	900	961	1,508	1,737	1,854	1,963
Medicines.....	1,466	1,719	2,473	3,062	3,310	3,604
Appliances.....	431	486	685	990	991	1,185
Other professional services ⁶	445	482	653	741	787	842
Nursing homes ⁷	100	110	150	180	200	220
Percentage distribution						
Total.....	100.0	100.0	100.0	100.0	100.0	100.0
Direct payments.....	88.7	85.1	75.5	73.2	73.2	71.9
Insurance benefits.....	7.9	11.5	19.7	22.4	23.1	24.0
Expenses for prepayment.....	3.3	3.5	4.8	4.3	3.7	4.0
Hospital services.....	24.6	26.8	30.0	29.7	30.4	30.1
Direct payments.....	16.1	16.7	14.3	12.4	12.9	11.6
Insurance benefits.....	6.0	7.9	13.1	14.9	15.5	16.1
Expenses for prepayment.....	2.5	2.2	2.6	2.4	2.0	2.4
Physicians' services.....	31.7	29.8	27.5	27.0	26.9	27.2
Direct payments.....	28.9	24.9	18.7	17.5	17.6	17.7
Insurance benefits.....	2.0	3.6	6.7	7.6	7.7	7.9
Expenses for prepayment.....	.8	1.3	2.1	1.9	1.7	1.6
Dentists' services.....	11.8	11.1	11.7	11.2	11.1	10.7
Medicines.....	19.2	19.9	19.2	19.8	20.0	19.1
Appliances.....	5.6	5.6	5.3	6.4	5.9	6.5
All other.....	7.1	6.8	6.2	5.9	5.9	5.8
Percent of disposable personal income ⁸						
Total.....	4.0	4.2	4.7	5.0	5.3	5.4
Direct payments.....	3.6	3.5	3.5	3.7	3.9	3.9
Insurance benefits.....	.3	.5	.9	1.1	1.2	1.3
Expenses for prepayment.....	.1	.1	.2	.2	.2	.2
Hospital services.....	1.0	1.1	1.4	1.5	1.6	1.6
Direct payments.....	.7	.7	.7	.6	.7	.6
Insurance benefits.....	.2	.3	.6	.7	.8	.9
Expenses for prepayment.....	.1	.1	.1	.1	.1	.1
Physicians' services.....	1.3	1.2	1.3	1.4	1.4	1.5
Direct payments.....	1.2	1.0	.9	.9	.9	1.0
Insurance benefits.....	.1	.2	.3	.4	.4	.4
Expenses for prepayment.....	.1	.1	.1	.1	.1	.1
Dentists' services.....	.5	.5	.5	.6	.6	.6
Medicines.....	.8	.8	.9	1.0	1.0	1.1
Appliances.....	.2	.2	.2	.3	.3	.4
All other.....	.3	.3	.3	.3	.3	.3

¹ Data for years before 1957 are from tables II-4, the Department of Commerce, *U. S. Income and Output, Supplement to Survey of Current Business, 1959*. Data for 1957-59 are from table 15, *Survey of Current Business, National Income Number*, July 1960. Consumer expenditures include employer contributions to health insurance premiums or health benefit costs. Excludes medical care expenditures for the Armed Forces and veterans, those made by public health and other government agencies and under workmen's compensation laws, and those of private philanthropic organizations directly to or by hospitals.

² Data from table 3. Represents the difference between expenditures for health insurance premiums (earned income) and amounts returned to consumers as benefits.

³ Estimates of amounts received by hospitals based on data in *Hospitals*, June of each year 1949-54 and September 1955-60. For details, see earlier articles in this series (*Social Security Bulletin*, January 1950 and December of

each year 1951-59).

⁴ Amounts received by physicians from patients adjusted by an addition to figure reported in *Survey of Current Business* for salaries of physicians employed in prepayment medical service plans and for physicians' services in student health services. Excludes amounts private practitioners received from nonconsumer sources (equal to about 10 percent of the amounts shown), such as those for workmen's compensation cases, and physical examinations connected with writing life insurance.

⁵ Includes also prepaid dental benefits and other services provided through prepayment plans; amounts are not large enough to be allocated to the appropriate consumer expenditure.

⁶ Services of osteopathic physicians, chiropractors, podiatrists, private-duty trained nurses, and miscellaneous curative and healing professions.

⁷ Only nursing homes with skilled nursing care.

⁸ Data from table 4, p. 11, *Survey of Current Business*, July 1960.

expenditures for insured benefits is also determined by the Division through the cooperation of the carriers or their national organizations.

After the income and expenditures for benefits among all types of carriers have been determined separately for hospitalization and physicians' services, the three-part division shown for outlays for hospital care is developed. The data showing the level of private payments for physicians' services are taken from the Department of Commerce series, with an addition for amounts received by salaried doctors in prepaid group-practice plans; the three-way division for this item into direct payments, insurance benefits, and expenses for prepayment is then made.

