

Private Health Insurance in 1971: Health Care Services, Enrollment, and Finances

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This annual review reports on the protection provided in 1971 by the private health insurance industry—The Blue Cross and Blue Shield associations, commercial insurers, and independent plans—against the costs of hospital and surgical care, as well as other health services. About three-fourths of the civilian population were covered for hospital and surgical care; lesser numbers had protection against out-of-hospital services. Actual protection, measured by the proportion of consumer expenditures for health care that are met by private insurance varies from substantial to very little. Blue Cross-Blue Shield plans and the insurance companies are becoming involved in the move toward HMO development as the preferred delivery system of the future. In 1971 the industry paid out 90 cents of the premium dollar in benefits. Operating expenses were about 13 percent of premium income, continuing the slightly downward trend of the 2 preceding years. The dollar cost per enrollee for administrative expenses has been rising over the past 10 years. Insurance companies continue to have the highest operating cost per enrollee—in 1971 more than three times the Blue Cross rate.

THE NATION'S GOAL of quality health care at reasonable cost for every American—in what measure is it being implemented by the private health insurance industry? In 1971, the industry's three broad categories—Blue Cross and Blue Shield associations, commercial insurers, and independent plans (prototypes of the newly developing health maintenance organizations)—provided some protection to about three-fourths of the civilian population against the costs of hospital and surgical care. Seventy-two percent of the civilian population met some part of the cost of physicians' in-hospital visits through private health insurance.

Out-of-hospital services were provided through private health insurance to smaller numbers: 145 million or 71 percent of the civilian population

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were covered for X-ray and laboratory services, 96 million for physicians' office and home visits, 107 million or 52 percent for prescription drugs, and 8 percent for dental care. Private health insurance helped meet the cost of private-duty nursing care for 51 percent of the population, 54 percent were covered at least in part for visiting-nurse service, and 19 percent had coverage for nursing-home care. Most insurance coverage for physicians' office and home visits, dental care, and drugs is subject to deductible and coinsurance payments; consequently, the full cost of these health care services is almost never met through insurance.

Nearly all persons aged 65 and over have health insurance coverage, mainly through the Federal Government's program of health insurance for the aged—Medicare. In 1971, 94 percent were covered for hospital care by Medicare, 48 percent of them with supplementary private insurance; 3 percent had private insurance alone. Protection against the costs of surgery through some type of insurance was held by about 96 percent of older Americans. Ninety-two percent were covered under the medical insurance part of Medicare, with 43 percent also covered by supplementary private insurance; 4 percent had private insurance coverage alone.¹

Although only 3–4 percent of older Americans have no health insurance protection at all, about a fifth of the population under age 65 had no

¹ Percentages are based on unpublished data from the 1970 Health Interview Survey of the National Center for Health Statistics, Public Health Service. The number of persons enrolled for hospital care under Medicare as of July 1, 1971, was 20.4 million, as reported in Health Insurance Statistics Note No. 39 (Social Security Administration, Office of Research and Statistics), 1972; for supplementary medical insurance the number was 19.8 million. These figures, based on an actual count from the health insurance entitlement master file, are slightly higher than the estimates of the National Center for Health Statistics, which are developed from household interviews of the civilian, noninstitutional population.

coverage under private health insurance or prepayment plans—Blue Cross, Blue Shield, commercial carriers, or independent plans (community and employer-employee-union group and individual practice plans, private group medical and dental clinics, and dental service corporations). The kind of coverage and scope of protection provided by private insurance to persons under age 65 are major concerns of this article.

Office of Research and Statistics estimates of the net number and the proportion of the population having health insurance coverage for hospital care, surgical services, and other health care services are somewhat lower than estimates of the Health Insurance Association of America (HIAA), an association of insurance companies. Both estimates, however, show a continued growth during 1971 in the number and percentage of the population covered.

Consumer expenditures for private health insurance in 1971 totaled \$19.8 billion in premiums and subscription charges, 15 percent more than in 1970. Benefit expenditures by private health insurance organizations reached \$17.9 billion, 14 percent higher than in 1970. The organizations paid out a little more than 90 percent of premium income in benefits, about 13 percent went for operating expense, and there was a net underwriting loss of 3.6 percent of premiums.

POPULATION COVERAGE

Office of Research and Statistics estimates of the net number (of different persons) and the percentage of the population with some health insurance coverage of the various main types of health care are summarized in table 1. The 1971 estimates of net enrollment for hospital and surgical coverage are based on projections of figures obtained from household interview surveys conducted by the National Center for Health Statistics in the first and fourth quarters of 1970. The projections are derived from percentage changes from 1970 to 1971 shown in HIAA estimates of net coverage reported.

The estimates relating to coverage for health care services other than hospital and surgical care are based on the gross total of enrollments reported by health insurance organizations, with

TABLE 1.—Estimates of net number of different persons under private health insurance plans and percent of population covered, by age and specified type of care, as of December 31, 1971

Type of service	All ages		Under age 65		Aged 65 and over	
	Number (in thousands)	Per cent of civilian population	Number (in thousands)	Per cent of civilian population	Number (in thousands)	Per cent of civilian population
Hospital care.....	157,996	76.9	147,345	79.8	10,651	51.2
Physicians' services:						
Surgical services.....	152,562	74.2	142,753	77.3	9,809	47.2
In-hospital visits.....	148,614	72.3	140,685	76.2	7,929	37.7
X-ray and laboratory examinations.....	145,207	70.7	137,463	74.4	7,744	37.3
Office and home visits.....	95,825	46.6	91,493	49.5	4,332	20.8
Dental care.....	15,348	7.5	15,155	8.2	193	.9
Prescribed drugs (out-of-hospital).....	106,985	52.1	103,672	56.1	3,313	15.9
Private-duty nursing.....	104,730	51.0	101,450	54.9	3,280	15.8
Visiting-nurse service..	110,215	53.6	106,190	57.5	4,025	19.4
Nursing-home care.....	38,636	18.8	33,434	18.1	5,202	25.0
HIAA estimates:						
Hospital care.....	179,900	87.5	168,513	91.2	11,387	54.8
Surgical services.....	165,449	80.5	155,841	84.4	9,608	46.2

estimated deductions for multiple or duplicatory coverages. These deductions are believed to be reasonable in the light of the extent of multiple coverages for hospital care and surgical services.

It should be noted that—although sizable proportions of the population are covered for physicians' office and home visits, prescribed drugs, private-duty nursing, and nursing-home care—actual protection for these services, as measured by the proportion of consumer expenditures for health services met by private insurance, varies widely from substantial to very little. While health insurance met 42 percent of all health care costs, it paid for only 6.2 percent of consumer expenditures for health services other than those for hospital care and physicians' services. The bulk of such coverage is under supplementary major medical and comprehensive group insurance policies and under the supplementary major medical plans of the Blue Cross-Blue Shield associations.

As observed earlier, a fifth of the population under age 65 has no financial shield against the hazards of illness. Still larger numbers have inadequate protection. Major deterrents are cost and nonaccessibility of health care. The possibility of enactment of some type of national health care plan to help alleviate these problems has motivated private health insurers to examine and, in some cases, to restructure their coverage in order to improve its effectiveness to the public.

Most of the proposed Federal legislation in the area of health care points to health maintenance organizations (HMOs) as the preferred delivery system of the future. The HMOs would be responsible for providing comprehensive health care—including physicians' services, hospital care, and health maintenance to voluntarily enrolled participants—in return for predetermined periodic payments made in advance. Thus private insurance companies are being spurred to move away from concentration on selling risk-spreading insurance, collecting premiums, and paying claims toward the concept of health care—the marketing and organized delivery of quality health care.

Even without passage of specific HMO legislation, the Federal Government's role in this area is increasing. The Health Services and Mental Health Administration of the Department of Health, Education, and Welfare is supporting 100 pilot HMO projects already in various stages of development throughout the country. Private insurers are becoming directly involved with prepaid group-practice plans and HMOs. A number of insurance companies and Blue Cross-Blue Shield plans have made substantial contributions to HMO development, financing,

and risk-bearing; in some cases they have received Federal grants to implement such programs. Some 30 Blue Cross-sponsored HMO projects are expected to be in operation at the end of 1972. In addition, the Blue Cross Association has long-range plans for as many as 300 HMO projects by the end of the seventies. Private insurers who are becoming involved follow a pattern of offering the prepaid group practice or HMO option to their subscribers as an alternative health care plan to the conventional or traditional insurance or Blue Cross-Blue Shield plans.

Consumerism is also a force for pressuring a change in the delivery of quality health care. Organized labor is supporting enactment of a Federal system of national health insurance, many national organizations and some large industrial firms are paying considerable attention to HMO development, and there is much academic and professional activity in this area.

The likelihood of national health insurance is also helping to promote the expansion of existing independent community and employer-employee-union sponsored plans whose modus operandi has been comprehensive health care in return for a fixed fee paid in advance.

TABLE 2.—Enrollment under private health insurance plans for persons of all ages and estimates of the net number of different persons covered, by type of plan and specified type of care, as of December 31, 1971

(In thousands)

Type of plan	Hospital care	Physicians' services				Dental care	Pre-scribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care	Vision care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	Office and home visits						
Total gross enrollment.....	214,869	196,944	163,131	154,906	100,443	15,318	112,202	109,836	115,565	39,367	(1)
Blue Cross-Blue Shield.....	76,349	70,395	65,377	51,271	22,147	1,100	29,821	27,657	32,189	26,776	340
Blue Cross.....	74,383	3,831	3,468	(1)	1,149	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield.....	1,966	66,564	61,909	(1)	20,998	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies.....	129,975	115,689	87,524	92,805	68,166	7,913	76,940	75,566	75,566	10,081	(1)
Group policies.....	83,448	81,879	73,860	85,077	61,080	7,856	72,108	69,751	69,751	6,623	(1)
Individual policies.....	46,527	30,810	13,664	7,728	7,086	57	4,832	5,815	5,815	3,458	(1)
Independent plans.....	8,545	10,860	10,230	10,830	10,130	6,335	5,441	6,613	7,810	2,500	6,118
Community.....	3,100	5,100	5,100	5,000	5,000	1,000	2,300	3,800	4,500	500	3,700
Employer-employee-union.....	5,400	5,630	5,000	5,700	5,000	1,800	3,120	2,800	3,300	2,000	2,300
Private group clinic.....	45	130	130	130	130	35	21	13	10		118
Dental service corporation.....						3,500					
Net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	157,996	152,562	148,514	145,207	95,825	15,348	106,985	104,730	110,215	38,636	(1)
Percent of civilian population ²	76.9	74.2	72.3	70.7	46.8	7.5	52.1	51.0	53.6	18.8	(1)
HIAA.....	179,900	165,449	144,442	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Percent of civilian population ²	87.5	80.5	70.3	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Gross enrollment as percent of net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	136.0	129.1	109.8	106.7	101.8	100.0	104.9	104.9	104.9	101.9	(1)
HIAA.....	119.4	119.0	112.9	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

¹ Data not available.

² Based on Bureau of the Census estimate of 205,488,000 as of January 1, 1972.

ENROLLMENT

Tables 2-4 show the number of persons enrolled by different types of health insurance organizations for each of 11 services, together with estimates of the net number of different persons with some coverage for each of these services. The gross enrollment total for persons of all ages for hospital care, reported by or estimated for all organizations, was 215 million (table 2). According to projections of the 1970 Household-Interview Survey, 158 million different persons were covered for hospital care in 1971. Thus, 57 million, or approximately 27 percent of the gross enrollment of 215 million, represented multiple or duplicatory coverage.

Multiple coverage occurs chiefly in these ways: (a) when husband and wife are both employed and both cover self, spouse, and dependents under the insurance plan at the workplace; (b) when a person with group coverage under a health insurance plan purchases an individual insurance policy to supplement his group coverage; and (c) when a person not eligible for group coverage holds two or more insurance company individual policies (sometimes a second policy taken to supplement one that provides limited benefits).

