

National Health Expenditures, Fiscal Year 1975

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According to preliminary estimates of the Nation's health spending in fiscal year 1975, health expenditures reached \$118.5 billion, or \$547 per person. Total health spending showed a 14-percent rise, significantly higher than the increase in 1974 when price controls in the health industry were in effect for most of the year. The acceleration of health spending during 1975 was accompanied by a slackening in the growth of the gross national product. Expenditures for this purpose, as a share of the GNP, thus rose significantly to 8.3 percent. Public spending grew two and one-half times as fast as private spending in 1975, mainly because of the continuing expansion of Medicare and Medicaid. Third parties financed an estimated two-thirds of all personal health care spending, with the government share 40 percent and that of private insurance 27 percent.

AMERICANS SPENT a total of \$118.5 billion for health care in fiscal year 1975 through public and private funds—an average of \$547 a person. The amount spent in 1975, the first full year after the economic stabilization program ended, was up 14 percent from the 1974 total.

The acceleration in health expenditures was accompanied by a slackening in the growth of the gross national product (GNP) in 1975 (chart 1). Accordingly, health care outlays as a proportion of GNP rose significantly to 8.3 percent, after a 3-year period in which the share of GNP had leveled off at about 7.8 percent. If the GNP had grown at its 1974 rate, the share for health care outlays would have been about 8.0 percent.

The data reported for 1973 and 1974 in last year's article in this series have been revised, as more reliable data have become available.

EXPENDITURES IN FISCAL YEAR 1975

The Nation's \$118.5 billion expenditure for health care is a function of prices of goods and services, per capita utilization, supply of facilities and health manpower, and the quality and

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quantity of inputs including the cost of new health care technology (table 1). Price increases continue to be the major contributor to the rise in expenditures. Medical care prices as reflected by the consumer price index greatly accelerated in 1975, according to the data shown below, in

Fiscal year	Percentage increase					
	CPI, all items	Medical care, total	Hospital service charges ¹	Hospital semi-private room charges	Physicians' fees	Dentists' fees
1965	1.3	2.1	---	5.3	3.1	2.9
1966	2.2	2.9	---	6.1	3.9	2.9
1967	3.0	6.5	---	17.3	7.4	4.5
1968	3.3	6.4	---	15.9	6.1	5.2
1969	4.8	6.5	---	13.5	6.1	5.8
1970	5.9	6.4	---	12.8	7.2	6.8
1971	5.2	6.9	---	13.3	7.5	6.0
1972	3.6	4.7	---	9.4	5.2	5.7
1973	4.0	3.1	3.2	5.0	2.6	3.1
1974	9.0	5.7	7.9	6.0	5.0	4.4
1975	11.0	12.5	15.4	16.4	12.8	10.8

¹ The index for this component began in January 1972, comparable data for earlier years not available.

Source: Bureau of Labor Statistics, *Consumer Price Index*.

marked contrast to the relatively moderate fiscal year increases observed while the economic stabilization program was in effect (August 1971–April 1974).

Types of Expenditures

Hospital care continues to represent the major share (39.3 percent) of spending for health purposes (table 2). Approximately \$46.6 billion, 16.6 percent more than the amount a year earlier, was spent for care in hospitals. The increase, which accelerated sharply from the 10.5-percent rise in the previous year, is attributable for the most part to increases in costs; utilization was a less important factor. As the tabulation that follows indicates, hospital expenses per adjusted patient day, as reported by the American Hospital Association, jumped 15.8 percent in 1975—compared with rises of 1.5 percent in the number of inpatient days and 1.8 percent in admissions and with no change in the average length of stay (after slight declines in the previous 5 years).

Outlays for physicians' services (\$22.1 billion),

Fiscal year	Community hospitals						
	Admissions (in thousands)	In-patient days (in thousands)	Average length of stay (in days)	Occupancy rate (percent)	Outpatient visits (in thousands)	Total expenses (in millions)	Expense per adjusted patient day ¹
	Number or amount in year						
1966	26,831	203,741	7.6	76.4	94,083	\$9,721	\$43.58
1967	27,048	214,454	7.9	78.0	100,301	11,510	49.22
1968	27,465	221,971	8.1	78.2	108,160	13,967	56.24
1969	28,027	227,633	8.1	78.5	113,805	15,965	63.66
1970	29,238	231,601	7.9	77.8	126,404	18,669	73.14
1971	30,312	234,413	7.7	77.1	142,682	21,418	82.70
1972	30,706	232,892	7.6	75.1	152,571	23,925	92.48
1973	31,483	235,984	7.5	75.0	163,481	26,589	101.05
1974	32,762	242,393	7.4	75.4	170,584	30,115	110.77
1975	33,331	245,940	7.4	75.3	183,623	35,610	128.26
	Percentage change from preceding year						
1967	0.8	5.3	3.9	2.1	6.6	18.4	12.9
1968	1.5	3.5	2.5	3	7.8	19.0	14.3
1969	2.0	2.6	0	4	5.2	16.6	13.2
1970	4.3	1.7	-2.5	-1.9	11.1	16.9	14.9
1971	3.7	1	-2.5	-9	12.8	14.7	15.1
1972	1.3	-6	-1.3	-2.6	7.0	11.7	11.8
1973	2.5	1.3	-1.3	-1.3	7.2	11.1	9.3
1974	4.0	2.7	-1.3	5	4.3	13.3	9.6
1975	1.8	1.5	0	-1	7.6	18.2	15.8

¹ Adjusted to account for the volume of outpatient visits
Source "Hospital Indicators," *Hospitals*, midmonth issues, and unpublished data from the American Hospital Association

the second largest category of health expenditures, showed a sharp rise from 1974 (12.9 percent, compared with 8.8 percent in the preceding year). The rate of increase in expenditures for physicians' services was about the same as the rate of increase before price controls were instituted—13.3 percent in 1970 and 12.3 percent in 1971.