The Nation's private medical bill in 1959, in advancing \$1.6 billion to \$18.3 billion (table 1), reflected both a recovery from the 1957-58 recession and an increased rate of spending for medical care. The year 1959 resembled 1956 in the extent of the advance not only in out-of-pocket expenditures but also in insurance payments. In advancing to the new level of \$13.2 billion, direct payments rose as much as they had from 1957 to 1958; at the same time insurance registered its largest increase in the 12 years encompassed in the annual survey made by the Social Security Administration and passed the \$5 billion mark.

Aggregate expenditures for medical care have advanced 140 percent from 1948 to 1959, but this increase is a composite of much larger increases for some items (193 percent for hospital care) and smaller increases for others (106 percent for physicians' services and 90 percent for other professional services).

From 1955 to 1959, expenditures rose 43 percent. The amounts expended for hospital care and for physicians' services both advanced at about the same rate as expenditures for all medical care in this period.

It appears that no significant shifts have occurred in the proportions of the Nation's medical care bill going to hospitals, physicians, and dentists and for other medical care items since about 1955. From 1948 to 1955, there had been a gradual increase in the proportion spent for hospital care, a decline in the proportion allocated to physicians' services, and almost no fluctuation in the percentage that other items contributed to the total.

As insurance benefits for hospital care expanded, a slight reduction in the proportion of the total medical bill derived from direct payments to hospitals can be noted. No similar decline in the direct payment segment for physicians' services has been registered for the past 3 years, however, and insurance benefits have made relatively little progress in the past 5 years in assuming a larger proportion of the Nation's yearly private medical bill for physicians' services.

In the 12 years covered by the Social Security Administration survey, 1959 was the first year in which insurance benefits offset all the expansion in hospital costs and in addition replaced some of the direct outlays made by hospital patients at the time of receiving care. A lower-than-usual expansion in hospital insurance had resulted from the recession of 1957-58. In 1959, hospital insurance recovered lost business and moved ahead once more. Although the amounts people spent directly were higher in 1959 than they had been in 1957, they were slightly lower than in 1958—a year when insurance benefits had not shown a corresponding expansion. Expenses for prepayment (the difference between premium income and insurance benefits) rose sharply from 1958 to 1959, reflecting both the growth in insurance and a drop in the loss ratio between insurance income and expenditures for benefits.

In the early years of this series, insurance benefits took over an additional 2 percent of the Nation's private medical bill each year, going from 8 percent to 20 percent in 7 years. In the 4 years since 1955, the proportion identified as coming from insurance benefits advanced from 20 percent to 24 percent—an average of only 1 percent a year. It is apparent that expansion of insurance benefits has become an uphill effort in the face of increasing prices, a growing population, and the fact that large segments of the population are already covered for some benefits.

Relation to Personal Income

Table 1 also relates annual medical care expenditures to annual disposable personal income. In 1948, only 4.0 percent of disposable personal income was devoted to private expenditures for medical care. The level of disposable personal

income assigned to medical care has been steadily climbing—a fraction of 1 percent yearly—and by 1959 the proportion of income devoted to the purchase of medical care had advanced by a third, to 5.4 percent.

For most of the years in the series, direct payments have remained a fairly constant proportion of disposable personal income; the expansion in the proportion of income used to obtain medical care has been almost entirely in the prepayment sector. As employers assume an ever larger share of the costs financed through prepayment, presumably the consumer finds that his personal income has become increasingly available to be spent for dental care, medicines, and appliances—items not often covered by insurance.

The 1.4-percent increase in disposable personal income spent for medical care consisted of 0.6 points for hospital care, 0.2 for physicians' services, 0.3 for medicines, 0.2 for appliances, and 0.1 for dentists. Direct payments rose a net of 0.3 percentage points in the 12 years; the rise of 0.6 points for the last three items was partially offset by a drop of 0.3 points in direct payments for hospital and physicians' services.

From 1955 to 1959, medical expenditures as a proportion of disposable personal income rose 0.7 percent to 5.4 percent. Out-of-pocket expenditures for hospital care fell (except for the recession year), and those for physicians' services, along with those for the remaining items, were higher in 1959 than in 1955.

tion year), and those for physicians' services, along with those for the remaining items, were higher in 1959 than in 1955.

PER CAPITA PRIVATE MEDICAL CARE EXPENDITURES

In table 2, per capita expenditures for selected years starting in 1948 are shown. When growth in the population is eliminated as a factor contributing to increased spending, as in this table, the advance in private medical care expenditures in the 12 years has been slightly less than 100 percent, but gross expenditures have increased 140 percent.¹ Hospital costs per capita increased 144 percent, and those for physicians' services rose half as much (71 percent).

From 1955 to 1959 medical care costs per capita registered a 32-percent increase. Out-of-pocket expenditures rose 26 percent, and insurance benefits went up 61 percent. The percentage change in per capita costs for the different items varied much less from 1955 to 1959 than over the entire 12-year period. Worth noting is the fact that hospital and physicians' costs both moved up almost the same number of percentage points from 1955 to 1959, whereas hospital services had moved up much more sharply from 1948 to 1955 than physicians' costs. A more significant rise has occurred in per capita expenditures for appliances than for drugs in the period 1955-59.