A significant share of the individual policies of insurance companies supplement other coverage, it is believed.

Blue Cross plans had 68 million persons under age 65 enrolled for hospital care at the end of 1971 (table 3). Blue Shield plans not cooperating or affiliated with Blue Cross plans reported an enrollment of 1.8 million for that type of care. Insurance companies accounted for 81.6 million persons covered for hospital care under group policies and for 42.6 million policy owners and dependents under individual policies.

Blue Shield plans reported 60 million persons under age 65 enrolled for surgical care at the end of 1971. Nonaffiliated Blue Cross plans had 3.6 million enrolled for surgical care. Group insurance policies covering surgical care were held by 83 million policyholders and their dependents; 29 million were covered by individual insurance policies.

Independent plans covered an estimated 8.5 million persons of all ages for hospital care, 11 million for physicians' services. The vast majority of those enrolled were members of employment groups; only a small percentage were enrolled in these plans through individual memberships.

TABLE 3.—Enrollment under private health insurance plans for persons under age 65 and estimates of the net number of different persons covered, by type of plan and specified type of care, as of December 31, 1971

[In thousands]

Type of plan	Hospital care	Physicians' services				Dental care	Pre-scribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care	Vision care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	Office and home visits						
Total gross enrollment.....	201,960	186,350	154,754	147,085	96,068	15,155	108,856	106,523	111,500	34,103	(1)
Blue Cross-Blue Shield.....	69,704	63,891	60,050	46,763	20,238	1,090	28,673	20,535	30,489	21,920	302
Blue Cross.....	67,952	3,571	3,257	(1)	1,096	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield.....	1,752	60,320	56,793	(1)	19,142	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies.....	124,231	112,177	85,075	90,095	66,243	7,790	75,063	73,723	73,723	9,919	(1)
Group policies.....	81,642	83,033	72,299	82,582	59,352	7,733	70,349	68,050	68,050	6,461	(1)
Individual policies.....	42,589	29,144	12,776	7,513	6,891	57	4,714	5,673	5,673	3,458	(1)
Independent plans.....	8,025	10,282	9,629	10,227	9,587	6,275	5,120	6,265	7,288	2,264	5,713
Community.....	2,913	4,876	4,776	4,776	4,776	951	2,183	3,610	4,285	422	3,488
Employer-employee-union.....	5,049	5,294	4,641	5,339	4,699	1,791	2,932	2,614	2,993	1,812	2,118
Private group clinic.....	33	112	112	112	112	33	5	11	10	-----	107
Dental service corporation.....	-----	-----	-----	-----	-----	3,500	-----	-----	-----	-----	-----
Net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	147,345	142,763	140,685	137,463	91,493	15,155	103,672	101,450	106,190	33,434	(1)
Percent of civilian population ²	79.8	77.3	76.2	74.4	49.5	8.2	56.1	54.9	57.5	18.1	(1)
HIAA.....	168,513	155,841	135,970	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Percent of civilian population ²	91.2	84.4	73.6	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Gross enrollment as percent of net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	137.1	130.5	110.0	107.0	105.0	100.0	105.0	105.0	105.0	102.0	(1)
HIAA.....	119.8	119.6	113.8	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

¹ Data not available.

² Based on Bureau of the Census estimate of 184,099,000 as of January 1, 1972.

TABLE 4.—Enrollment under private health insurance plans for persons aged 65 and over and estimates of the net number of different persons covered, by type of plan and specified type of care, as of December 31, 1971

[In thousands]

Type of plan	Hospital care	Physicians' services				Dental care	Pre-scribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care	Vision care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	Office and home visits						
Total gross enrollment.....	12,909	10,594	8,377	7,821	4,375	193	3,346	3,313	4,065	5,254	(1)
Blue Cross-Blue Shield.....	6,645	6,504	5,327	4,508	1,909	10	1,148	1,122	1,700	4,856	38
Blue Cross.....	6,431	260	211	(1)	53	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield.....	214	6,244	5,116	(1)	1,856	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies.....	5,744	3,512	2,449	2,710	1,923	123	1,877	1,843	1,843	162	(1)
Group policies.....	1,806	1,846	1,561	2,495	1,728	123	1,759	1,701	1,701	162	(1)
Individual policies.....	3,938	1,666	888	215	195		118	142	142		(1)
Independent plans.....	520	578	601	603	543	60	321	348	522	236	405
Community.....	157	224	224	224	224	49	117	160	215	78	212
Employer-employee-union.....	351	336	359	361	301	9	188	186	307	158	182
Private group clinic.....	12	18	18	18	18	2	16	2			11
Dental service corporation.....								2			
Net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	10,651	9,809	7,829	7,744	4,332	193	3,313	3,280	4,025	5,202	(1)
Percent of civilian population ¹	51.2	47.2	37.7	37.3	20.8	.9	15.9	15.8	19.4	25.0	(1)
HIAA.....	11,387	9,608	8,472	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Percent of civilian population ²	54.8	46.2	40.8	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Gross enrollment as percent of net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	121.2	108.0	107.0	101.0	101.0	100.0	101.0	101.0	101.0	101.0	(1)
HIAA.....	113.4	110.3	98.9	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

¹ Data not available.

² Based on Bureau of the Census estimate of 20,789,000 as of January 1, 1972.

Sources of the Data

Blue Cross and Blue Shield data are supplied by the Blue Cross Association and the National Association of Blue Shield plans from data reported to them by the individual plans. The data for insurance companies were compiled by the Health Insurance Association of America from its annual survey of the number of persons covered by insurance companies under group and individual policies. The data for independent health insurance plans are Office of Research and Statistics estimates based on its annual survey of these plans. A full survey of all known plans of this type was made in 1969 to obtain 1968 data.² Estimates for 1971³ have been made on the basis of changes from 1970 to 1971 in the larger plans. A full survey of independent plans will be undertaken in 1973.

Hospital and surgical coverage estimates.—The net number of persons under age 65 with hospital coverage at the end of 1971 is estimated as 147 million or 80 percent of the civilian population. Surgical coverage was estimated at 143 million, or 77 percent. These estimates are Office of Research and Statistics projections of the 1970 Household Interview Survey figures. According to the 1970 survey, 77.8 percent of the civilian noninstitutional population under age 65 reported that they had hospital insurance, 21.2 percent reported they did not have such coverage, and 1 percent did not know whether they had insurance or not. Corresponding results for surgical insurance were 75.2 percent with insurance, 22.6 percent without, and 2.2 percent who did not know whether they were insured. The “don't knows” were distributed in the same proportion as those who reported having or not having insurance, and the results were then adjusted to apply to the total civilian population on the assumption that none of the institutional population had insurance. No reliable data are available on the number of persons in institutions who have insurance, but it is believed that the overall proportion is very small. The data were next adjusted

² See Louis S. Reed, *Health Insurance Plans Other Than Blue Cross and Blue Shield Plans or Insurance Companies, 1969 Survey* (Research Report No. 35), Social Security Administration, Office of Research and Statistics, 1970.

³ See Marjorie Smith Mueller, *Independent Health Insurance Plans in 1971* (a forthcoming Research and Statistics Note), Office of Research and Statistics, 1973.

to reflect the proportion of the civilian population with coverage at the end of 1970. The projections did not assume any change in the rate of coverage between the periods covered by the National Center for Health Statistics Household Interview Survey and the end of the year.

The 1971 projections are based on percentage increases from 1970 reported by HIAA in its estimates of net coverage—2.6 percent for hospital care and 1.6 percent for surgical services. Estimates for the net number of persons aged 65 and over were obtained in a similar manner.

Estimated coverage of other services.—Estimates of the net number of persons with coverage of other services have been made by assuming the ratios of gross enrollment to the number covered. For those under age 65, these ratios were 110 percent for in-hospital visits of physicians; 107 percent for X-ray and laboratory examinations; 105 percent for physicians' office and home visits, drugs, private-duty nursing, and visiting-nurse service; and 102 percent for nursing-home care. (It is assumed that there is as yet no duplicatory coverage of dental care.) The ratios are believed to be reasonable since the extent of multiple coverage is presumably much greater for hospital care and surgical services than it is for other items of health care.

For persons aged 65 and over who are covered for services other than hospital care and surgery,

the estimates of the net numbers are derived in a similar manner but with the assumption of a lower rate of multiple coverage: 107 percent for physicians' in-hospital visits and 101 percent for X-ray and laboratory services, physicians' office and home visits, private-duty nursing, visiting-nurse service, nursing-home care, and drugs. For persons of all ages, the estimates are obtained by combining the calculations for persons under age 65 and for persons aged 65 and over.

HIAA estimates of net coverage.—Insurance company estimates are reported as in past years. The HIAA provides estimates of net coverage of persons under age 65 and those aged 65 and over for hospital, surgical, and nonsurgical medical expense coverage—basic coverage of physicians' visits in the hospital, physicians' visits in the office, home, and hospital, and out-of-hospital X-ray and/or laboratory examinations. The nonsurgical medical expense estimate is used for in-hospital medical visits.

Total Enrollment

The percentage distribution of gross total enrollment among the carriers in 1971 is shown in table 5. For persons of all ages, Blue Cross-Blue Shield plans have 36 percent of total enrollment for hospital care; insurance companies have

TABLE 5.—Percentage distribution of total gross enrollment under private health insurance plans, by age, type of plan, and specified type of care, as of December 31, 1971

Age group and type of plan	Hospital care	Physicians' services				Dental care	Prescribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	Office and home visits					
Total, all ages.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield.....	35.5	35.8	40.1	33.1	22.0	7.1	26.6	25.2	27.8	68.0
Insurance companies.....	60.5	58.7	53.7	59.9	67.9	51.6	68.6	68.8	65.4	25.6
Group policies.....	38.8	43.1	45.3	54.9	60.8	61.2	64.3	63.5	60.4	16.8
Individual policies.....	21.7	15.6	8.4	5.0	7.1	.4	4.3	5.3	5.0	8.8
Independent plans.....	4.0	5.5	6.2	7.0	10.1	41.3	4.8	6.0	6.8	6.4
Under age 65, total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield.....	34.5	34.3	38.8	31.8	21.0	7.2	26.3	24.9	27.4	64.3
Insurance companies.....	61.5	60.2	55.0	61.2	69.0	51.4	69.0	69.2	66.1	29.1
Group policies.....	40.4	44.6	46.7	56.1	61.8	51.0	64.6	63.9	61.0	19.0
Individual policies.....	21.1	15.6	8.3	5.1	7.2	.4	4.4	5.3	5.1	10.1
Independent plans.....	4.0	5.5	6.2	7.0	10.0	41.4	4.7	5.9	6.5	6.6
Aged 65 and over, total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield.....	51.5	61.4	63.6	57.6	43.6	5.2	34.3	33.9	41.8	92.4
Insurance companies.....	44.5	33.1	29.2	34.7	44.0	63.7	56.1	55.6	45.3	3.1
Group policies.....	14.0	17.4	18.6	31.9	39.5	63.7	52.6	51.3	41.8	3.1
Individual policies.....	30.5	15.7	10.6	2.8	4.5	-----	3.5	4.3	3.5	-----
Independent plans.....	4.0	5.5	7.2	7.7	12.4	31.1	9.6	10.5	12.9	4.5

TABLE 6.—Hospital benefits: Gross enrollment under private health insurance plans for persons of all ages and estimates of the net number of different persons covered, by type of plan, 1940–71

[In thousands]