Expenditures for nursing-home care reached \$9 billion in 1975, up 20.8 percent from 1974. The rise was nearly one and three-fourths times the rate of increase in 1974. All levels of nursing-home care are included in expenditures for this category. The rapid growth of expenditures over the past 9 years, as well as trends in sources of funding, is shown below. The share from public

Fiscal year	Amount (in millions)			Percentage distribution		
	Total	Private	Public	Total	Private	Public
1967	\$1,751	\$844	\$907	100.0	48.2	51.8
1968	2,360	894	1,466	100.0	37.9	62.1
1969	3,057	1,364	1,703	100.0	44.3	55.7
1970	3,818	2,145	1,673	100.0	56.2	43.8
1971	4,890	2,919	1,971	100.0	59.7	40.3
1972	5,860	3,395	2,465	100.0	57.9	42.1
1973 ¹	6,650	3,477	3,173	100.0	52.3	47.7
1974 ¹	7,450	3,574	3,876	100.0	48.0	52.0
1975 ²	9,000	3,799	5,201	100.0	42.2	57.8

¹ Revised
² Preliminary

funds reached a peak in 1968, shortly after the advent of the Medicare and Medicaid programs. After 1968, tightened controls on the utilization of skilled-nursing facilities resulted in a drop in Medicare outlays for this type of care. Public spending started to rise again in fiscal year 1972 when Medicaid began paying (beginning January 1, 1972) for services in intermediate-care facilities. The public share has grown steadily, particularly in the past 3 years, mainly due to increased Medicaid spending for this purpose—rising from 47.7 percent in 1973 to 57.8 percent in 1975.

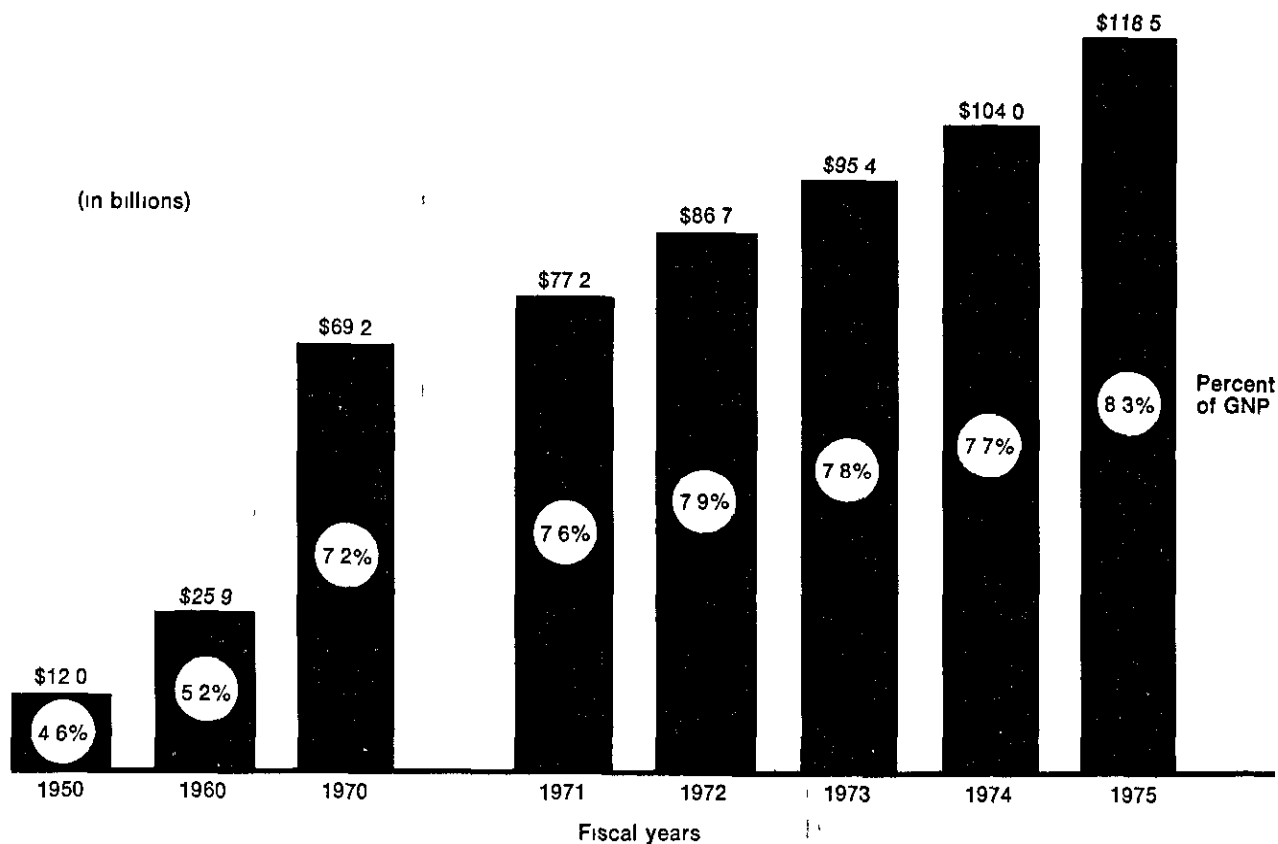
Source of Funds

The accelerated growth rates in public expenditures particularly during the past 2 years—public spending increased almost twice as fast as private spending in 1974 and two and one-half times as fast in 1975—have changed the previously relatively stable relationship of the two sources of funds. In fiscal year 1975 public funds were the source of 42.2 percent of all health care spending; they were about three-fourths as large as the amount coming from private funds (in 1973, they were a little less than two-thirds of the private spending).