The Department of Commerce revisions in the estimates of expenditures for physicians' services increased the proportion of direct payments included in total expenditures previously reported, since the estimates of insurance benefits had not been changed. The revisions increased per capita direct expenditures by 34 cents in 1957 (from \$15.80 to \$16.14) and by \$1.31 in 1958 (from \$15.90 to \$17.21). Obviously the substantial revision made in the 1958 data meant that insurance benefits were meeting less of the physicians' bill than was believed when the measurements were made a year ago.

The insurance data used in this article include types of insurance benefits that go beyond the two types shown, since some prepaid dental care is also included as well as some prepayment for

TABLE 2.—Private expenditures for medical care and for voluntary health insurance: Amount per capita, by type of expenditure, selected years, 1948-59

Type of expenditure	1948	1950	1955	1957	1958	1959	Percentage change—	
							1959 from 1948	1959 from 1955
Total ¹	\$52.68	\$57.56	\$79.17	\$91.99	\$97.77	\$104.93	99.2	32.5
Direct payments.....	46.74	48.96	59.76	67.38	71.53	75.49	61.5	26.3
Insurance benefits.....	4.17	6.60	15.62	20.63	22.62	25.19	504.1	61.3
Expenses for prepayment.....	1.76	1.99	3.78	3.98	3.62	4.24	140.9	12.2
Hospital services.....	12.96	15.41	23.73	27.30	29.76	31.59	143.8	33.1
Direct payments.....	8.50	9.63	11.29	11.39	12.66	12.21	43.6	8.1
Insurance benefits.....	3.13	4.53	10.34	13.68	15.11	16.86	438.7	63.1
Expenses for prepayment.....	1.32	1.26	2.09	2.23	1.99	2.51	90.2	20.1
Physicians' services.....	16.70	17.12	21.74	24.83	26.34	28.57	71.1	31.4
Direct payments.....	15.22	14.31	14.77	16.14	17.21	18.52	21.7	25.4
Insurance benefits.....	1.04	2.08	5.28	6.95	7.50	8.33	701.0	57.8
Expenses for prepayment.....	.44	.73	1.69	1.75	1.63	1.73	293.2	2.4
Dentists' services.....	6.20	6.40	9.29	10.32	10.82	11.25	81.5	21.9
Medicines.....	10.10	11.44	15.24	18.19	19.31	20.65	104.5	35.5
Appliances.....	2.07	3.24	4.22	5.88	5.78	6.79	128.6	60.9
All other ²	3.75	3.94	4.95	5.47	5.76	6.08	62.1	22.8

¹ Includes expenditures by consumers and employers for health insurance premiums. (See footnotes to table 1 for details.)

² Other professional services and nursing homes with skilled nursing care.

¹ The population increased 20 percent from 1948 to 1960.

medicines and appliances, and even some for nursing-home care. By 1959, prepaid dental care began to assume proportions that would show up in the data on per capita expenditures; it has now passed the \$1 million mark and by the end of 1960 may be close to \$2 million—about 1 cent per capita. None of the other prepaid services or supplies begins to approach the level of prepaid dental care.

A look at per capita expenditures in 1959 for medicines (\$20.65) explains the interest being displayed by consumer groups in the possibilities of prepaying for drugs and prescriptions by operating their own dispensaries. Among the 129 independent group-practice prepayment plans surveyed in 1960, 45 operated pharmacies² and 21 had arrangements for drug purchases at savings to their members.

INSURANCE AGAINST MEDICAL CARE COSTS

An upward adjustment in premium income among insurance carriers was registered in 1959, as forecast in the BULLETIN for December 1959. Table 3 shows graphically the development of the insurance industry from a business involving less than \$1 billion shortly after World War II to the \$5 billion giant that it is today. Premiums are six times as high as they were in 1948, and benefits are more than seven times the 1948 figure. The expenses for operating the industry, establishing reserves, and the like (the difference between premium income and expenditures for benefits) have taken an increasingly smaller part of income as time has passed.

Eleven cents more of each dollar spent for hospital insurance and 10 cents more of each dollar spent for physicians' services were returned as benefits in 1959 than in 1948. One reason is that operating expenses among insurance carriers have not risen at the same rate as hospital costs or physicians' charges. The salaries paid the clerical force employed by an insurance carrier to process hospital bills would not have risen as fast as the dollars in claims being paid out. The \$100 hospital bill of 1948 might now well be double

that amount, but the clerk paid \$3,000 in 1948 might be getting only a third more now. The size of today's insurance company operations means more extensive use of data-processing

TABLE 3.—Income and expenditures for medical care among voluntary health insurance plans, by major type of carrier or plan, 1948-59¹

[In millions]