End of year	Gross enrollments												Net number of different persons covered, as estimated by—		Gross enrollment as percent of net, estimated by—			
	Total	Blue Cross-Blue Shield			Insurance companies			Independent plans				Household surveys ¹		HIIA A	Per- cent of civ- ilian popu- lation	House- hold sur- veys	HIIA A	
		Total	Blue Cross	Blue Shield	Total	Group poli- cies	Indi- vidual poli- cies	Total	Com- muni- ty	Em- ployer- em- ployee- union	Medi- cal soci- ety	Pri- vate group clinic	Num- ber					Per- cent of civ- ilian popu- lation
1940.....	12,022	6,072	6,012	60	3,700	2,500	1,200	2,250	140	1,560	110	440	-----	-----	12,312	9.3	-----	97.6
1945.....	32,135	18,961	18,881	80	10,504	7,804	2,700	2,670	420	1,660	200	390	-----	-----	32,068	24.0	-----	100.2
1950.....	81,691	37,645	37,435	210	39,601	22,305	17,296	4,445	1,445	2,280	500	220	-----	-----	76,639	50.7	-----	106.6
1955.....	118,629	48,924	47,719	1,205	63,160	39,029	24,131	6,545	2,920	3,220	360	45	-----	-----	105,462	64.1	-----	112.5
1960.....	148,863	57,404	55,938	1,520	85,405	55,218	30,187	5,994	1,604	4,000	340	50	-----	-----	130,007	72.3	-----	114.5
1961.....	153,026	57,960	56,489	1,471	87,964	57,013	30,951	7,102	1,851	4,850	344	57	-----	-----	134,417	73.7	-----	113.8
1962.....	158,629	59,618	58,133	1,485	92,074	59,153	32,921	6,937	1,830	4,703	344	60	129,800	70.0	139,176	75.1	122.2	114.0
1963.....	165,142	60,698	59,141	1,557	97,279	62,817	34,462	7,165	1,917	4,814	344	60	126,017	67.0	144,575	76.8	131.0	114.2
1964.....	169,632	62,429	60,478	1,951	100,363	64,506	35,857	6,840	1,859	4,785	8	188	-----	-----	148,338	77.8	-----	114.4
1965.....	175,122	63,662	61,651	2,012	104,476	67,104	37,372	6,984	1,954	4,971	8	51	-----	-----	151,483	78.5	-----	115.6
1966.....	180,482	65,638	63,408	2,230	108,211	69,570	38,641	6,633	1,964	4,618	-----	51	-----	-----	155,864	80.1	-----	115.8
1967.....	185,822	67,513	65,188	2,325	111,259	73,351	37,908	7,050	2,000	4,700	-----	50	145,454	73.9	160,619	81.6	127.8	115.7
1968.....	193,555	70,510	67,958	2,552	115,768	76,059	39,709	7,277	2,507	4,749	-----	20	150,888	75.9	167,209	84.1	128.3	115.8
1969.....	202,475	73,211	70,620	2,691	121,562	80,093	41,469	7,702	2,672	5,000	-----	30	-----	-----	170,855	86.0	-----	118.5
1970.....	209,787	75,464	72,912	2,522	126,192	82,712	43,480	8,131	2,900	5,200	-----	31	154,063	75.9	175,382	86.4	136.2	119.6
1971.....	214,869	76,349	74,383	1,966	129,975	83,448	46,527	8,545	3,100	5,400	-----	45	157,996	76.9	179,900	87.5	136.0	119.4

¹ Number estimated by applying percentages to total civilian population. Percentages projected to end of year and rounded for years 1962 and 1963.
² Estimate exceeds gross enrollment for early years because HIIA A data include estimated enrollment of college and university health services.

Estimates for years 1965 and later have been revised.
³ Estimated by applying HIIA A percentage increase in net enrollment from 1970 to 1971 to the NCHS figure for 1970.

60 percent. For independent plans, the share of gross enrollment is 4 percent. Enrollment under group insurance policies was almost twice as large as that under individual policies.

The relationship runs somewhat the same for surgical services, with group insurance policies almost three times individual policies. Independent plans had a slightly larger share than they did for hospital care. For X-ray and laboratory examinations, insurance companies had 60 percent of the enrollment, with group policies almost 11 times as frequent as individual policies. Blue Cross-Blue Shield plans held 33 percent of the enrollment, and independent plans had 7 percent. On enrollment for in-hospital visits, the insurance companies lost some ground to the other carriers, primarily because of the low coverage for this type of care by individual policies.

Insurance companies had about two-thirds of the enrollment for all other services except nursing-home care and dental care. Blue Cross-Blue Shield plans accounted for 68 percent of the enrollment for nursing-home care, and independent plans held more than two-fifths of the enrollment for dental care but only 5–10 percent for all other services.

The distribution pattern was somewhat the same for persons under age 65 as for those of all ages. Among those aged 65 and over, however, there was a distinct shift, and Blue Cross-Blue Shield plans accounted for a much larger share of enrollment for all types of services but dental care.

HISTORICAL DATA

The data in tables 6 and 7 give, for all ages, the gross enrollment of health insurance organizations and estimates of the net number of persons and percentage of population with some coverage of hospital care and surgical services during 1940–71. The gross enrollments are the total of enrollments for all carriers, with no deduction for duplication among the insurance carriers. The data on the net number of persons covered are those reported by various household surveys from time to time during the period. The 1971 figures are projections of the 1970 Household Interview Survey figures, as noted earlier.

Blue Cross-Blue Shield enrollment for hospital

and surgical care showed less growth in 1971 than in 1970. In previous years the rate of growth had been about 3 percent. In 1971 the rate dropped to 1 percent for hospital care and to 2 percent for surgical care. Insurance company enrollment for hospital care continued to rise at a higher rate in individual business than in group business during 1971. The highest rate of growth for this type of care was in independent plans. They have maintained a fairly constant growth rate, with community plans accounting for most of the growth.

In 1971 HIAA revised downward its estimates of net coverage for 1965-71 to reflect more current information with respect to the extent of duplicate coverage and other relevant factors. Nevertheless, the difference of several points between the HIAA estimates and ORS estimates of the proportion of the net population with health insurance continues to stand out very clearly.

The HIAA estimates did not take duplicate coverage into account until 1947. By 1960, the Association's ratio of gross enrollment to net enrollment had leveled off at about 114 percent. In various household surveys the ratio has been substantially larger in the past few years—128-

136 percent for hospital benefits and 120-129 percent for surgical care. The difference between HIAA estimates and the household survey figures may result from a combination of HIAA overstatement of enrollments reported by health insurance organizations and underreporting in the household surveys.

For persons under age 65 and for those aged 65 and over, data on enrollments and estimates of the net population covered are presented separately in tables 8 and 9. The changing health insurance picture since the start of Medicare operations in mid-1966 makes the separate presentation for the two age groups significant.

The net numbers of different persons covered are estimates of household-interview surveys in 1962, 1967, and 1970, and projections, based on HIAA reported net increases, for the year 1971. The increases were for persons under age 65—2.6 percent for hospital care and 1.6 percent for surgical care. The corresponding figures for aged persons were 1.9 percent and 3.3 percent, respectively.

For the population under age 65, gross total enrollments for hospital care rose more than 40 percent from 1960 to 1970 and enrollment for

TABLE 7.—Surgical benefits: Gross enrollment under private health insurance plans for persons of all ages and estimates of the net number of different persons covered, by type of plan, 1940-71

[In thousands]

End of year	Gross enrollments											Net number of different persons covered, as estimated by—			Gross enrollment as percent of net, estimated by—			
	Total	Blue Cross-Blue Shield			Insurance companies			Independent plans					Household surveys ¹		HIAA	Percent of civilian population	Household surveys	HIAA
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	Total	Community	Employer-employee union	Medical society	Private group clinic	Number	Percent of civilian population				
1940.....	4,790	260		260	2,280	1,430	850	2,250	200	1,480	110	460			5,350	4.1		89.5
1945.....	12,092	2,335	127	2,208	7,337	5,537	1,800	2,420	350	1,460	200	410			12,890	9.6	120	93.8
1950.....	55,950	17,253	1,151	16,102	34,937	21,219	13,718	3,760	940	1,950	600	270			54,156	35.8	119	100.3
1955.....	101,819	37,395	3,194	34,201	58,494	39,725	18,769	5,930	2,130	3,200	430	170			88,856	54.0		114.6
1960.....	134,118	48,266	3,773	44,493	78,516	55,504	23,012	7,336	2,760	4,020	346	210			117,304	65.2		114.3
1961.....	140,103	49,374	3,048	46,326	82,235	57,373	24,862	8,494	3,026	4,891	346	231	116,788	64.0	122,951	67.4	120	114.0
1962.....	144,441	50,876	2,814	48,062	85,278	59,787	25,491	8,287	3,003	4,695	346	213	120,528	65.0	126,900	68.4	119	113.8
1963.....	151,240	52,371	2,740	49,631	90,261	63,288	26,973	8,608	3,206	4,806	346	250			131,954	70.1		114.6
1964.....	155,215	54,473	3,222	51,251	92,445	64,939	27,506	8,297	3,111	4,968	10	208			135,433	71.0		114.6
1965.....	161,810	56,330	3,660	52,669	96,796	67,557	29,239	8,684	3,400	5,068	10	206			139,437	72.3		116.0
1966.....	165,810	57,916	3,417	54,499	99,569	70,268	29,301	8,325	3,526	4,601		198			143,284	73.6		115.7
1967.....	172,050	60,433	3,416	57,017	103,037	74,318	28,719	8,580	3,900	4,500		180	142,082	72.2	148,729	75.6	121.1	115.7
1968.....	177,647	63,279	3,464	59,815	105,616	77,415	28,201	8,752	4,132	4,476		143	148,082	74.5	153,977	77.5	120	115.4
1969.....	187,005	66,595	3,629	62,966	110,460	81,363	29,097	9,950	4,500	5,300		150			158,584	78.9		117.9
1970.....	193,903	69,110	3,874	65,236	114,261	84,133	30,128	10,532	4,900	5,500		132	150,001	73.9	162,655	80.1	129.3	119.2
1971.....	196,944	70,395	3,831	66,564	115,689	84,879	30,810	10,860	5,100	5,630		130	152,562	74.2	165,449	80.5	129.1	119.0

¹ See footnote 1, table 6.

² See footnote 2, table 6.

³ See footnote 3, table 6.

TABLE 8.—Hospital benefits: Gross enrollment under private health insurance plans and estimates of the net number of different persons covered, by age and type of plan, 1960-71

[In thousands]

End of year	Gross enrollments					Net number of different persons covered, as estimated by—				Gross enrollment as percent of net, estimated by—	
	Total	Blue Cross-Blue Shield	Insurance companies		Independent plans	Household surveys		HIAA		Household surveys	HIAA
			Group policies	Individual policies		Number	Percent of civilian population	Number	Percent of civilian population		
Under age 65											
1960.....	139,855	53,070	53,718	27,487	5,580	-----	-----	120,772	74.1	-----	115.8
1961.....	142,576	52,750	55,263	27,951	6,612	-----	-----	124,595	75.4	-----	114.4
1962.....	146,626	54,194	56,853	29,121	6,458	120,220	72.3	128,877	76.8	122.0	114.0
1963.....	152,822	55,072	60,417	30,662	6,671	-----	-----	133,267	78.2	-----	114.7
1964.....	157,083	56,663	62,006	32,057	6,357	-----	-----	(1)	(1)	-----	-----
1965.....	162,461	57,884	64,504	33,572	6,501	-----	-----	140,219	80.3	-----	115.9
1966.....	170,053	60,575	67,546	35,729	6,203	-----	-----	146,507	83.3	-----	116.1
1967.....	175,672	62,103	71,279	35,670	6,620	136,907	77.0	151,628	85.3	128.3	115.9
1968.....	182,440	65,086	74,128	36,451	6,775	141,572	78.9	157,128	87.6	128.9	116.1
1969.....	190,320	67,251	78,194	37,621	7,254	-----	-----	160,189	88.3	-----	118.8
1970.....	197,038	69,128	80,685	39,595	7,630	143,611	78.6	161,210	89.9	137.2	120.0
1971.....	201,960	69,704	81,642	42,589	8,025	² 147,345	79.8	168,513	91.2	137.1	119.8
Aged 65 and over											
1960.....	9,008	4,394	1,500	2,700	414	-----	-----	9,235	54.8	-----	97.5
1961.....	10,450	5,210	1,750	3,000	490	-----	-----	9,822	57.2	-----	106.4
1962.....	12,003	5,424	2,300	3,800	479	9,125	54.1	10,299	59.1	131.5	116.5
1963.....	12,320	5,626	2,400	3,800	494	-----	-----	11,308	63.8	-----	108.9
1964.....	12,638	5,766	2,500	3,800	472	-----	-----	(1)	(1)	-----	-----
1965.....	12,661	5,778	2,600	3,800	483	-----	-----	11,264	61.5	-----	112.4
1966.....	10,439	5,073	2,024	2,912	430	-----	-----	9,357	50.1	-----	111.6
1967.....	10,150	5,410	2,072	2,238	430	8,547	45.0	9,021	47.5	118.8	112.5
1968.....	11,115	5,424	1,981	3,258	502	³ 9,316	48.2	10,081	52.2	119.3	110.3
1969.....	12,155	5,960	1,899	3,848	448	-----	-----	10,666	54.3	-----	114.0
1970.....	12,749	6,336	2,027	3,885	501	10,452	51.4	11,172	54.9	122.0	114.1
1971.....	12,909	6,645	1,806	3,938	520	⁴ 10,651	51.2	11,387	54.8	121.2	113.4

¹ Data not available.