Public funds for health care came from all levels of government—Federal, State, and local. The Federal share of total public spending has always been the larger. With the advent of Medicare and Medicaid it has become dominant, jumping from 42 percent in fiscal 1966 to 60 percent in 1967, the first full year of the two programs. In 1975, the Federal share was 67.5 percent.

Private health expenditures consist mainly of direct payments by consumers for health care and insurance payments made in their behalf. The remainder comes from philanthropy and industry expenditures for the maintenance of in-plant services, capital expenditures for construction of medical facilities or their renovation or expansion, and some outlays for research by private foundations. Consumer expenditures—direct payments and insurance benefits—totaled \$63.8 billion in 1975—\$5.6 billion or 9.5 percent higher than in 1974. Other private spending, including philanthropy and amounts spent by industry for in-plant health services, totaled \$4.8 billion or about 3 percent lower than in fiscal year 1974.

CHART 1.—National health expenditures and percent of gross national product, selected fiscal years 1950-75



Private dollars for health care were spent in a different way from public funds. Almost a third of private payments went for hospital care and about a fourth for physicians' services, dental bills and drugs accounted for another fourth of private expenditures. Only 4 percent of private dollars were used for research and construction.

More than half of the public spending, on the other hand, went for hospital care and a little more than one-fourth for physicians' services and nursing-home care. Government allocated 7 percent of its spending to public health activities and 9 percent for research and medical-facilities construction.

Government spending for medical research and construction represented three-fifths of all spending for this purpose. There was a 16-percent increase in expenditures for research and a 26-percent increase in construction expenditures. Federal funds were concentrated on research (79 percent), State and local expenditures on construction (93 percent). Similar patterns of dis-

tribution for this category had existed in 1974.

There is a caveat to be observed in pursuing the above analysis by source of funds. Outlays under government programs reflect enrollee contributions—under the Medicare program, for example. This classification conforms with that of social insurance in the Social Security Administration social welfare expenditure series. Admittedly, it tends to slightly understate the private share.

To illustrate: In 1975, premium payments by enrollees (excluding those paid by Medicaid) accounted for almost 10 percent of Medicare receipts. If these premium payments were classified as private expenditures, the private share of national health expenditures would be raised from 57.8 percent to 59.3 percent.

Total Medicare receipts amounted to \$16.9 billion in 1975; total expenditures were \$14.8 billion. The percentage distribution of these receipts, by source of funds—payroll tax, premium payments by enrollees, premium payments by Medic-

TABLE 1—Aggregate and per capita national health expenditures, by source of funds, and percent of gross national product, selected fiscal years, 1929-75

Fiscal year	Gross national product (in billions)	Health expenditures								
		Total			Private			Public		
		Amount (in millions)	Per capita	Percent of GNP	Amount (in millions)	Per capita	Percent of total	Amount (in millions)	Per capita	Percent of total
1929	\$101 0	\$3,589	\$29 16	3 6	\$3,112	\$25 28	86 7	\$477	\$3 88	13 3
1935	68 7	2,846	22 04	4 1	2,303	17 84	80 9	543	4 21	19 1
1940	95 1	3 863	28 83	4 1	3 081	22 99	79 8	782	5 84	20 2
1950	263 4	12,028	78 35	4 6	8,962	58 38	74 5	3,065	19 97	25 5
1955	379 7	17,390	103 76	4 6	12,909	77 29	74 5	4 421	26 46	25 5
1960	495 6	25 856	141 63	5 2	19,481	106 60	75 3	6 395	35 03	24 7
1965	655 6	35,892	197 75	5 9	29,357	149 27	75 5	9,535	48 48	24 5
1966	718 5	42,109	211 56	5 9	31 279	157 15	74 3	10,830	54 41	25 7
1967	771 4	47,879	237 93	6 2	32,057	159 30	67 0	15,823	78 63	33 0
1968	827 0	53,765	264 37	6 5	33,727	165 84	62 7	20 040	98 54	37 3
1969	899 0	60,617	295 20	6 7	37 682	183 51	62 2	22,937	111 70	37 8
1970	954 8	69 202	333 67	7 2	43,964	211 92	63 5	25,238	121 65	36 5
1971	1,013 6	77,162	368 25	7 6	49,558	231 74	62 9	28 604	136 51	37 1
1972	1,100 6	85 687	409 71	7 9	53 398	262 37	61 6	32,289	157 33	38 4
1973	1,225 2	95,384	447 31	7 8	55,995	270 66	61 8	39,389	170 65	38 2
1974	1,348 9	104,030	484 53	7 7	62,152	294 08	60 7	40,879	190 33	39 3
1975 ¹	1,424 3	118,500	547 03	8 3	68,532	316 46	57 8	49,968	230 57	42 2