Year	All carriers	Blue Cross-Blue Shield plans			Insurance companies			All other plans
		Total	Blue Cross	Blue Shield	Total	Group	Individual	
Income								
1948...	\$862.0	\$365.0	* \$315.0	* \$50.0	\$421.0	\$212.0	\$209.0	\$89.0
1949...	1,015.5	455.3	362.2	93.1	461.0	241.0	220.0	99.0
1950...	1,291.5	574.0	436.7	137.3	605.0	333.0	272.0	112.5
1951...	1,660.3	684.9	505.5	179.4	797.6	468.6	329.0	177.8
1952...	1,993.4	851.3	616.2	235.1	957.6	569.0	388.6	184.5
1953...	2,405.3	988.6	708.4	280.2	1,181.4	722.6	458.8	235.3
1954...	2,756.3	1,133.7	806.5	330.0	1,389.6	867.3	522.3	233.0
1955...	3,149.6	1,292.4	910.7	381.7	1,626.9	1,022.5	604.4	230.3
1956...	3,623.7	1,493.2	1,046.3	446.9	1,839.1	1,216.3	622.8	291.4
1957...	4,143.9	1,667.8	1,162.9	504.9	2,175.0	1,476.0	699.0	301.1
1958...	4,497.8	1,866.9	1,306.3	561.1	2,314.0	1,606.0	708.0	316.8
1959...	5,139.2	2,157.4	1,522.5	634.9	2,639.0	1,853.0	786.0	342.8
Expenditures for benefits								
1948...	\$606.0	\$309.0	\$270.0	\$39.0	\$224.0	\$148.0	\$80.0	\$70.0
1949...	766.8	382.8	308.6	74.2	295.0	180.0	115.0	89.0
1950...	991.9	490.6	382.9	107.7	400.0	257.0	143.0	101.7
1951...	1,352.6	605.0	454.0	151.0	587.5	415.5	172.0	160.1
1952...	1,603.9	736.5	550.1	186.4	698.7	498.1	200.6	168.7
1953...	1,919.2	851.5	626.8	224.7	854.7	626.8	228.9	213.0
1954...	2,173.9	984.6	718.1	266.5	983.0	716.6	266.4	211.3
1955...	2,535.7	1,146.7	832.2	314.5	1,179.0	858.0	321.0	210.0
1956...	3,014.7	1,353.7	988.1	365.6	1,410.6	1,082.5	328.1	250.4
1957...	3,474.0	1,547.0	1,106.0	441.0	1,655.0	1,318.0	337.0	272.0
1958...	3,877.3	1,768.0	1,268.8	499.2	1,809.0	1,464.0	345.0	300.3
1959...	4,398.8	1,994.8	1,424.3	570.5	2,080.0	1,680.0	400.0	324.0

¹ Data for Blue Cross and Blue Shield plans from the respective commissions of these plans. Data on insurance companies furnished by the health insurance industry. Data on "all other" plans compiled from plan reports by the Division of Program Research.

² Estimated.

machinery and corresponding savings in manpower requirements.

Another reason for the improved loss ratio for the health insurance industry as a whole is the rapid expansion of group insurance provided by insurance companies and by Blue Cross, Blue Shield, and other plans and the accompanying decline in importance of individual insurance, with its lower loss ratio. The changing position of each carrier during the past 9 years can be examined in table 4. The extent to which the relative positions of the different carriers have shifted depends to some degree on (1) whether all hospital and physicians' services are being examined or whether hospital services or physicians' services are looked at separately, and (2) whether it is income that is in question or expenditures for benefits.

² Many of the plans operate more than one health center or hospital outpatient department so that the actual number of pharmacies is higher than 45.

Blue Cross and Blue Shield plans were receiving slightly less of total income in 1959 than in 1950, but their position in 1959 was better in this respect than in 1955. Group insurance also improved its relative position in 1959, as it has each year. The income received by individual

TABLE 4.—Income and expenditures for medical care among voluntary health insurance plans: Total amount and percentage distribution for hospital services and physicians' services, by major type of carrier or plan, selected years, 1950-59¹

Type of carrier or plan	1950	1955	1957	1958	1959
All hospital and physicians' services					
Income, amount (in millions).....	\$1,291	\$3,150	\$4,144	\$4,498	\$5,139
Total percent.....	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield.....	44.5	41.0	40.3	41.5	42.0
Insurance companies.....	46.9	51.7	52.5	51.4	51.4
Group.....	25.8	32.5	35.6	35.7	36.1
Individual.....	21.1	19.2	16.9	15.7	15.3
All other.....	8.6	7.3	7.2	7.0	6.7
Expenditures, amount (in millions).....	\$992	\$2,536	\$3,474	\$3,877	\$4,399
Total percent.....	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield.....	49.5	45.2	44.6	45.6	45.4
Insurance companies.....	40.3	46.2	47.7	46.7	47.3
Group.....	25.9	33.8	38.0	37.8	38.2
Individual.....	14.4	12.7	9.7	8.9	9.1
All other.....	10.2	8.3	7.7	7.7	7.3
Hospital services					
Income, amount (in millions).....	\$869	\$2,018	\$2,679	\$2,932	\$3,384
Total percent.....	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield.....	50.2	45.0	43.1	44.2	44.9
Insurance companies.....	44.8	49.1	51.8	50.7	50.5
Group.....	22.8	30.7	33.5	33.2	33.7
Individual.....	22.0	18.4	18.3	17.5	16.8
All other.....	5.0	5.9	5.1	5.1	4.6
Expenditures, amount (in millions).....	\$680	\$1,679	\$2,304	\$2,591	\$2,945
Total percent.....	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield.....	56.3	49.5	47.8	48.7	48.4
Insurance companies.....	37.3	44.1	46.9	45.8	46.6
Group.....	22.6	31.9	36.5	36.2	36.8
Individual.....	14.7	12.2	10.4	9.6	9.8
All other.....	6.4	6.4	5.3	5.5	5.1
Physicians' services					
Income, amount (in millions).....	\$422	\$1,132	\$1,464	\$1,565	\$1,756
Total percent.....	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield.....	32.7	33.9	35.0	36.4	36.4
Insurance companies.....	51.2	56.2	53.9	52.8	53.0
Group.....	32.0	35.6	39.6	40.3	40.5
Individual.....	19.2	20.6	14.3	12.5	12.5
All other.....	16.1	9.9	11.1	10.8	10.6
Expenditures, amount (in millions).....	\$312	\$857	\$1,170	\$1,286	\$1,454
Total percent.....	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield.....	34.6	36.7	38.2	39.2	39.3
Insurance companies.....	46.8	51.4	49.2	48.4	48.8
Group.....	33.0	37.7	41.0	41.0	41.1
Individual.....	13.8	13.7	8.2	7.5	7.6
All other.....	18.6	11.9	12.6	12.3	12.0