² See footnote 3, table 6.

³ Estimated on basis of percentage increase in gross enrollment from the preceding year.

⁴ In the Current Medicare Survey of the Social Security Administration, 56 percent of those enrolled for supplementary medical insurance were reported as having private hospital insurance as of Jan. 1, 1972.

surgical care increased 44 percent. The 1971 increase in hospital coverage (2.5 percent) held to the fairly steady growth rate for this period, 2-4 percent a year.

The picture is different for persons aged 65 and over. The number covered by private health insurance reached its maximum in 1965 and fell off with the advent of Medicare. Total gross enrollments for hospital care at the end of 1966, however, were still 83 percent of the 1965 total—an indication that the great majority of the aged with private health insurance retained their insurance, shifting to health insurance policies or plans complementary to Medicare. After a further slight decline in 1967, enrollment has risen gradually. The percentage of the aged population with private insurance coverage also increased in those years.

The steadily broadening scope of benefits under private health insurance is shown in table 10, which gives data on net enrollment and percent

of population covered by type of health care benefit. For all ages, coverage for X-ray and laboratory examinations, prescribed drugs, and private-duty nursing and visiting-nurse service has more than doubled since 1962; net enrollment for physicians' office and home visits went up almost 70 percent; nursing-home care covered almost eight times as many persons; and dental care jumped more than fifteen times.

The expansion in the areas of physicians' office and home visits, private-duty nursing, and, to some extent, X-ray and laboratory examinations and prescribed drugs comes largely through increased coverage under supplementary major medical and comprehensive insurance policies and extended-benefit contracts under Blue Cross-Blue Shield plans. Independent self-insured plans, however, can claim a good deal of the expansion in coverage for drugs. Blue Cross-Blue Shield dental coverage has expanded rapidly in the last few years. A very high proportion of dental care

TABLE 9.—Surgical benefits: Gross enrollment under private health insurance plans and estimates of the net number of different persons covered, by age and type of plan, 1960-71

[In thousands]

End of year	Gross enrollments					Net number of different persons covered, as estimated by—				Gross enrollment as percent of net, estimated by—	
	Total	Blue Cross-Blue Shield	Insurance companies		Independent plans	Household surveys		HIAA		Household surveys	HIAA
			Group policies	Individual policies		Number	Percent of civilian population	Number	Percent of civilian population		
Under age 65											
1960.....	127,386	45,226	54,104	21,212	6,844	-----	-----	109,452	67.2	-----	118.4
1961.....	132,209	45,649	55,673	22,962	7,925	-----	-----	114,645	69.3	-----	115.3
1962.....	134,609	46,599	57,487	22,791	7,732	113,569	68.3	(1)	(1)	118.5	-----
1963.....	139,278	46,086	60,888	24,273	8,031	-----	-----	122,112	71.6	-----	114.1
1964.....	144,811	49,825	62,439	24,806	7,741	-----	-----	(1)	(1)	-----	-----
1965.....	150,946	51,348	64,957	26,539	8,102	-----	-----	129,514	74.2	-----	116.5
1966.....	157,504	53,613	68,574	27,479	7,838	-----	-----	136,062	77.4	-----	115.8
1967.....	163,643	56,020	72,583	28,965	8,075	133,706	75.2	141,208	79.4	122.4	115.9
1968.....	168,588	58,390	75,619	29,300	8,279	139,061	77.5	145,553	81.1	121.2	115.8
1969.....	176,716	60,499	79,571	27,196	9,450	-----	-----	149,817	82.6	-----	117.9
1970.....	183,587	63,066	82,201	28,347	9,973	140,505	76.9	153,352	83.9	130.7	119.7
1971.....	186,350	63,891	83,033	29,144	10,282	142,753	77.3	155,811	84.4	130.5	119.6
Aged 65 and over											
1960.....	6,732	3,040	1,400	1,800	492	-----	-----	7,852	46.6	-----	85.7
1961.....	7,894	3,725	1,700	1,900	569	-----	-----	8,306	48.4	-----	95.0
1962.....	9,832	4,277	2,300	2,700	655	7,792	46.2	(1)	(1)	126.2	(1)
1963.....	9,962	4,285	2,400	2,700	677	-----	-----	9,842	55.6	-----	101.2
1964.....	10,404	4,648	2,500	2,700	656	-----	-----	(1)	(1)	-----	(1)
1965.....	10,864	4,982	2,600	2,700	682	-----	-----	9,923	54.2	-----	109.5
1966.....	8,307	4,304	1,694	1,822	487	-----	-----	7,222	38.7	-----	115.0
1967.....	8,407	4,413	1,735	1,754	595	8,376	44.1	7,521	39.6	100.4	111.8
1968.....	9,059	4,889	1,796	1,901	473	9,021	46.7	8,424	43.6	100.4	107.5
1969.....	10,289	6,096	1,792	1,901	500	-----	-----	8,737	44.5	-----	117.8
1970.....	10,316	6,044	1,932	1,781	559	9,496	46.7	9,303	45.8	108.6	110.9
1971.....	10,594	6,504	1,846	1,666	578	9,809	47.2	9,608	46.2	108.0	110.3

¹ Data not available.

² See footnote 3, table 6.

³ See footnote 3, table 8.

⁴ In the Current Medicare Survey of the Social Security Administration, 48 percent of those enrolled for supplementary medical insurance were reported as having private surgical insurance as of Jan. 1, 1972.

is known to have been union-negotiated. It is clear that all private health insurance organizations are broadening the scope of their coverage.

Table 11 shows, for coverage of persons of all ages, the annual growth since 1955 in the number of persons under major medical policies of insurance companies and under supplementary major medical and comprehensive extended-benefit contracts of Blue Cross-Blue Shield plans.

The rapid growth of this kind of coverage is an outgrowth of the failure of basic health care plans to meet the costs of personal health care needs adequately. The fact that group insurance policies far outnumber individual policies is an indication that most major medical coverage is obtained through the work place, most often by employee choice of a high-option plan. Individual policies are frequently purchased, however, by employees who do not have high-option plans available to them or by others whose basic coverage is inadequate.

Group-practice plans continue to be of special

interest since they are a type of health maintenance organization and would be important links of any national health insurance scheme. It is generally held that group practice as a method of organization and delivery of health care provides quality care and savings in cost—through better utilization of both hospital facilities and physicians' services—and as a source of comprehensive and preventive care. Recent studies support this claim.⁴ Among other things, they show that the rate of hospital utilization under group-practice

⁴ George S. Perrott, *The Federal Employees Health Benefits Program: Enrollment and Utilization of Health Services, 1961-1968*, Health Services and Mental Health Administration, Public Health Service, May 1971; Statement by Milton I. Roemer, *Hearings Before the Subcommittee on Public Health and Environment of the Committee on Interstate and Foreign Commerce* (U.S. House of Representatives, 92d Cong., April 11-May 18, 1972), pages 579-583, and Statement by Richard T. Burke, *ibid.*, pages 365-383; Statement by Milton I. Roemer, June 7, 1972, *Hearings Before the Subcommittee on Antitrust and Monopoly of the Judiciary Committee* (U.S. Senate, 92d Cong.), unpublished.

plans is frequently half the rate under service-type plans (Blue Cross-Blue Shield) and insurance policies and that the rate of inpatient surgical procedures is also lower under group-practice plans.

As the data in the adjoining column show, in 1970 enrollees under the FEHB group-practice plans were hospitalized less than half as many days as those in the nationwide service plan provided by Blue Cross-Blue Shield and only two-fifths as many days as those in the nationwide indemnity plan provided by the Aetna Life Insurance Company.

Since 1953, enrollment in group plans has more than doubled for hospital care, surgical services,

Type of plan	Hospital days per 1,000 covered persons ¹
Blue Cross-Blue Shield.....	936
Indemnity.....	1,076
Individual practice.....	482
Group practice.....	433

¹ The number of days reflects the number of days for which benefits are provided by high option plans. They are not necessarily the total patient days.

Source: U.S. Civil Service Commission, Bureau of Retirement, Insurance, and Occupational Health, *Federal Employees Health Benefits Program, Report for the Fiscal Year ended June 30, 1931*, table C-3.

and dental care (table 12). In the last 5 years, the growth is estimated at 59 percent for hospital care, 39 percent for surgical services, 42 percent for in-hospital physicians' visits, and 35 percent

TABLE 10.—Estimates of the net number of different persons under private health insurance plans and percent of population covered, by age and specified type of care, 1962-71

End of year	Hospital care	Physicians' services				Dental care	Prescribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	Office and home visits					
All ages										
Number (in thousands):										
1962.....	129,800	120,528	(1)	65,671	56,986	1,006	47,907	46,143	43,203	4,975
1965.....	(1)	(1)	(1)	79,500	63,400	3,100	53,200	56,000	60,100	9,900
1966.....	(1)	(1)	(1)	90,000	73,706	4,227	65,544	68,722	79,001	17,814
1967.....	145,454	142,082	(1)	92,480	78,565	4,679	71,201	76,080	81,771	18,754
1968.....	150,888	148,082	128,174	97,703	85,311	5,821	79,280	83,485	90,523	19,046
1969.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1970.....	154,263	150,001	146,689	142,441	91,581	12,210	100,966	100,235	106,882	32,392
1971.....	157,966	152,562	148,514	145,207	95,825	15,348	106,985	104,730	110,215	38,636
Percent of civilian population:										
1962.....	70.0	65.0	(1)	35.0	31.0	0.5	26.0	25.0	23.0	3.0
1965.....	(1)	(1)	(1)	41.2	32.9	1.6	27.6	29.0	31.2	5.1
1966.....	(1)	(1)	(1)	48.0	37.9	2.2	33.7	35.0	40.6	9.2
1967.....	73.9	72.2	(1)	47.0	39.9	2.4	36.2	38.7	41.6	9.2
1968.....	75.9	74.5	64.5	49.2	42.9	2.9	39.9	42.0	45.5	9.6
1969.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1970.....	75.9	73.9	71.7	70.2	45.1	6.0	49.7	49.4	62.6	16.0
1971.....	76.9	74.2	72.3	70.7	48.6	7.5	52.1	51.0	63.6	18.8
Under age 65										
Number (in thousands):										
1967.....	136,907	133,706	116,656	88,926	75,785	4,596	69,363	73,857	79,302	15,873
1968.....	141,572	139,061	121,104	93,714	82,295	5,719	76,748	81,309	87,697	16,921
1969.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1970.....	143,611	140,505	137,229	134,839	87,625	12,079	97,736	97,017	103,064	27,371
1971.....	147,345	142,753	140,685	137,463	91,493	15,155	103,672	101,450	106,190	33,434
Percent of civilian population:										
1967.....	77.0	75.2	65.6	50.0	42.6	2.6	39.0	41.5	44.6	8.9
1968.....	78.9	77.5	67.5	52.2	45.9	3.2	42.8	45.3	48.9	9.4
1969.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1970.....	78.6	76.9	75.1	73.8	48.0	6.6	53.5	53.1	56.4	15.0
1971.....	79.8	77.3	76.2	74.4	49.5	8.2	56.1	54.9	57.5	18.1
Aged 65 and over										
Number (in thousands):										
1967.....	8,547	8,378	5,905	3,554	2,780	83	1,838	2,223	2,470	2,881
1968.....	9,316	9,021	7,070	3,989	3,016	102	2,532	2,176	2,826	2,125
1969.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1970.....	10,452	9,496	8,360	7,602	3,956	131	3,280	3,218	3,818	5,021
1971.....	10,651	9,809	7,829	7,744	4,332	193	3,313	3,280	4,025	5,202
Percent of civilian population:										
1967.....	45.0	44.1	31.1	18.7	14.6	0.4	9.7	11.7	13.0	15.2
1968.....	48.2	46.7	36.6	20.6	15.6	.5	13.1	11.3	14.6	11.0
1969.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1970.....	51.4	46.7	41.1	37.4	19.5	.6	15.9	15.8	18.8	24.7
1971.....	51.2	47.2	37.7	37.3	20.8	.9	16.9	16.8	19.4	25.0

¹ Data not available.