¹ Preliminary estimates

aid, general revenues, and interest—is shown below for 1973, 1974, and 1975

Source of funds	1973	1974	1975
Total Medicare receipts	100 0	100 0	100 0
Percent from—			
Payroll tax	68 7	69 4	67 6
Premium payments by enrollees	11 3	9 9	9 9
Premium payments by Medicaid	1 3	1 1	1 3
General revenues	16 6	16 4	16 9
Interest	2 2	3 1	4 3
Hospital insurance receipts	100 0	100 0	100 0
Percent from—			
Payroll tax ¹	92 5	92 2	90 9
General revenues	5 1	4 3	4 2
Interest	2 4	3 5	4 9
Supplementary medical insurance receipts	100 0	100 0	100 0
Percent from—			
Premium payments by enrollees	43 9	40 3	38 7
Premium payments by Medicaid	5 2	4 5	4 9
General revenues	49 4	53 3	53 9
Interest	1 6	2 0	2 4

¹ In 1974 and 1975 includes small amounts paid in HI premiums by persons previously uninsured

Source: Unpublished Treasury reports keyed to *Final Statement of Receipts and Expenditures of U S Government*

Expenditures Under Public Programs

Government spending—Federal, State, and local—for health services and supplies totaled \$45.6 billion in 1975. Almost \$31 billion came from Federal sources, the remaining \$15 billion from State and local governments.

Each government program is listed in table 3 along with amounts spent during fiscal years 1973, 1974, and 1975, by type of health care service and administrative costs. Federal and State/local payments are shown separately to distinguish between

programs financed solely by Federal funds, those by State and local funds, and those by both. These programs and their outlays are also reported in the annual BULLETIN article on social welfare expenditures.

Expenditures by governments for health services and supplies rose \$8.3 billion in 1975, an increase of 22.4 percent over 1974—almost double the 12.5-percent rise in the previous year. The increase is due to the rapid inflation since the lifting of price controls, plus expansion in public programs, particularly Medicare and Medicaid. Medicare program expenditures expanded 30.3 percent in 1975, compared with a rise of only 19.7 percent in fiscal year 1974. The Medicaid program expanded even more rapidly than Medicare did in 1975 (25 percent)—at double the rate of expansion in 1974 (12.6 percent).

The Medicare and Medicaid programs accounted for 72 percent of the overall rise in public spending. The Medicare program spent almost \$15 billion—mostly for hospital care and physicians' services. The Medicaid program spent nearly \$13 billion, chiefly for hospital and nursing-home care and physicians' services.

The accelerated expansion of the Medicare program was due in part to the increase in the number of disabled persons who received Medicare benefits and in the number who were beneficiaries because of chronic kidney disease. As of January, 1975 the number of disabled persons eligible for Medicare hospital insurance had increased to 1.9

million, including 10,000 with renal diseases; 17 million of the disabled were also eligible for supplementary medical insurance. Approximately 9 percent of all Medicare hospital reimbursements and about 115 percent of Medicare supplementary

medical insurance payments were in behalf of this group in 1975.

Although coverage of the disabled by Medicare became effective in July 1973, the program was not fully implemented during that first year,

TABLE 2—National health expenditures, by type of expenditure and source of funds, fiscal years 1973-75

Type of expenditure	Total	Source of funds					
		Private			Public		
		Total	Consumers	Other	Total	Federal	State and local
1975 ¹							
Total	\$118,600	\$68,562	\$63,784	\$4,768	\$49,048	\$33,828	\$16,119
Health services and supplies	111,260	65,665	63,784	1,881	45,685	30,776	14,808
Hospital care	46,600	20,957	20,413	544	25,643	18,264	7,390
Physicians' services	22,100	18,245	18,230	15	5,855	4,262	1,593
Dentists' services	7,500	7,085	7,085		415	255	160
Other professional services	2,100	1,891	1,851	40	509	342	187
Drugs and drug sundries	10,600	9,696	9,695		905	478	427
Eyeglasses and appliances	2,300	2,198	2,198		102	57	45
Nursing-home care	9,000	3,799	3,767	32	5,201	2,982	2,220
Expenses for prepayment and administration	4,533	3,389	2,845	544	1,204	897	207
Government public health activities	3,457				3,457	1,201	2,256
Other health services	2,000	706		706	2,294	1,939	355
Research and medical facilities construction	7,250	2,887		2,887	4,363	3,052	1,311
Research ²	2,750	235		235	2,515	2,418	97
Construction	4,500	2,652		2,652	1,848	634	1,214
Publicly owned facilities	1,266				1,266	68	1,198
Privately owned facilities	3,234	2,652		2,652	582	566	16
1974 ²							
Total	\$104,030	\$63,152	\$58,224	\$4,928	\$40,879	\$27,484	\$13,395
Health services and supplies	97,214	59,972	58,224	1,748	37,243	24,913	12,330
Hospital care	39,963	18,639	18,126	513	21,324	14,626	6,698
Physicians' services	19,571	14,834	14,820	14	4,737	3,420	1,318
Dentists' services	6,783	6,450	6,450		333	215	118
Other professional services	1,927	1,576	1,538	38	351	225	126
Drugs and drug sundries ³	9,612	8,862	8,862		750	410	340
Eyeglasses and appliances	2,160	2,070	2,070		90	50	40
Nursing-home care	7,400	3,674	3,544	30	3,876	2,314	1,562
Expenses for prepayment and administration	4,501	3,342	2,814	528	1,169	995	164
Government public health activities	2,625				2,625	959	1,666
Other health services	2,622	625		625	1,997	1,699	298
Research and medical facilities construction	6,816	3,180		3,180	3,636	2,571	1,065
Research ²	2,389	219		219	2,170	2,078	92
Construction	4,427	2,961		2,961	1,466	493	973
Publicly owned facilities	1,167				1,167	209	958
Privately owned facilities	3,260	2,961		2,961	299	284	15
1973 ²							
Total	\$95,384	\$58,995	\$54,213	\$4,782	\$36,389	\$24,280	\$12,109
Health services and supplies	88,941	55,846	54,213	1,633	33,095	21,793	11,302
Hospital care	36,155	17,113	16,642	471	19,042	12,793	6,249
Physicians' services	17,995	13,861	13,849	12	4,134	3,008	1,126
Dentists' services	6,101	5,780	5,780		321	219	104
Other professional services	1,781	1,440	1,406	34	341	224	117
Drugs and drug sundries ³	8,987	8,272	8,272		716	387	328
Eyeglasses and appliances	1,986	1,905	1,905		81	45	35
Nursing home care	6,650	3,477	3,449	28	3,173	1,849	1,323
Expenses for prepayment and administration	4,299	3,418	2,910	508	881	704	177
Government public health activities	2,152				2,152	911	1,241
Other health services	2,835	580		580	2,255	1,634	601
Research and medical facilities construction	6,443	3,149		3,149	3,294	2,487	807
Research ²	2,298	208		208	2,090	2,002	88
Construction	4,145	2,941		2,941	1,204	485	719
Publicly owned facilities	967				967	262	705
Privately owned facilities	3,178	2,941		2,941	237	223	14