¹ Data for hospital services and physicians' services for 1948 not available by type of carrier. For years omitted here, see the December issues of the *Bulletin*, 1951-54 and 1958.

insurance policies and by "all other" plans declined again in 1959 in relation to the total.

Expenditures for benefits exhibited the same general trends as income, even though the benefit dollars were distributed in a different way than the income dollars among the various carriers.

Blue Cross and Blue Shield plans remain the leading insurers of hospital care but are in second place when it comes to insuring physicians' services. Group insurance expanded its proportion of premium income, while individual insurance and Blue Cross-Blue Shield held their own. The position of "all other" plans declined.

In this connection, attention is called to the fact that not all the insurance here allocated to physicians' services actually goes to physicians. The sale of group major medical expense policies brought \$357 million in premiums to group insurance companies in 1959. Half of this amount has been arbitrarily allocated to the physicians' services segment and the balance to the hospital services segment, even though some of the total applies to other items, such as prescriptions, appliances, and private duty nurses.

Table 5 supplies, for 1959, some of the detail that has been condensed in tables 3 and 4. Of the \$5.1 billion income received by all insurers for health insurance, 66 percent was for hospitalization. Throughout the years covered by this survey, there has been practically no change in this proportion. Hospitalization benefits equaled 67 percent of the aggregate of \$4.4 billion paid in benefits, again about the same proportion as in past years. Most insurance carriers paid in benefits a higher proportion of hospitalization than of medical-surgical premium income.

A word of explanation is needed for some of the high loss ratios shown for group-practice plans under community, fraternal, and employer-employee plans and for group-practice clinics. Income from prepaid members of the plans for medical and hospital services was included. Not included, however, was income coming from other sources, such as patients not belonging to the plan, pharmacy and optical services, money-raising social events, Coca Cola machines, and rentals to outside organizations, even though these revenues assist in meeting the expenses incurred in providing medical and hospital services to plan members. In the past, information received from plans having these miscellaneous

TABLE 5.—Income and expenditures for medical care among voluntary health insurance plans, by type of carrier or plan, 1959

(Amounts in millions)

Type of carrier or plan	Income ¹			Expenditures for benefits ⁴			Benefits as percent of income		
	Total	For hospital services ²	For physicians' services ³	Total	For hospital services ²	For physicians' services ³	Total	Hospital services	Physicians' services
Total.....	\$5,139.2	\$3,383.1	\$1,756.0	\$4,398.9	\$2,944.5	\$1,454.4	85.6	87.0	82.8
Blue Cross plans ⁴	1,522.5	1,484.7	37.8	1,424.3	1,392.7	31.6	93.6	93.8	83.6
Blue Shield plans ⁵	634.9	34.3	600.6	570.5	31.0	539.5	89.9	90.4	89.8
Other medical-society-sponsored plans ⁶	9.5	.9	8.5	9.0	.8	8.2	94.7	88.9	96.5
Other nonprofit plans.....	275.6	135.1	140.5	258.9	129.6	129.3	93.9	95.9	92.0
Community.....	99.4	47.9	51.5	88.5	44.3	44.3	89.0	92.5	85.0
Group-practice.....	21.9	.5	21.3	19.4	.6	18.9	89.0	120.0	88.7
Other.....	77.6	47.4	30.2	69.1	43.7	25.4	89.0	92.2	84.1
Consumer-sponsored.....	5.5	1.6	3.8	5.0	1.5	3.5	90.9	93.8	94.3
Group-practice.....	4.8	1.3	3.5	4.4	1.2	3.3	91.7	92.8	94.3
Other.....	.7	.3	.3	.6	.3	.3	85.7	103.0	100.0
Fraternal societies.....	2.4	1.1	1.3	2.3	1.1	1.1	95.8	100.0	84.6
Group-practice.....	1.1	.6	.4	1.2	.7	.5	109.1	116.7	125.0
Other.....	1.3	.5	.8	1.1	.4	.7	84.6	80.0	87.5
Employer and/or employee.....	62.0	28.6	33.4	61.3	28.1	33.2	98.9	98.3	99.4
Group-practice.....	44.0	19.4	25.5	45.8	19.9	25.9	102.0	102.6	101.6
Other.....	17.1	9.2	7.9	15.5	8.2	7.3	90.6	89.1	92.4
Union health and welfare ⁷	103.4	65.9	50.5	101.8	54.6	47.2	95.7	97.7	93.5
Group-practice.....	56.5	24.9	31.7	54.1	24.8	29.3	95.8	99.6	92.4
Other.....	49.9	31.0	18.9	47.7	29.8	17.9	95.6	96.1	94.7
Student health services ¹⁰	6.1	2.5	3.6	6.0	2.4	3.6	98.4	96.0	100.0
Group-practice clinics with prepayment.....	51.6	17.6	34.0	50.2	17.0	33.2	97.3	95.6	97.6
Insurance companies ¹¹	2,639.0	1,708.0	931.0	2,080.0	1,371.0	709.0	78.8	80.3	76.2
Group.....	1,853.0	1,141.0	712.0	1,680.0	1,082.0	598.0	90.7	94.8	84.0
Individual.....	786.0	567.0	219.0	400.0	289.0	111.0	50.9	51.0	50.7