TABLE 11.—Number of persons covered under major medical policies of insurance companies and under supplementary major medical and comprehensive extended-benefits contracts of Blue Cross-Blue Shield plans, 1955-71

[In thousands]

End of year	Insurance companies					Blue Cross-Blue Shield plans ¹		
	Total	Group policies			Individual policies	Total	Supplementary major medical	Comprehensive extended benefit
		Total	Supplementary	Comprehensive				
1955.....	5,241	4,759	3,928	831	482	3,713	3,020	693
1960.....	27,448	25,608	17,285	8,323	1,870	2,621	4,015	1,014
1961.....	34,138	31,517	22,281	9,236	2,821	5,059	5,088	1,735
1962.....	38,250	35,053	25,301	9,752	3,197	7,501	(2)	(2)
1963.....	42,441	38,699	28,248	10,451	3,742	(3)	(2)	(2)
1964.....	47,001	42,579	31,772	10,807	4,422	(3)	(2)	(2)
1965.....	51,946	47,269	35,988	11,281	4,677	² 14,600	(2)	(2)
1966.....	56,742	52,002	39,685	12,317	4,740	14,352	10,409	3,943
1967.....	62,226	57,447	43,899	13,548	4,779	16,279	12,408	3,871
1968.....	66,861	61,738	46,935	14,803	5,123	17,807	14,078	3,729
1969.....	72,292	66,630	49,875	16,755	5,662	20,328	16,666	3,662
1970.....	78,217	72,315	54,085	18,230	5,902	21,905	21,658	3,247
1971.....	80,674	74,902	55,477	19,425	5,772	26,780	23,429	3,351

¹ Comparable data not available for earlier years; before 1965, data shown are for Blue Cross plans only; beginning 1965, data jointly developed by Blue Cross Association and National Association of Blue Shield Plans on unduplicated number of persons covered.

² Data not available.

³ Data for Blue Cross plans plus an estimated 1,600,000 in Blue Shield plans not affiliated with Blue Cross.

for physicians' visits in office, clinic, and health center.

FINANCIAL EXPERIENCE

In 1971 private health insurance organizations paid their subscribers \$17.9 billion in benefits. This total was a little more than 90 percent of their \$19.8 billion subscription or premium income (table 13). Operating expenses amounted to \$2.6 billion, just over 13 percent of premium income. The result was a net underwriting loss of \$715 million, or 3.6 percent of premium income. The loss was made up to some extent by income from investment of reserves.

Although insurance companies received almost \$10 billion in premium income and Blue Cross-Blue Shield plans only about \$1 billion less, the operating expense of insurance companies was more than three times that of Blue Cross-Blue Shield plans—\$1.9 billion, or 19.9 percent of premium income, compared with \$0.6 billion, or 6.9 percent of premium income. A low Blue Cross operating expense ratio—5.3 percent of subscription income—accounted largely for the relatively low Blue Cross-Blue Shield rate. The operating-expense ratio for individual insurance business of 47.1 percent—almost four times the group rate—was responsible for the relatively high overall ratio for insurance companies.

Blue Cross and insurance company group business had the highest claims ratios; they returned

97 percent of subscription income and 96 percent of premium income, respectively, in benefits. Individual business paid out only 54 percent of premium income in benefits.

Blue Cross-Blue Shield income from investments, combined with a slight net underwriting gain, brought its net income to \$137 million, or 1.6 percent of subscription income. Individual business of insurance companies showed a net underwriting loss of 1.6 percent, compared with an 8.6-percent loss in group business, but neither of these figures takes into account investment income. Data on investment income are not available from the insurance companies.

For independent plans, a moderately high claims ratio—94 percent of subscription income—

TABLE 12.—Private health insurance enrollment under group-practice prepayment plans, by specified type of care, 1953-71

[In thousands]

Year	Hospital care	Physicians' services			Dental care	Drugs
		Surgical services	In-hospital visits	Office, clinic, or hospital health center		
1953.....	1,802	2,410	2,507	2,853	452	(1)
1956.....	2,428	3,177	3,399	3,395	248	(1)
1959.....	2,526	3,280	3,400	3,691	318	(1)
1961.....	2,586	3,484	3,643	3,643	398	518
1964.....	2,695	3,504	3,178	3,814	438	899
1966.....	2,771	3,763	3,430	4,158	(1)	(1)
1967.....	3,060	4,130	3,760	4,480	(1)	(1)
1968.....	3,043	4,051	3,730	4,404	518	1,382
1969.....	3,730	4,750	4,210	5,050	800	1,720
1970.....	4,131	5,032	4,532	5,432	910	2,121
1971.....	4,415	5,230	4,880	5,630	665	2,321

¹ Data not available.

TABLE 13.—Financial experience of private health insurance organizations, 1971

[Amounts in millions]

Type of plan	Total income	Subscription or premium income	Claims expense		Operating expense		Net underwriting gain		Net income	
			Amount	Percent of premium income	Amount	Percent of premium income	Amount	Percent of premium income	Amount	Percent of premium income
Total.....	(1)	\$19,820.1	\$17,891.1	90.3	\$2,644.2	13.3	-\$715.2	-3.6	(1)	-----
Blue Cross-Blue Shield.....	8,924.4	8,790.2	8,178.7	93.1	608.8	6.9	2.7	(2)	136.9	1.6
Blue Cross.....	6,180.0	6,096.9	5,906.9	96.9	325.2	5.3	-135.2	-2.2	-52.1	-0.9
Blue Shield.....	2,744.4	2,693.3	2,271.8	84.4	283.6	10.5	137.9	5.1	189.0	7.0
Insurance companies.....	(1)	9,782.0	8,519.0	87.3	1,940.8	19.9	-697.8	-7.2	(1)	-----
Group policies.....	(1)	7,724.0	7,408.0	95.9	980.9	12.7	-661.9	-8.6	(1)	-----
Individual policies.....	(1)	2,038.0	1,111.0	54.5	959.9	47.1	-32.9	-1.6	(1)	-----
Independent plans.....	1,283.1	1,267.9	1,193.4	94.1	94.6	7.5	-20.1	-1.6	-4.9	-0.4
Community.....	541.0	536.6	508.0	94.7	36.0	6.7	-7.4	-1.4	-3.0	-0.6
Employer-employee-union.....	648.4	638.5	611.0	95.7	50.0	7.8	-22.5	-3.5	-12.6	-2.0
Private group clinic.....	18.3	17.8	14.4	80.9	2.2	12.4	1.2	6.7	1.7	9.6
Dental service corporation.....	75.4	75.0	60.0	80.0	6.4	8.5	8.6	11.5	9.0	12.0

¹ Data not available.

² Less than 0.05 percent.

combined with a relatively low 7.5-percent operating-expense ratio resulted in a small net underwriting loss that was reduced to less than 1/2 of 1 percent by investment income.

Subscription or premium income for all private health insurance organizations was up 15 percent from the previous year, claims were up 14 percent. Operating expense rose 10 percent. As a result, the organizations were able to reduce their net underwriting loss from \$961 million in 1970 to \$715 million.

Blue Cross-Blue Shield plans, which had a 19-percent increase in subscription income in 1971 but paid out only 16 percent more in benefits and 14 percent more in operating expense, shifted from a net underwriting loss of \$224 million in 1970 to a net underwriting gain of \$2.7 million in 1971.

The net underwriting loss for insurance companies showed little change. Their individual business experienced almost a two-thirds reduction in net underwriting loss, however, partly because of a drop in claims paid.

Independent plans, which had a 19-percent rise in subscription income but only a 16-percent increase in benefits and a 15-percent rise in operating expense, were able to reduce their net underwriting loss by 52 percent—from \$41.5 million in 1970 to \$20 million in 1971.

The data for Blue Cross and Blue Shield plans are based on financial statements for all plans supplied by the Blue Cross Association and the National Association of Blue Shield plans. Duplication resulting from the fact that six joint Blue Cross-Blue Shield plans report identical data to both national organizations has been elimi-

nated. Data for Health Services, Incorporated, and for Medical Indemnity of America—insurance companies owned by the Blue Cross and Blue Shield associations, respectively—have been included.

The data on premium income and benefit expense of insurance companies were provided by HIAA. Premium income data come from the National Underwriter Company's annual survey of accident and health insurance and from HIAA's annual surveys of companies in this field. The division of group accident and health business between health care and wage loss is based on HIAA's annual survey of enrollment, premium income, and benefits paid under group business. For individual business, the distribution is based on HIAA's annual survey of benefits paid. Operating expenses were estimated by applying operating-expense ratios to premium income derived from the National Underwriter Company aggregates⁵ to HIAA premium income.

The data for independent plans, as mentioned earlier, are estimates of the Office of Research and Statistics based on its 1972 survey of these plans.

Total Premium and Subscription Income and Benefits

Of the total premium and subscription income of all private health insurance organizations in 1971, 44 percent was received by Blue Cross-Blue Shield plans; 49 percent by insurance companies (with group business almost four times the indi-

⁵ Argus, 1972 Chart of Health Insurance, page 112.