¹ Preliminary estimates

² Research expenditures of drug companies in "drugs and drug sundries"

excluded from "research expenditures"

³ Revised estimates

mostly because of delays in filing claims and payment lags. As a result, expenditures for this group were abnormally low in fiscal year 1974. Thus, Medicare expenditures for the disabled were 75 percent larger in 1974 than expenditures in 1973, as the data that follow show.

Medicare expenditures for hospital care rose

Source of funds	Benefit expenditures for the disabled (in millions)	
	1974	1975
Total	\$382.4	\$1,742.0
Hospital insurance	249.6	905.1
Supplementary medical insurance	132.8	836.9

33 percent from 1974 to 1975. This increase reflected an increase in the unit costs of hospital care and increased utilization of hospital services (Medicare hospital admissions went up 5 percent from 1974 to 1975). In addition, the Medicare expenditures for hospital services in 1974 were understated by approximately \$300 million: Obligations paid that year were reduced by the amount of current financing payments recovered by the Social Security Administration.¹ If this

¹ For a fuller explanation of current financing payment recoveries, see Marjorie Smith Mueller and Robert M. Gibson, "Age Differences in Health Care Spending, Fiscal Year 1974," *Social Security Bulletin*, June 1975, page 9.

TABLE 3—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years 1973–75

[In millions]

Program and source of funds	Total	Hospital care	Physicians' services	Dentists' services	Other professional services	Drugs and drug sundries	Eye glasses and appliances	Nursing home care	Government public health activities	Other health services	Administration
Total	\$45,584.7	\$25,643.3	\$5,855.4	\$414.8	\$508.7	\$904.6	\$102.2	\$5,201.3	\$3,457.0	\$2,293.6	\$1,203.8
Health insurance for aged and disabled ^{2,3}	14,781.4	10,710.6	2,967.1	---	186.1	---	---	257.0	---	---	660.6
Temporary disability insurance (medical benefits) ⁴	73.3	53.6	17.0	---	1.2	0.8	0.7	---	---	---	---
Workmen's compensation (medical benefits) ⁴	1,830.0	922.6	777.7	---	56.4	36.6	36.7	---	---	---	---
Public assistance (vendor medical payments) ⁵	12,968.0	4,270.5	1,685.7	337.1	224.8	830.6	---	4,782.4	---	349.7	481.2
General hospital and medical care	5,491.7	5,369.7	13.9	3.2	---	1.6	---	---	---	103.3	---
Defense Department hospital and medical care (including military dependents) ⁶	3,011.0	1,903.8	216.8	10.8	---	9.7	---	---	---	848.3	21.6
Maternal and child health services	540.0	81.9	49.8	12.3	40.2	11.8	16.1	---	---	323.3	4.6
School health ⁶	---	---	---	---	---	---	---	---	---	---	---
Other public health activities	---	---	---	---	---	---	---	---	3,457.0	---	---
Veterans' hospital and medical care ⁸	3,242.3	2,253.6	32.4	51.4	---	7.5	30.7	161.9	---	660.0	35.8
Medical vocational rehabilitation	190.0	77.0	95.0	---	---	---	18.0	---	---	---	---
Office of Economic Opportunity ⁷	---	---	---	---	---	---	---	---	---	---	---
Federal	30,776.3	18,263.5	4,262.3	254.8	842.0	477.6	57.1	2,981.8	1,201.0	1,939.0	997.2
Health insurance for aged and disabled ^{2,3}	14,781.4	10,710.6	2,967.1	---	186.1	---	---	257.0	---	---	660.6
Workmen's compensation (medical benefits)	50.6	32.9	12.6	---	3.0	1.0	1.1	---	---	---	---
Public assistance (vendor medical payments) ⁵	6,966.4	2,288.6	903.4	180.7	120.5	443.3	---	2,582.9	---	137.4	274.6
General hospital and medical care	1,089.6	987.6	13.9	3.2	---	1.6	---	---	---	103.3	---
Defense Department hospital and medical care (including military dependents) ⁶	3,011.0	1,903.8	216.8	10.8	---	9.7	---	---	---	848.3	21.6
Maternal and child health services	277.0	42.8	37.6	8.7	32.4	9.5	10.4	---	---	131.0	4.6
Other public health activities	1,201.0	---	---	---	---	---	---	---	1,201.0	---	---
Veterans' hospital and medical care ⁸	3,242.3	2,253.6	32.4	51.4	---	7.5	30.7	161.9	---	660.0	35.8
Medical vocational rehabilitation	157.0	63.6	78.5	---	---	---	14.9	---	---	---	---
Office of Economic Opportunity ⁷	---	---	---	---	---	---	---	---	---	---	---
State and local	14,808.4	7,379.8	1,593.1	160.1	166.7	427.0	45.1	2,219.5	2,256.0	354.5	206.6
Temporary disability insurance (medical benefits) ⁴	73.3	53.6	17.0	---	1.2	0.8	0.7	---	---	---	---
Workmen's compensation (medical benefits) ⁴	1,779.4	889.7	765.1	---	53.4	35.6	35.6	---	---	---	---
Public assistance (vendor medical payments) ⁵	6,001.7	1,981.9	782.3	156.5	104.3	388.3	---	2,219.5	---	162.3	206.6
General hospital and medical care	4,402.1	4,402.1	---	---	---	---	---	---	---	---	---
Maternal and child health services	263.0	39.1	12.2	3.6	7.8	2.3	5.7	---	---	192.3	---
School health ⁶	---	---	---	---	---	---	---	---	---	---	---
Other public health activities	2,256.0	---	---	---	---	---	---	---	2,256.0	---	---
Medical vocational rehabilitation	33.0	13.4	16.5	---	---	---	3.1	---	---	---	---