¹ Earned income for Blue Cross, Blue Shield, and similar plans and for insurance companies; total income for plans providing services rather than third-party or cash-indemnity benefits. Division of income between hospital services and physicians' services among service plans providing both types estimated on the basis of their expenditures.

² Includes some income or expenditures for outpatient services.

³ Includes some income or expenditures for services other than those received from physicians (nurses, dentists, laboratories, etc.).

⁴ Benefits paid, for nonprofit and other organizations; losses incurred, for insurance companies.

⁵ Includes premiums or benefits for hospitalization and physicians' services among private plans under the State temporary disability insurance laws of California and New York (see table 6).

⁶ For the 5 combined Blue Cross-Blue Shield plans, data for medical surgical insurance shown under Blue Shield plans. Distribution between hospital and physicians' services for these combined plans and for the 9 Blue Cross plans that write both types of insurance furnished by Blue Shield medical care plans. Addition made for Health Services, Inc.

⁷ Addition made for Medical Indemnity of America. Excludes hospital insurance of the 5 Blue Cross-Blue Shield plans. Includes 6 Blue Shield plans that also furnish hospital insurance. Data supplied by Blue Shield medical care plans.

⁸ Excludes plans underwritten by insurance companies.

⁹ Covers only those funds or portions of funds used for the direct purchase of medical care without an intermediary insurance company or plan.

¹⁰ Estimated.

¹¹ Estimated by Health Insurance Council.

sources of net income frequently was too scanty to permit its segregation.

The data in tables 1-5 for the years from 1950 on are not limited to nongovernmental programs. In addition to the amounts derived from government's contributions to its employees' health insurance costs, the data include health insurance benefits (\$24.3 million in 1959) paid by private insurance plans under the compulsory temporary disability insurance laws of California and New York (table 6).

The data do not, however, include as voluntary insurance benefits the expenditures for hospitalization (\$15.0 million in 1959) from California's State fund. Table 6 shows the extent of medical care benefits provided under the two State laws by private carriers and through California's public program.

The data shown in table 1 include among the direct payments for hospital care the California hospitalization benefits (\$15.4 million in 1959); they also contain—within the insurance benefits

shown for hospital and physicians' services—the benefits from private plans under public auspices, \$24.3 million in 1959. To confine table 1 to voluntary health insurance requires an adjustment that, for 1959, would (1) reduce private expenditures by \$39.3 million (the combined benefits under public auspices), plus an estimated \$4-\$5 million for the cost of providing these benefits, and (2) remove the \$24 million from the amounts shown as paid by insurance. To measure the extent of prepayment—whether voluntary or not—calls for adding the \$15 million for California's State-operated program to the \$4,399 million of private health insurance benefits. The original data are altered very little by these adjustments.

For some purposes Medicare's costs might be regarded as fringe benefits provided by an employer and included with private third-party payments. Since they are provided in lieu of care in Defense Department facilities, they have been treated here as public expenditures. As already noted, neither the personal expenditures data nor

the health insurance income and expense data in this article include the amounts spent by the Department of Defense under this program. The

TABLE 6.—Benefits from hospital and medical care insurance under California and New York State temporary disability insurance laws, 1950-59

[In millions]

Year	Total	Under public plans ¹	Under private plans ²		
			Total	California	New York
1950.....	\$6.6	\$2.7	\$3.8	\$2.1	\$1.7
1951.....	10.9	2.6	8.3	3.5	4.9
1952.....	13.5	3.3	10.2	4.0	6.1
1953.....	16.1	3.6	12.5	4.5	8.0
1954.....	18.7	5.2	13.5	5.1	8.4
1955.....	20.4	6.0	14.4	5.6	8.8
1956.....	24.0	7.0	17.1	6.3	10.8
1957.....	28.1	8.1	20.1	6.8	13.3
1958.....	35.7	12.7	23.0	8.5	14.5
1959.....	39.3	15.0	24.3	8.9	15.4

¹ Hospital benefits in California.