TABLE 14.—Percentage distribution of subscription or premium income and claims expense, by type of private health insurance organization, 1948-71

Year	Total	Blue Cross-Blue Shield plans			Insurance companies			Independent plans				
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	Total ¹	Community	Employer-employee-union	Private group clinic	Dental service corporation
Subscription or premium income												
1948.....	100.0	42.3	36.5	5.8	48.8	21.6	24.2	8.8	(²)	(²)	(²)	(²)
1950.....	100.0	44.4	33.8	10.6	46.8	25.8	21.1	8.7	(²)	(²)	(²)	(²)
1955.....	100.0	41.0	28.9	12.1	51.7	32.5	19.2	7.3	(²)	(²)	(²)	(²)
1960.....	100.0	42.5	30.4	12.1	51.8	36.0	15.8	5.7	2.3	3.2	0.2	(²)
1961.....	100.0	42.0	30.0	12.0	51.4	36.2	15.2	6.6	2.2	3.8	.2	0.1
1962.....	100.0	42.1	29.9	12.2	51.4	36.5	14.9	6.5	2.2	3.8	.1	(²)
1963.....	100.0	42.2	30.3	11.9	51.4	36.2	15.2	6.4	2.3	3.6	.2	.1
1964.....	100.0	42.1	30.0	12.1	51.8	36.7	15.1	6.1	2.2	3.7	.1	.1
1965.....	100.0	41.7	29.9	11.8	52.2	36.6	15.6	6.1	2.2	3.7	.1	.1
1966.....	100.0	41.0	29.2	11.8	52.9	37.7	15.2	6.1	2.3	3.5	.1	.2
1967.....	100.0	41.0	29.1	11.9	52.8	38.5	14.3	6.2	2.5	3.3	.1	.3
1968.....	100.0	40.2	28.4	11.8	53.7	40.0	13.7	6.1	2.5	3.2	.1	.3
1969.....	100.0	42.0	29.8	12.2	51.6	38.8	12.8	6.4	2.6	3.3	.1	.4
1970.....	100.0	42.9	30.0	12.9	50.9	39.4	11.5	6.2	2.6	3.1	.1	.4
1971.....	100.0	44.3	30.7	13.6	49.3	39.0	10.3	6.4	2.7	3.2	.1	.4
Claims expense												
1948.....	100.0	50.8	44.4	6.4	37.6	24.4	13.2	11.6	(²)	(²)	(²)	(²)
1950.....	100.0	49.5	38.6	10.9	40.3	25.9	14.4	10.2	(²)	(²)	(²)	(²)
1955.....	100.0	45.2	32.8	12.4	46.5	33.8	12.7	8.3	(²)	(²)	(²)	(²)
1960.....	100.0	45.8	32.9	12.8	47.8	38.0	9.8	6.4	(²)	(²)	(²)	(²)
1961.....	100.0	45.4	32.8	12.6	47.5	38.1	9.4	7.1	(²)	(²)	(²)	(²)
1962.....	100.0	45.6	32.5	13.1	47.5	38.7	8.8	6.9	(²)	(²)	(²)	(²)
1963.....	100.0	45.6	33.2	12.4	47.7	38.3	9.5	6.7	(²)	(²)	(²)	(²)
1964.....	100.0	45.6	33.1	12.5	48.0	38.6	9.4	6.3	(²)	(²)	(²)	(²)
1965.....	100.0	44.8	32.7	12.1	48.9	39.1	9.8	6.3	2.3	3.8	0.1	0.1
1966.....	100.0	43.5	31.5	12.0	50.2	40.6	9.6	6.4	2.4	3.6	.1	.2
1967.....	100.0	42.8	31.0	11.7	50.7	41.9	8.8	6.5	2.6	3.5	.1	.3
1968.....	100.0	42.7	31.1	11.6	51.0	42.7	8.3	6.3	2.6	3.3	.1	.3
1969.....	100.0	45.2	32.7	12.5	48.2	40.9	7.3	6.6	2.7	3.4	.1	.4
1970.....	100.0	44.9	31.9	13.0	48.6	41.3	7.3	6.5	2.7	3.4	.1	.3
1971.....	100.0	45.7	33.0	12.7	47.6	41.4	6.2	6.7	2.9	3.4	.1	.3

¹ Medical society data not included.

² Data not available.

³ Less than 0.05 percent.

vidual business); and the remainder by independent plans (table 14). The insurance company share of total benefit expense was somewhat smaller than their share of premium income. For both Blue Cross-Blue Shield and independent plans, the share of benefit expense was larger than their share of subscription income.

Distribution of premium income and benefit outlays by carrier changed little from the previous year, although there was some decline in the share attributable to the insurance carriers and some increase in the share attributable to the Blue Cross-Blue Shield plans.

From 1948 to 1971 insurance companies have consistently received the largest share of all premium and subscription income. Beginning in 1955, their claims expenditures ran higher than that of Blue Cross-Blue Shield plans. Group business has accounted for much of the increase in benefit expenditures: in 1948 the group share was almost twice the individual share; in 1971 it was almost seven times the individual share. From 1948 to 1964, independent plans have shown a gradually

declining share of subscription income and benefit expenditures that has leveled off to a little more than 6 percent in the past few years.

Benefit Expenditures and Types of Care

Sixty-four percent of benefit expenditures by all private health insurance organizations went for hospital care; 31 percent for physicians' services; the remaining 5 percent for other types of benefits—mainly dental care, drugs, and private-duty nursing (table 15). Blue Cross-Blue Shield plans spent more for hospital care—71 percent of benefit expenditures for all types of care—than did insurance companies (60 percent) and independent plans (43 percent). Independent plans paid out 8 percent of their benefits for dental care, compared with 2 percent spent by insurance companies and only a tenth of 1 percent by Blue Cross-Blue Shield plans. Independent plans spent 43 percent of their income for physicians' services, compared with 33 percent by insurance companies and 27 percent by Blue Cross-Blue Shield plans.

TABLE 15.—Benefit expenditures of private health insurance organizations, by specified type of care, 1971

[Amounts in millions]

Type of plan	Total benefit expenditures	Hospital care	Physicians' services	Dental care	Prescribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care	Vision care	Other types of care
Amount of expenditures										
Total.....	\$17,891 1	\$11,368 6	\$5,498 6	\$304 3	\$401.5	\$158 4	\$6 2	\$13 0	\$3 9	\$136 6
Blue Cross-Blue Shield.....	8,178 7	5,775 7	2,181 4	8 9	112 9	14 5	6 2	12 5	1 2	65 4
Blue Cross.....	5,906 9	5,659 0	155 4	5 8	45 7	7 1	5 0	12 4	.5	16 0
Blue Shield.....	2,271 8	116 7	2,026 0	3 1	67 2	7 4	1 2	.1	.7	49 4
Insurance companies.....	8,519 0	5,083 9	2,800 6	194 0	238 1	143 9	(1)	(1)	(1)	58 5
Group policies.....	7,408 0	4,331 9	2,492 9	194 0	236 4	95 1	(1)	(1)	(1)	57 7
Individual policies.....	1,111 0	752 0	307 7	-----	1 7	48 8	(1)	(1)	(1)	.8
Independent plans.....	1,193 4	609 0	516 6	101 4	50 5	(1)	(1)	.5	2 7	12 7
Community.....	508 0	163 0	310 0	21 5	11 0	(1)	(1)	.1	1 4	1 0
Employer-employee-union.....	611 0	344 0	196 0	18 5	39 5	(1)	(1)	.4	1 2	11 4
Private group clinic.....	14 4	2 0	10 6	1 4	-----	(1)	(1)	-----	.1	.3
Dental service corporation.....	60 0	-----	-----	60 0	-----	-----	-----	-----	-----	-----
Percentage distribution										
Total.....	100 0	63 5	30 7	1 7	2 3	0 9	(?)	0 1	(?)	0 8
Blue Cross-Blue Shield.....	100 0	70 6	26 7	1	1 4	.2	0 1	.1	(?)	.8
Blue Cross.....	100 0	95 8	2 6	.1	.8	.1	.1	.2	(?)	.3
Blue Shield.....	100 0	5 1	89 2	1	3 0	.3	.1	(?)	(?)	2 2
Insurance companies.....	100 0	59 7	32 8	2 3	2 8	1 7	(1)	(1)	(1)	.7
Group policies.....	100 0	58 5	33 6	2 6	3 2	1 3	(1)	(1)	(1)	.8
Individual policies.....	100 0	67 7	27 7	-----	.1	4 4	(1)	(1)	(1)	.1
Independent plans.....	100 0	42 7	43 3	8 5	4 2	(1)	(1)	(1)	0 2	1 1
Community.....	100 0	32 1	61 0	4 2	2 2	(1)	(1)	(1)	.3	.2
Employer-employee-union.....	100 0	56 3	32 1	3 0	6 4	(1)	(1)	.1	.2	1 9
Private group clinic.....	100 0	13 9	73 6	9 7	-----	(1)	(1)	-----	.7	2 1
Dental service corporation.....	100 0	-----	-----	100 0	-----	-----	-----	-----	-----	-----

¹ Included in "other types of care."

² Less than 0.05 percent.

Expenditures Per Enrollee

Table 16 gives some idea of the relative expenditures made by the various private health insurance organizations for their enrollees. In 1971, Blue Cross-Blue Shield plans led the other carriers with an average expenditure of \$75.65 for hospital care benefits per person enrolled for this type of benefit. For those enrolled with insurance companies, the average expenditure was \$39.11. The average per person was \$59.57 in the independent plans. The lowest annual expenditure for hospital care—\$16.16 per person—was made by insurance companies under individual policies.

The averages reflect (1) the high utilization rate of hospital care under Blue Cross-Blue

Shield contracts that provide more days of coverage and more comprehensive coverage of hospital costs than group policies of insurance companies, (2) the generally meager coverage under individual insurance policies, and (3) the relatively lower utilization rates under community group-practice plans.

For physicians' services, community plans led the other carriers with a per capita expenditure of \$60.78: most community plans provide virtually complete coverage of in-office, home, and hospital visits. Blue Cross-Blue Shield plans spent \$30.99 per person enrolled, and \$9.99 per person covered was spent under individual policies of insurance companies. The enrollment for surgical insurance was used in making these calculations.

TABLE 16.—Benefit expenditures of private health insurance organizations per person enrolled for specified benefits, 1971

Type of plan	Hospital care	Physicians' services
Blue Cross-Blue Shield.....	\$75 65	\$30 99
Blue Cross.....	76 08	40 56
Blue Shield.....	59 36	30 44
Insurance companies.....	39 11	24 21
Group policies.....	51 91	29 37
Individual policies.....	16 16	9 99
Independent plans.....	59 57	47 57
Community.....	52 58	60 78
Employer-employee-union.....	63 70	34 81

Trends

Data are presented in table 17 on the premium income and benefit expenditures of private health insurance organizations from 1948 to 1971. Premium income for all plans rose 15 percent, slightly less in 1971 than in the previous year; insurance companies showed the slowest rise—12 percent—compared with a 16-percent rise in the previous year. Blue Cross-Blue Shield plans increased at

about the same rate as in the previous year. All plans have shown a substantial growth rate in premium income over the years except during the first year and a half of Medicare.

Benefit expenditures for all plans slowed in 1971. The net increase was only 14 percent, compared with a 20-percent rise in 1970. This decline in growth rate was greatest among insurance companies—which went up 11 percent in 1971, compared with 21 percent in 1970—and in Blue Shield plans—which went from a 26-percent rise in 1970 to an increase of only 11 percent in 1971. After the first full year of Medicare, all plans have shown an annual growth of 14–20 percent.

For the first time in 4 years, benefit expenditures did not grow faster than premium income. Blue Shield plans accounted for most of the difference; their benefits rose 11 percent in 1971 while income increased 21 percent.

The financial experience of Blue Cross and Blue Shield plans is shown in tables 18 and 19. The data, based on reports of the 74 Blue Cross and the 70 Blue Shield plans, exclude data for the insurance companies owned by the associations. The data are not adjusted to eliminate the duplication

with respect to the six joint plans, which report identical data to the two national organizations. The stabilized growth pattern in Blue Cross plans, coupled with a slowdown in benefit increase, produced a decline to 95 percent in the claims expense ratio in 1971 and pushed the underwriting loss down to less than 0.05 percent (table 18). The 1971 total net income was \$85 million, compared with a \$56 million loss in 1970.

A modest rise in subscription income, coupled with the decelerating growth in benefit expenditures, which rose at less than half the rate of the previous year, brought Blue Shield claims down to 90 percent of premium income and changed its 1970 loss of \$51 million to a net income of \$42 million (table 19). The underwriting loss was reduced to less than half of 1 percent.