See footnotes at end of table

amount were to be included with the hospital expenditures for 1974, the increase would be reduced to 25 percent. The rises in expenditures for physicians' services and nursing-home care were in the same magnitude as this adjusted increase—27.8 percent and 26.6 percent, respectively. The sharpest rise in spending was for other professional services—from \$342 million to \$509 million, a 75.1-percent increase reflecting largely the greater utilization of home health services. Expenditures for other professional services, however, represented only about 1 percent of total Medicare program outlays.

Probably the major factor in the steep rise in

Medicare hospital benefits was the switch in fiscal year 1975 by many providers—following repayment of outstanding current financing funds in fiscal year 1974—to the “periodic interim payment” method of financing. Payments under this method, which are based on estimated costs and utilization, were 65 percent greater than they were in fiscal year 1974 and accounted for half the increase in hospital benefits. The rise in Medicare medical insurance benefits was largely the result of catch-up increases in physicians' fees after the economic stabilization program ended. Medicare placed a limit of 55 percent on fee increases in determining its calendar-year base for payments

TABLE 3 — Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years 1973-75—Continued

[In millions]

Program and source of funds	Total	Hospital care	Physicians' services	Dentists' services	Other professional services	Drugs and drug sundries	Eye glasses and appliances	Nursing home care	Government public health activities	Other health services	Administration
1974 ¹											
Total	\$37,242.6	\$21,324.1	\$4,737.4	\$332.8	\$351.0	\$750.3	\$89.9	\$3,876.3	\$2,625.3	\$1,997.0	\$1,158.5
Health insurance for aged and disabled ^{2,3}	11,347.5	8,049.1	2,321.9	-	106.3	-	-	203.0	-	-	667.2
Temporary disability insurance (medical benefits) ⁴	70.7	52.0	16.1	-	1.1	0.8	0.7	-	-	-	-
Workmen's compensation (medical benefits) ⁴	1,560.0	785.5	664.3	-	47.9	31.2	31.1	-	-	-	-
Public assistance (vendor medical payments) ⁵	10,371.9	3,617.6	1,401.3	259.4	159.0	695.7	-	3,548.0	-	258.4	433.5
General hospital and medical care	5,081.0	4,965.5	11.5	3.8	-	1.6	-	-	-	78.6	-
Defense Department hospital and medical care (including military dependents) ⁵	2,741.0	1,738.3	157.6	14.5	-	4.5	-	-	-	803.8	22.3
Maternal and child health services	493.4	74.8	45.8	11.2	36.7	10.8	14.7	-	-	295.2	4.5
School health ⁶	-	-	-	-	-	-	-	-	-	-	-
Other public health activities	2,625.3	-	-	-	-	-	-	-	2,625.3	-	-
Veterans' hospital and medical care	2,786.6	1,967.2	25.8	44.9	-	5.7	25.7	125.3	-	561.0	31.0
Medical vocational rehabilitation	185.2	74.1	93.4	-	-	-	17.7	-	-	-	-
Office of Economic Opportunity ⁷	-	-	-	-	-	-	-	-	-	-	-
Federal	24,913.2	14,626.4	3,419.7	215.3	224.9	409.9	49.9	2,314.5	959.0	1,698.8	994.8
Health insurance for aged and disabled ^{2,3}	11,347.5	8,049.1	2,321.9	-	106.3	-	-	203.0	-	-	667.2
Workmen's compensation (medical benefits)	36.1	23.5	9.0	-	2.2	0.7	0.7	-	-	-	-
Public assistance (vendor medical payments) ⁵	5,833.2	2,025.1	784.5	144.7	89.0	389.4	-	1,986.2	-	144.6	269.8
General hospital and medical care	821.0	725.5	11.5	3.8	-	1.6	-	-	-	78.6	-
Defense Department hospital and medical care (including military dependents) ⁵	2,741.0	1,738.3	157.6	14.5	-	4.5	-	-	-	803.8	22.3
Maternal and child health services	234.7	36.1	31.8	7.4	27.4	8.0	8.7	-	-	110.8	4.5
Other public health activities	959.0	-	-	-	-	-	-	-	959.0	-	-
Veterans' hospital and medical care ⁸	2,786.6	1,967.2	25.8	44.9	-	5.7	25.7	125.3	-	561.0	31.0
Medical vocational rehabilitation	154.0	61.6	77.6	-	-	-	14.8	-	-	-	-
Office of Economic Opportunity ⁷	-	-	-	-	-	-	-	-	-	-	-
State and local	12,329.5	6,697.7	1,317.8	117.5	126.1	340.3	40.0	1,561.8	1,666.3	298.2	163.8
Temporary disability insurance (medical benefits) ⁴	70.7	52.0	16.1	-	1.1	0.8	0.7	-	-	-	-
Workmen's compensation (medical benefits) ⁴	1,523.9	762.0	655.3	-	45.7	30.5	30.4	-	-	-	-
Public assistance (vendor medical payments) ⁵	4,538.7	1,592.5	616.9	113.7	70.0	306.2	-	1,561.8	-	113.8	163.8
General hospital and medical care	4,240.0	4,240.0	-	3.8	-	-	-	-	-	-	-
Maternal and child health services	258.7	38.7	13.7	3.8	9.3	2.8	6.0	-	-	184.4	-
School health ⁶	-	-	-	-	-	-	-	-	-	-	-
Other public health activities	1,666.3	-	-	-	-	-	-	-	1,666.3	-	-
Medical vocational rehabilitation	31.2	12.5	15.8	-	-	-	2.9	-	-	-	-