² Hospital benefits in California; hospital, surgical, and medical benefits in New York.

aggregates in table 1 for personal expenditures for medical care exclude payments under this program of \$76 million in 1958 and \$50 million in 1959. Hospital benefits under the Medicare program were \$37.7 million in 1958 and \$26.1 million in 1959. Physicians were paid \$38.5 million in 1958 and \$24.1 million in 1959. Neither the two insurance organizations that handle hospital claims under Medicare nor the other contractors (Blue Shield and State medical societies) include their Medicare accounts in their reports of insurance income or expenditures for benefits.

TRENDS IN INSURANCE PROTECTION

In the years covered by these annual surveys, the general pattern has been one of predictable increases in the proportions of the Nation's expenditures for medical care met by insurance benefits (table 7). In the typical years, insurance as a proportion of the entire medical bill gained 1.4-1.9 percent. The annual improvement in the insurance coverage of the hospital bill amounted to 2.1-4.0 percent and that of the physicians' bill to 1.4-3.2 percent. When hospital costs and physicians' costs are combined, the extent of improved coverage lay in a narrow range of 2.6-3.4 percent in any one year. Insurance covering "currently insurable expenditures" advanced 2.1-2.7 percent in any of the typical years, and

"potentially insurable expenditures" (equal to 77 percent of all expenditures) were increasingly covered to the extent of 1.9-2.4 percent in any one year.

Four years were atypical. From 1950 to 1951, insurance benefits as a percentage of expenditures advanced 3.1 percent in relation to all expenditures combined and as much as 6.4 percent when hospitalization alone is considered. The common explanation for the unusually sharp advance was the enrollment of steelworkers in a national Blue Cross contract and an upward surge in surgical insurance.

In contrast, 1954 and 1958 witnessed slumps from the rate of growth generally holding throughout the 12 years, and 1959 saw a 2-year catch-up in the hospitalization field but so little change in relation to insuring physicians' services that, overall, the year resembled 1954.

The Department of Commerce upward revisions in the figures on physicians' income and other items have some bearing on the trends exhibited by insurance benefits relating to physicians' care. The amounts paid to physicians by insurance plans are, by and large, established through fee schedules. Once established, the fees in a given schedule remain relatively static for several years. Any upward adjustment in the amounts paid out according to the fee schedules may keep pace with or still lag behind physicians' usual charges in a given year.

When the aggregate amount of insurance benefits paid to physicians in 1958 and 1959 is divided by the aggregate number of persons with surgical insurance at the end of each of those 2 years, the amount of insurance benefits per insured person is \$11.54 for 1958 and \$12.43 for 1959. The year's increase of 5.5 million in the number of persons with insurance against physicians' costs could account for half the increased outgo in benefit payments. Those already insured at the beginning of the year had an 89-cent improvement in their per capita physicians' benefits, in a period when per capita expenditures for physicians' services rose \$2.30. It is not surprising, then, that there was little expansion for the combined insured and uninsured population in the proportion of expenditures for physicians met by voluntary insurance during 1959.

As the discussion of insurance against physicians' costs indicates, comparisons of the extent

TABLE 7.—Private expenditures for medical care: Amount and percent met by voluntary health insurance, 1948–59

[Amounts in millions]

Year	Total medical care expenditures		Hospital services only		Physicians' services		Hospital and physicians' services		Currently insurable expenditures		Potentially insurable expenditures	
	Amount	Percent met by insurance	Amount ¹	Percent met by insurance ²	Amount	Percent met by insurance ²	Amount	Percent met by insurance ²	Amount ³	Percent met by insurance	Amount ⁴	Percent met by insurance
With expense to obtain insurance excluded												
1948.....	\$7,391	8.2	\$1,689	26.9	\$2,360	6.4	\$4,049	15.0	\$5,139	11.8	\$5,722	10.6
1950.....	8,346	11.9	2,126	32.0	2,462	12.7	4,588	21.6	5,770	17.2	6,448	15.4
1955.....	12,235	20.7	3,512	47.8	3,254	26.3	6,766	37.5	8,590	29.5	9,544	26.6
1957.....	14,818	23.4	4,221	54.6	3,837	30.1	8,108	42.8	10,250	33.9	11,431	30.4
1958.....	16,139	24.0	4,761	54.4	4,236	30.4	8,997	43.1	11,281	34.4	12,531	30.9
1959.....	17,577	25.0	5,075	58.0	4,686	31.0	9,761	46.1	12,203	36.0	13,578	32.4
With expense to obtain insurance included												
1948.....	\$7,647	7.9	\$1,881	24.2	\$2,424	6.2	\$4,305	14.1	\$5,395	11.2	\$5,978	10.1
1950.....	8,645	11.5	2,315	29.4	2,572	12.1	4,887	20.3	6,069	16.3	6,747	14.7
1955.....	12,849	19.7	3,851	43.6	3,529	24.3	7,380	34.4	9,204	27.6	10,158	25.0
1957.....	15,488	22.4	4,596	50.1	4,181	28.0	8,777	39.6	10,919	31.8	12,100	28.7
1958.....	16,759	23.1	5,102	50.8	4,515	28.5	9,617	40.3	11,901	32.6	13,151	29.5
1959.....	18,317	24.0	5,514	53.4	4,988	29.1	10,502	41.9	12,944	34.0	14,319	30.7

¹ Expenditures include outpatient services provided by hospitals. Insurance benefits are applicable to such services when service is given in an emergency.