Unlike the experience in 1970, when the rise in claims expense of insurance companies was more than 5 percentage points higher than the increase in premium income and when their claims expense ratio rose substantially, income and claims in 1971 rose at about the same rate, thus permitting a small reduction in the underwriting loss (table 13). Claims expense under group business was

TABLE 17.—Subscription or premium income and benefit expenditures of private health insurance organizations, 1948–71

(In millions)

Year	Total	Blue Cross-Blue Shield plans			Insurance companies			Independent plans
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	
Income								
1948	\$862 0	\$365 0	\$315 0	\$50 0	\$421 0	\$212 0	\$209 0	\$76 0
1950	1,291 5	574 0	436 7	137 3	605 0	330 3	272 0	112 5
1955	3,149 6	1,292 4	910 7	381 7	1,626 9	1,022 5	601 4	230 3
1960	5,841 0	2,482 1	1,773 0	709 1	3,027 0	2,104 0	923 0	331 9
1961	6,673 3	2,805 1	2,004 4	800 7	3,427 0	2,414 0	1,013 0	441 2
1962	7,411 1	3,118 6	2,212 8	905 8	3,810 0	2,708 0	1,102 0	482 5
1963	8,053 6	3,399 4	2,438 7	960 7	4,136 0	2,913 0	1,223 0	518 2
1964	8,983 6	3,785 1	2,697 6	1,087 5	4,652 0	3,297 0	1,355 0	546 5
1965	10,001 3	4,169 0	2,903 7	1,175 3	5,224 0	3,665 0	1,559 0	608 3
1966	10,564 1	4,327 8	3,085 9	1,241 9	5,595 0	3,987 0	1,608 0	611 3
1967	11,105 3	4,555 3	3,230 0	1,325 3	5,858 0	4,270 0	1,588 0	692 0
1968	12,898 7	5,187 1	3,665 0	1,522 1	6,933 0	5,159 0	1,774 0	778 6
1969	14,657 7	6,155 6	4,365 2	1,790 4	7,569 0	6,685 0	1,884 0	933 1
1970	17,184 8	7,370 9	5,147 1	2,223 8	8,746 0	6,774 0	1,972 0	1,067 9
1971	19,820 1	8,790 2	6,096 9	2,693 3	9,762 0	7,724 0	2,038 0	1,267 9
Benefit expenditures								
1948	\$606 0	\$308 0	\$269 0	\$39 0	\$228 0	\$148 0	\$80 0	\$70 0
1950	991 9	490 6	382 9	107 7	400 0	257 0	143 0	101 3
1955	2,535 7	1,146 7	832 2	314 5	1,179 0	858 0	321 0	210 0
1960	4,996 3	2,287 1	1,616 2	640 9	2,389 0	1,901 0	488 0	320 2
1961	5,965 4	2,585 4	1,867 1	718 3	2,706 0	2,170 0	536 0	404 0
1962	6,313 8	2,893 6	2,064 5	829 1	3,012 0	2,453 0	559 0	438 2
1963	6,979 3	3,179 5	2,317 3	862 2	3,332 0	2,671 0	661 0	467 8
1964	7,832 1	3,574 4	2,592 8	981 6	3,763 0	3,024 0	739 0	494 7
1965	8,728 9	3,912 9	2,853 4	1,059 5	4,265 0	3,413 0	852 0	551 0
1966	9,141 8	3,975 4	2,882 2	1,093 2	4,585 0	3,711 0	874 0	581 4
1967	9,544 8	4,082 8	2,963 1	1,119 7	4,837 0	3,998 0	839 0	625 0
1968	11,313 6	4,840 6	3,520 2	1,311 4	5,791 0	4,841 0	950 0	712 0
1969	13,068 5	5,903 1	4,271 4	1,631 7	6,306 0	5,349 0	957 0	859 4
1970	15,743 5	7,060 2	5,009 3	2,050 9	7,656 0	6,510 0	1,146 0	1,027 4
1971	17,891 1	8,178 7	5,906 9	2,271 8	8,519 0	7,408 0	1,111 0	1,193 3

stabilized at 96 percent of premium income and operating expenses remained at about 13 percent of premium income. The net underwriting loss—about 9 percent—also showed little change (table 13). The loss was replaced to some degree by income from investment of reserves but largely by gains in group disability and group life insurance.

Under individual policies of the insurance companies, the claims ratio dropped to 54 percent and the operating-expense ratio remained at 47 percent. The underwriting loss dropped from 5 percent in 1970 to 2 percent in 1971. Again, this loss was lessened to some degree by income from investment of reserves.

Table 20 delineates the trend in the distribution of benefit expenditures among private health insurance organizations from 1950 to 1971. The 1971 distribution shows little change from that of the immediately preceding year.

Operating Expense

As the data below indicate, operating expense as percent of premium income for all private health insurance organizations continued the slightly downward trend of the previous 2 years. Blue Cross plans, which have generally had the lowest operating-expense ratio, experienced a slight decline in administrative expense in 1970 and again in 1971.

The trend in operating expenses expressed in

Year	Operating expense as percent of premium income									
	Total	Blue Cross and Blue Shield ¹			Insurance companies			Independent plans		
		Blue Cross and Blue Shield total	Blue Cross	Blue Shield	Total	Group	Individual	Total	Community	Employer-employee-union
1961.....	(3)	(3)	(3)	(3)	23.2	13.4	46.5	(3)	(3)	(3)
1962.....	(3)	(3)	(3)	(3)	22.6	13.0	46.1	(3)	(3)	(3)
1963.....	(3)	(3)	(3)	(3)	22.8	13.1	45.7	(3)	(3)	(3)
1964.....	14.5	5.9	4.6	9.2	22.4	12.9	45.4	7.6	8.4	7.0
1965.....	14.2	5.7	4.5	8.8	21.8	12.4	44.0	6.4	7.6	5.4
1966.....	14.4	6.3	4.9	9.3	21.5	12.8	43.2	6.1	7.2	5.6
1967.....	14.5	6.9	5.4	10.0	21.4	13.1	43.7	6.0	6.9	5.4
1968.....	14.8	7.2	5.7	10.5	21.5	12.8	46.7	6.0	6.5	5.3
1969.....	14.6	7.4	5.8	11.1	21.3	13.2	45.6	7.1	7.2	7.2
1970.....	14.0	7.2	5.6	11.0	20.4	12.8	46.6	7.7	7.2	7.7
1971.....	13.3	6.9	5.3	10.5	19.9	12.7	47.1	7.5	6.7	7.8

¹ Blue Cross-Blue Shield data are adjusted for duplication, except where noted.

² Data for operating costs separate from net underwriting gain or loss are not available.

³ Only data reported to national Blue Cross and Blue Shield organizations are available; these do not take into account duplication of data reported by joint plans.

terms of per enrollee cost should also be examined. The tabulation that follows shows operating

Year	Operating expense per enrollee					Independent plans
	Blue Cross ¹	Blue Shield ¹	Insurance companies			
			Total	Group	Individual	
1961.....	\$1.76	\$1.79	\$9.02	\$5.67	\$15.19	\$4.38
1962.....	1.85	1.89	9.34	5.95	15.44	5.34
1963.....	1.95	2.01	9.67	6.08	16.20	5.86
1964.....	2.07	2.12	10.36	6.59	17.13	6.14
1965.....	2.18	2.20	10.91	6.77	18.34	4.46
1966.....	2.43	2.38	11.14	7.33	18.01	4.75
1967.....	2.72	2.61	11.26	7.62	18.31	4.85
1968.....	3.11	3.01	12.86	8.68	20.87	5.31
1969.....	3.63	3.53	13.21	9.37	20.70	6.65
1970.....	4.15	3.91	14.15	10.48	21.13	7.82
1971.....	4.56	4.44	14.93	11.76	20.64	8.68
Percentage change, 1961-71:						
Total.....	159.1	148.0	65.5	107.4	35.9	98.2
Average annual.....	10.0	9.5	5.2	7.6	3.1	7.1

¹ Duplication due to the fact that some plans are joint Blue Cross and Blue Shield plans and report the same data to both national organizations has not been eliminated.

Source: Derived from the data on gross enrollment and financial experience in the annual articles on private health insurance, *Social Security Bulletin*, February issues.

expenses per enrollee for all types of private health insurance organizations. It will be seen that insurance companies have consistently had the highest administrative cost per enrollee more than five times the Blue Cross rate in 1961 and more than three times the Blue Cross rate in 1971. The dollar cost per Blue Cross enrollee rose \$2.30 during the period from 1961 to 1971, insurance company cost climbed \$5.91, with group business going up \$6.09. In relative terms, however, the increases for the period were 159 percent for Blue Cross and 66 percent for insurance companies (107 percent for group business). The average annual increase during the period was 10 percent for Blue Cross and 5.2 percent for insurance companies (7.6 percent for group business).

During this period, enrollment for insurance companies rose almost 50 percent and Blue Cross enrollment went up by about one-third. The average annual increase was 2.8 percent for Blue Cross and 3.9 percent for insurance companies. Benefit payments tripled for both the insurance companies and the Blue Cross-Blue Shield plans. The average benefit per person enrolled by Blue Cross rose 140 percent; for insurance companies the increase was only 113 percent. Total operating costs for Blue Cross rose 241 percent during this period; they rose 144 percent for insurance companies, with group business going up 204 percent. The average annual rate for the period was 13 percent

TABLE 18.—Financial experience of Blue Cross plans, 1950-71¹

[Amounts in thousands]

Year	Reserves	Earned subscription income	Total earned income	Claims expense	Operating expense	Total net income or loss	As percent of subscription income			Net income as percent of total income
							Claims expense	Operating expense	Underwriting gain or loss	
1950.....	\$116,531	\$133,770	\$436,984	\$383,331	\$36,281	\$17,371	88.4	8.4	3.3	4.0
1955.....	254,407	916,600	925,197	836,546	58,368	30,283	91.3	6.4	2.4	3.3
1960.....	363,253	1,783,172	1,802,789	1,654,951	90,821	57,017	92.8	5.1	2.1	3.2
1961.....	410,658	2,011,062	2,035,740	1,872,839	99,259	63,531	93.1	4.9	1.9	3.1
1962.....	454,626	2,230,747	2,227,523	2,105,084	107,204	47,235	94.3	4.8	.9	2.1
1963.....	492,872	2,467,195	2,497,377	2,313,231	115,228	38,918	95.0	4.7	.4	1.6
1964 ²	511,112	2,731,380	2,766,829	2,624,302	124,969	17,558	96.1	4.6	-.7	.6
1965 ²	561,906	3,031,470	3,074,551	2,857,187	131,559	52,865	95.2	4.5	.3	1.7
1966.....	619,633	3,121,111	3,168,187	2,912,733	154,132	101,322	93.3	4.9	1.7	3.2
1967.....	797,575	3,270,022	3,327,637	2,995,779	177,632	153,266	91.6	5.4	3.0	4.6
1968.....	801,339	3,711,798	3,776,437	3,571,797	211,698	-7,008	96.2	5.7	-1.9	-.2
1969.....	711,274	4,419,296	4,489,266	4,322,311	256,227	-89,302	97.8	5.8	-3.6	-2.0
1970.....	651,655	5,385,835	5,467,512	5,220,662	302,463	-55,613	96.9	5.6	-2.5	-1.0
1971.....	747,230	6,390,127	6,477,615	6,053,537	338,910	85,168	94.7	5.3	(*)	1.3

¹ Data in all years exclude Health Services, Inc., and are not adjusted for duplication between Blue Cross and Blue Shield.² Includes Puerto Rico.³ Less than -0.05 percent.

for Blue Cross and 9 percent for insurance companies. During this 10-year span the Consumer Price Index of the Bureau of Labor Statistics moved up 37 percent for all items, but some medical care components climbed sharply—164 percent for the hospital daily service charge and 72 percent for medical care services.

In comparing these figures certain factors should be noted. Insurance companies pay commissions, taxes (Federal income tax and State premium taxes, usually 2-3 percent, varying from State to State), licenses, and fees and incur higher acquisition costs than does Blue Cross. The cost of selling and administering individual insurance policies is extremely high. At the same time, the State premium tax rates and fees are more or less static. On the other hand, Blue Cross

does virtually all of the work of claims administration, whereas under many group insurance contracts covering large groups of employees, the employer or welfare fund performs much of the work of claims administration.