See footnotes at end of table

for fiscal year 1974; the amounts paid physicians in fiscal year 1975 were based on prevailing and customary charges, derived from actual charges in calendar year 1973

Medicaid payments totaled \$13 0 billion in fiscal year 1975. The 25-percent rise in expenditures was attributable to increases in the number of recipients as well as to rising hospital care costs and physicians' fees. Preliminary estimates indicate that the number of Medicaid recipients went up from 21 9 million in fiscal year 1974 to 24 3 million in 1975, an increase of 10 7 percent. Den-

tal care expenditures and outlays for other professional services also rose substantially.

Medicaid expenditures include amounts paid as premiums into the Medicare supplementary medical insurance trust fund in behalf of aged and disabled persons who either receive public assistance cash payments or are medically indigent. These premium payments are used by Medicare to finance services under the supplementary medical insurance program. Since they are reported as expenditures by both the Medicaid and Medicare programs, a small amount of

TABLE 3—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years 1973-75—Continued

[In millions]

Program and source of funds	Total	Hospital care	Physicians' services	Dentists' services	Other professional services	Drugs and drug sundries	Eye glasses and appliances	Nursing home care	Government public health activities	Other health services	Administration
1973 ¹											
Total..	\$33,094 5	\$19,042 0	\$4,134 3	\$321 4	\$340 8	\$714 6	\$80 8	\$3,172 6	\$2,151 7	\$2,255 1	\$881 1
Health insurance for aged ^{2,3}	9,478 8	6,768 2	2,015 9	-	83 0	-	-	173 0	-	-	438 7
Temporary disability insurance (medical benefits) ⁴	69 8	52 0	15 3	-	1 1	0 7	0 7	-	-	-	-
Workmen's compensation (medical benefits) ⁴	1,335 0	672 4	568 3	-	41 0	26 6	26 7	-	-	-	-
Public assistance (vendor medical payments) ⁵	9 208 7	3,474 0	1,137 4	220 4	149 9	652 5	-	2,892 1	-	291 0	391 3
General hospital and medical care	4,712 5	4,624 1	8 5	2 2	-	1 3	-	-	-	76 4	-
Defense Department hospital and medical care (including military dependents) ⁶	2,468 0	1,548 0	159 7	25 6	-	6 4	-	-	-	708 0	20 3
Maternal and child health services	455 3	68 9	41 9	10 4	33 8	10 0	13 5	-	-	272 1	4 7
School health ⁶	300 0	-	-	-	-	-	-	-	-	300 0	-
Other public health activities	2,151 7	-	-	-	-	-	-	-	2,151 7	-	-
Veterans' hospital and medical care ⁷	2,587 3	1,787 3	21 6	55 2	-	4 9	23 0	107 5	-	581 7	26 1
Medical vocational rehabilitation	175 0	67 1	91 0	-	-	-	16 9	-	-	-	-
Office of Economic Opportunity ⁷	162 4	-	74 7	7 6	32 0	12 2	-	-	-	25 9	-
Federal..	21,792 9	12,792 8	3,008 0	217 7	223 9	386 9	45 4	1,849 2	911 0	1,653 7	704 3
Health insurance for aged ^{2,3}	9,478 8	6,768 2	2,015 9	-	83 0	-	-	173 0	-	-	438 7
Workmen's compensation (medical benefits)	32 3	21 0	8 1	-	1 9	0 6	0 7	-	-	-	-
Public assistance (vendor medical payments) ⁵	4,997 4	1,884 3	616 9	119 6	81 3	353 9	-	1,568 7	-	169 2	214 5
General hospital and medical care	804 7	716 3	8 5	2 2	-	1 3	-	-	-	76 4	-
Defense Department hospital and medical care (including military dependents) ⁶	2,468 0	1,548 0	159 7	25 6	-	6 4	-	-	-	708 0	20 3
Maternal and child health services	221 0	34 0	29 8	7 5	25 7	7 6	8 2	-	-	103 5	4 7
Other public health activities	911 0	-	-	-	-	-	-	-	911 0	-	-
Veterans' hospital and medical care ⁷	2,587 3	1,787 3	21 6	55 2	-	4 9	23 0	107 5	-	581 7	26 1
Medical vocational rehabilitation	140 0	53 7	72 8	-	-	-	13 5	-	-	-	-
Office of Economic Opportunity ⁷	162 4	-	74 7	7 6	32 0	12 2	-	-	-	25 9	-
State and local..	11,301 6	6,249 2	1,126 3	103 8	116 9	327 7	35 4	1,323 4	1,240 7	601 4	176 8
Temporary disability insurance (medical benefits) ⁴	69 8	52 0	15 3	-	1 1	0 7	0 7	-	-	-	-
Workmen's compensation (medical benefits) ⁴	1,302 7	651 4	560 2	-	39 1	26 0	26 0	-	-	-	-
Public assistance (vendor medical payments) ⁵	4,211 3	1,589 7	520 5	100 9	68 6	298 6	-	1,323 4	-	132 8	176 8
General hospital and medical care	3 907 8	3,907 8	-	-	-	-	-	-	-	-	-
Maternal and child health services	234 3	34 9	12 1	2 9	8 1	2 4	5 3	-	-	168 6	-
School health ⁶	300 0	-	-	-	-	-	-	-	-	300 0	-
Other public health activities	1,240 7	-	-	-	-	-	-	-	-	-	-
Medical vocational rehabilitation	85 0	13 4	18 2	-	-	-	3 4	-	-	-	-