² Slight overstatement because the data used for insurance benefits include some payments for services from nurses, dentists, and laboratories.

³ Includes total expenditures for services of physicians, dentists, and hospitals and one-tenth the expenditures for drugs and appliances.

⁴ Includes total expenditures for services of physicians, hospitals, dentists, and nurses and one-third the expenditures for drugs and appliances.

of health insurance protection provided at different periods of time are influenced by the proportion of the population with one or another form of insurance protection, by the value of the dollar used to purchase medical care, and by changes in the kinds and amounts of benefits provided. Some seeming improvements in benefits are largely adjustments to changing medical care price levels. They include, for example, increases in the amounts the policy pays for room and board in the hospital and the larger dollar values contained in the most recent surgical fee schedules. Other increases actually represent additional protection or new areas of benefits.

As table 7 shows, insurance was meeting 8 percent of the Nation's private medical bill in 1948 and 25 percent 11 years later. Improvement, as measured in percentage points, was greater in the earlier years than more recently. With more than 70 percent of the population enrolled for hospital insurance and 66 percent for surgical benefits, further increments to the insured rolls will have less impact on the expansion of insurance benefits in the major areas now insured. Broadening benefits into areas neglected hitherto by existing forms of insurance—such as dental care and prescribed drugs—might stimulate renewed expansion in the proportion of the medical bill prepaid.

Hospitalization insurance registered a gain of 3.6 points in 1959, bringing to 58 percent the proportion of hospital income derived from health insurance in that year.

When the two major areas of insurance benefits are considered together, 45 percent of the \$9.8 billion that represented private payments to doctors and hospitals in 1959 was paid through insurance, a 2-percent improvement from 1958. Only 2 other years have registered as small a gain—1954 and 1958.

The items grouped as "currently insurable expenditures" include dentists' services and one-tenth the costs of drugs and appliances, as well as hospital costs and physicians' costs. Thirty-six percent of this hypothetical benchmark was represented by insurance payments in 1959. Expansion in the insured portion could well develop in relation to dental care and prescribed drugs.

Still another benchmark has been labeled "potentially insurable expenditures." They amounted to \$13.6 billion in 1959—80 percent of all private expenditures. Insurance benefits met 32 percent of this benchmark, covering 1.5 percent more than in the preceding year.

The last two benchmarks are designed only to illustrate a technique of measuring the gap between existing voluntary health insurance and the

(Continued on page 25)

and over. As a result, average benefits and average assistance payments totaled almost the same for the two age groups—approximately \$112 per month.

Aid to the Blind

The average assistance payment in February 1960 was \$71.86 for all persons receiving aid to the blind, \$72.75 for nonbeneficiaries of old-age, survivors, and disability insurance, and \$67.46 for recipient-beneficiaries. The insurance benefits paid to recipients of aid to the blind averaged \$52.07 and totaled \$882,500; this amount was more than 11 percent of total payments under aid to the blind that month.

Of the total insurance benefits paid to recipients of aid to the blind in February, 96.8 percent was paid to the recipients themselves and 3.2 percent to persons whose needs were included in the recipients' assistance budgets. The recipients in concurrent-receipt cases received an average of \$50.38 in insurance benefits in their own right.

Assistance payments and insurance benefits varied according to age group for the recipient-beneficiaries. The average insurance benefit was \$34.31 for recipient-beneficiaries aged 18-49, \$61.11 for the group aged 50-64, and \$48.62 for those aged 65 and over. The average payments under aid to the blind to these three groups were \$49.36, \$57.82, and \$71.34.

The pattern of differences here is similar to that found in aid to the permanently and totally disabled and probably for much the same reasons. The lowest average benefits went to recipients aged 18-49 and the highest to those aged 50-64, perhaps because the youngest group would not be eligible for full benefits and those aged 50-64 are more likely than the group aged 65 and over to be receiving full benefits. The average payments indicate, also, that need for assistance increases with age. Again, as in aid to the permanently and totally disabled, the total of average benefits and average assistance payments is about the same for the two older age groups—\$119 per month for the group aged 50-64 and \$120 per month for the group aged 65 and over.

VOLUNTARY HEALTH INSURANCE

(Continued from page 11)

potential areas of service as yet unmet. The reader may establish the kinds and amounts of medical expenditures that he considers potentially insurable, using the data in table 1.

THE SURVEY DATA indicate that there has been relatively little growth in the past 3 years in the extent to which voluntary health insurance is meeting medical costs other than hospitalization.

Recovery from the 1958 recession occurred in the area of hospital insurance, and when the 3 last years in the series are considered together a 2-percent average yearly increase was registered. The slower rate of expansion, however, in the coverage of physicians' services—an area where there is still room for great expansion in the protection for physicians' services outside the hospital—cannot be viewed lightly by those concerned with removing the financial barrier to medical care through voluntary insurance.