Any attempt to establish a relationship among all these factors poses questions. How much of the rise in dollar costs per enrollee can be attributed specifically to the intensity of claims review, overutilization, the increase in the number of claims, the number and types of plans offered, the demographic characteristics of the enrollees, or the efficiency or inefficiency of carrier administrative procedures? What are the administrative and processing costs of deductible and coinsurance charges paid by the consumer and the impact of these charges on the use of health care services

TABLE 19.—Financial experience of Blue Shield plans, 1950-71¹

[Amounts in thousands]

Year	Reserves	Earned subscription income	Total earned income	Claims expense	Operating expense	Total net income or loss	As percent of subscription income			Net income as percent of total income
							Claims expense	Operating expense	Underwriting gain or loss	
1950.....	\$34,954	\$140,817	\$141,594	\$111,039	\$18,653	\$11,002	78.8	13.2	7.9	8.4
1955.....	161,705	399,781	404,294	331,068	43,610	29,616	82.8	10.9	6.3	7.3
1960.....	228,634	741,164	761,529	670,776	76,245	4,508	90.5	10.3	-.8	.6
1961.....	236,101	837,773	848,992	752,695	82,741	13,556	89.8	9.9	.3	1.6
1962 ²	266,526	974,086	985,373	868,816	91,136	25,421	89.2	9.4	1.5	2.6
1963 ²	289,440	1,086,356	1,101,745	977,147	99,662	24,936	89.9	9.2	.9	2.3
1964 ²	317,528	1,209,394	1,227,557	1,095,713	108,691	23,153	90.6	9.0	.4	1.9
1965 ²	347,266	1,318,915	1,338,007	1,190,486	115,940	32,481	90.3	8.8	.9	2.4
1966.....	398,374	1,399,890	1,413,185	1,226,363	129,804	56,938	88.2	9.3	2.5	4.0
1967.....	509,094	1,489,640	1,519,309	1,261,650	148,750	108,909	84.7	10.0	5.3	7.2
1968.....	578,390	1,709,578	1,747,867	1,481,070	180,154	86,643	86.6	10.5	2.8	5.0
1969.....	555,079	2,007,970	2,054,571	1,834,495	222,514	-2,438	91.4	11.1	-2.5	-.1
1970.....	491,066	2,320,877	2,369,600	2,165,572	254,726	-50,698	93.3	11.0	-4.3	-2.1
1971.....	528,202	2,814,696	2,868,368	2,530,826	295,282	42,260	89.9	10.5	-.4	1.5

¹ Data in all years exclude Medical Indemnity of America and are not adjusted for duplication between Blue Cross and Blue Shield.² Includes Jamaica.³ Includes Puerto Rico but excludes Jamaica.

and claims expense? What are the costs and advantages associated with intensive claims review?

In a recent study of the need to examine and control administrative costs of private insurers in their role as carriers or intermediaries under several proposals for national health insurance, questions were raised not on whether regulation of the industry is needed but "whether a percentage of premium is the proper item to regulate."⁶ The authors feel that controlling "the percentage of premium, which simply ensures the carrier of receiving its share of any excess inflation in the costs of health care, with no accountability, is not a tenable solution." Pointing to the dollar rise in operating expenses per enrollee in 74 Blue Cross and 73 Blue Shield plans from 1965 through 1969, as reported by the Office of Research and Statistics in 1971,⁷ the study attempts to identify trends of these expenses over this period. It is clear that further study on these matters is needed.

Net Cost of Private Health Insurance

In 1971 the net cost of private health insurance to the American public was \$1.9 billion, up from \$1.4 billion in the preceding year. This amount is the difference between earned premium or subscription income and benefit expenditures (claims expense) and is made up of operating expense and net underwriting gain or loss. It represents the retentions by the carriers to cover operating expenses, profits, and such additions to reserves not accounted for by deductions from premium income or inclusion in claims expense. The net underwriting gain is used for additions to reserves and profits. In years when there is a net underwriting loss, part of the retention is a minus quantity that is met from previously accumulated reserves or by borrowing. Thus, in 1971 retentions (\$1.9 billion)—made up of \$2.6 billion in operating expenses and \$715 million in net underwriting loss—amounted to 9.7 percent of premium income (table 21).

⁶ Robert J. Weiss, William H. Weise, and Joel C. Kleinman, "Trends in Health Insurance Operating Expenses," *New England Journal of Medicine*, September 28, 1972, pages 638-642.

⁷ Marjorie Smith Mueller, *Enrollment, Coverage, and Financial Experience of Blue Cross and Blue Shield Plans, 1969* (Research and Statistics Note No. 4), Office of Research and Statistics, Social Security Administration, 1971.

Retentions for Blue Cross-Blue Shield plans were \$611.5 million, almost double those of a year ago. Blue Shield plans accounted for most of the increase; retentions jumped 144 percent, compared with a 38-percent rise in retentions by Blue Cross. Approximately \$1.2 billion was retained by insurance companies (compared with \$1.1 billion in 1970) and \$74.5 million by independent plans (up from \$41 million in 1970). Historically, retentions have been greater for insurance carriers than for the Blue Cross-Blue Shield plans because of the role played by individual policies.

PROPORTION OF CONSUMER EXPENDITURES MET BY INSURANCE

Forty-two percent of consumer expenditures for personal health care were met by private health insurance in 1971.⁸ This figure does not include the net cost of obtaining health insurance protection—the difference between health insurance premiums or subscription costs and benefits—since prepayment expense is regarded as a nonpersonal health care expenditure.

As shown by the data in the tabulation that follows, the proportion of expenditures met by private health insurance varies with the type of care.

Year	Total	Hospital care	Physicians' services	Other types of care
1950.....	12.2	37.1	12.0	(1)
1955.....	21.7	56.0	25.0	(1)
1960.....	27.8	64.7	30.0	1.3
1961.....	30.1	67.4	32.8	1.7
1962.....	31.0	69.4	33.0	1.9
1963.....	31.8	68.2	33.6	2.1
1964.....	31.6	68.9	32.2	2.3
1965.....	32.6	71.2	32.8	2.5
1966.....	32.3	69.0	33.9	2.8
1967.....	33.5	73.3	35.8	3.8
1968.....	36.9	76.6	40.7	4.3
1969.....	37.3	73.3	41.6	4.9
1970.....	39.9	75.8	44.4	5.4
1971.....	41.5	78.6	45.2	6.2

¹ Included in physicians' services.

For hospital care, it met 79 percent of consumer expenditures in 1971, compared with 76 percent the preceding year. This proportion is slightly above the 77-percent proportion of hospital expense met by insurance in 1968. Insurance plans seem to have accommodated themselves to the in-

⁸ See Barbara S. Cooper and Nancy L. Worthington, *National Health Expenditures, Calendar Years 1929-71* (Research and Statistics Note No. 3), Office of Research and Statistics, 1973.

TABLE 20.—Benefit expenditures of all private health insurance organizations, by specified type of care, 1950–71

Year	Total	Hospital care	Physicians' services	Other types of care
Amount (in millions)				
1950.....	\$992	\$680	\$312	(¹)
1955.....	2,536	1,679	857	(¹)
1960.....	4,996	3,304	1,593	\$99
1961.....	5,695	3,766	1,796	133
1962.....	6,344	4,197	1,992	155
1963.....	6,980	4,642	2,153	185
1964.....	7,832	5,187	2,427	218
1965.....	8,729	5,790	2,680	259
1966.....	9,142	5,993	2,831	318
1967.....	9,545	6,134	2,964	447
1968.....	11,344	7,329	3,477	538
1969.....	13,069	8,356	4,029	684
1970.....	15,744	10,008	4,908	828
1971.....	17,891	11,369	5,499	1,023
Percentage distribution				
1950.....	100.0	68.5	31.5	(¹)
1955.....	100.0	66.2	33.8	(¹)
1960.....	100.0	66.1	31.9	2.0
1961.....	100.0	66.1	31.6	2.3
1962.....	100.0	66.2	31.4	2.4
1963.....	100.0	66.5	30.8	2.7
1964.....	100.0	66.2	31.0	2.8
1965.....	100.0	66.3	30.7	3.0
1966.....	100.0	65.5	31.0	3.5
1967.....	100.0	64.3	31.0	4.7
1968.....	100.0	64.6	30.7	4.7
1969.....	100.0	63.9	30.8	5.3
1970.....	100.0	63.6	31.2	5.2
1971.....	100.0	63.6	30.7	5.7

¹ Included in physicians' services.

flation in health care costs. In the 2 previous years, benefits were not able to keep up with the rapidly rising hospital costs. For physicians' services the proportion met by private health insurance was 45 percent in 1971, compared with 44 percent in 1970. For other types of health care the proportion increased from 5.4 percent in 1970 to 6.2 percent in 1971. The proportion of expenditures met by private health insurance for all types of care can be said to be on an upward trend.

The estimates of consumer expenditures for health care include some items that are not covered by health insurance—nonprescribed drugs, various drug sundries, and sunglasses. If these kinds of health care expenditures were to be deducted from consumer health care expenditures, the proportion met by insurance would be probably 3 or 4 percentage points higher than that shown above. If, however, health insurance premiums in lieu of benefits (claims paid) were included as consumer expenditures for personal health care, the proportion covered by insurance benefits would be lower.

PROPORTION OF ALL NATIONAL EXPENDITURES MET BY INSURANCE

Total national expenditures for personal health care (excluding expenditures for insurance premiums and administrative expenses of public programs, as well as for research, and construction, government public health activities and fundraising expenses of philanthropic organizations) amounted to \$69.0 billion in 1971.⁹ Private health insurance met 25.9 percent of this amount (compared with 25.3 percent in 1970); 36.5 percent came from direct out-of-pocket payments by consumers, 36.1 percent was met by public funds, and 1.4 percent came from philanthropy. Thus, in 1971, private payments by consumers—out-of-pocket and through private health insurance—made up approximately 62 percent of the total national expenditures for personal health care.

⁹ Barbara S. Cooper and Nancy L. Worthington, *ibid.*

TABLE 21.—Retentions¹ of private health insurance organizations as a percent of subscription or premium income, 1948–71²

Year	Total	Blue Cross-Blue Shield plans			Insurance companies			Independent plans ³			Private group clinic	Dental service corporation
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	Total	Community	Employer-employee-union		
1948.....	29.7	15.6	14.6	22.0	45.8	30.2	61.7	7.9	(³)	(³)	(³)	(³)
1950.....	23.2	14.5	12.3	21.6	33.9	22.8	47.4	10.0	(³)	(³)	(³)	(³)
1955.....	19.5	11.3	8.6	17.6	27.5	16.1	46.9	8.8	(³)	(³)	(³)	(³)
1960.....	14.5	7.9	7.2	9.6	21.1	9.6	47.1	3.5	(³)	(³)	(³)	(³)
1961.....	14.7	7.8	6.8	10.3	21.0	10.1	47.1	8.4	(³)	(³)	(³)	(³)
1962.....	14.4	7.2	5.7	11.0	20.9	9.4	49.3	9.2	(³)	(³)	(³)	(³)
1963.....	13.3	6.5	5.0	10.3	19.4	8.3	46.0	9.7	(³)	(³)	(³)	(³)
1964.....	12.8	5.6	3.9	9.7	19.1	8.3	45.5	9.6	(³)	(³)	(³)	(³)
1965.....	12.7	6.1	4.7	9.9	18.4	6.9	45.3	9.4	8.2	10.2	10.7	6.9
1966.....	13.5	8.1	6.6	12.0	18.1	6.9	45.6	9.3	8.0	10.2	11.8	6.5
1967.....	14.0	10.4	8.3	15.5	17.4	6.4	47.2	9.7	8.4	10.8	13.3	6.2
1968.....	12.1	6.7	3.7	13.8	16.5	6.2	46.4	8.6	6.2	9.7	5.8	17.2
1969.....	10.8	4.1	2.2	8.9	16.7	5.9	49.2	7.9	6.9	8.2	12.9	10.8
1970.....	8.4	4.2	2.7	7.8	12.5	3.9	41.9	3.8	4.5	1.6	18.0	14.7
1971.....	9.7	7.0	3.1	15.6	12.7	4.1	45.5	5.9	5.3	4.3	19.1	20.0

¹ Amounts retained by the organizations for operating expenses, addition to reserves, and profits.

² Derived from table 17.

³ Data by type of plan before 1965 not available.