¹ Preliminary estimates

² Includes premium payments for supplementary medical insurance by or in behalf of enrollees

³ Includes duplication in the Medicare and Medicaid amounts where premium payments for Medicare are financed by Medicaid for cash assistance recipients and, in some States, for the medically indigent

⁴ Includes medical benefits paid under public law by private insurance

carriers and self insurers

⁵ Payments for services outside the hospital (excluding "other health services") represent only those made under contract medical care programs

⁶ Beginning in 1974, data not separable from total education expenditures

⁷ Beginning in 1974, included with "other public health activities"

⁸ Revised estimates

duplication results and public expenditures are thus slightly overstated. The amounts of premiums that have been paid by States for this "buy-in" coverage are as follows:

<i>Fiscal year</i>	<i>Amount (in millions)</i>
1967 -----	\$32.1
1968 -----	53.0
1969 -----	75.8
1970 -----	97.2
1971 -----	131.5
1972 -----	137.9
1973 -----	149.3
1974 -----	171.0
1975 -----	213.1

The next largest category of public health spending—general hospital and medical care—also accelerated in 1975, reacting to inflationary pressures. The rise was 8.5 percent, compared with a rise of 7.4 percent in 1974. Direct medical services are provided by the Federal Government primarily through Public Health Service hospitals and Indian health services. State and local spending—80 percent of the total in this category—represents primarily funds expended for the operation of State or local psychiatric hospitals.

Expenditures for State and local school health and the Federal Office of Economic Opportunity (OEO) programs are shown only for fiscal year 1973. Estimates of school health outlays in 1974 and 1975 were not available separately from the education category. The health activities of OEO were transferred in fiscal year 1974 to the Department of Health, Education, and Welfare and are currently included in "government public health activities."

Fifty-six percent of all public spending for health care was for hospital care, with the share of the total for this purpose declining from 57 percent in 1974 and 58 percent in 1973. Almost one-fourth of public funds went for physicians' services and nursing-home care. In 1974, spending for these categories amounted to 23 percent of the total; in 1973 it was 22 percent.

For the various types of health care, the share of total expenditures differs with the program and, of course, reflects the program focus. Ninety-eight percent of the outlays from the general hospital and medical care program were for hospital care, for example, and 93 percent of Medicare expenditures went for hospital care and

physicians' services. The medical vocational rehabilitation program, on the other hand, spent half its funds on physicians' services. Seventy percent of Veterans Administration expenditures went for hospital costs. Department of Defense health expenditures were also mainly for hospital care (63 percent). Expenditures by State temporary disability programs and State and Federal workmen's compensation programs reflected their emphasis on both hospital and medical care. 95 percent of the expenditures under temporary disability insurance were for these services, workmen's compensation programs allocated 50 percent for hospital care and 43 percent for physicians' services.

Federal outlays for administration of Medicare decreased 1 percent—from \$667.2 million in 1974 to \$660.6 million in 1975. Administrative costs amounted to 4.5 percent of total Medicare expenditures.

Medicaid administrative costs were 3.3 percent of the total program expenditures (\$13 billion) by the States and the Federal Government. The Federal administrative cost ratio was 3.9 percent; the State and local government ratio was 3.4 percent.

Medical Education

As a category, "medical training and education" is not included in the estimates of total health expenditures. Some components of this category, however, are included—mainly training outlays that cannot be separated from hospital expenses and medical research. Most of these expenditures are made by the Department of Defense and the Veterans Administration. Shown below are data on Federal spending for medical

Agency	Fiscal year		
	1973	1974	1975
Total.....	\$1,218	\$1,146	\$1,324
Department of Health, Education, and Welfare	745	767	800
Department of Defense	131	191	219
Veterans Administration	146	167	223
Department of Labor	156	4	5
Environmental Protection Agency	14	-	-
Other agencies	26	17	17

Source: *Special Analysis, Budget of the United States Government, Fiscal Year 1975*, page 157, and *Fiscal Year 1976*, pages 194-195, Office of Management and Budget, 1975.

TABLE 4—Aggregate and per capita national health expenditures, by type of expenditure, selected fiscal years, 1929–75

Type of expenditure	1929	1935	1940	1950	1960	1965	1966	1967	1968	1969	1970	1971	1972 ¹	1973 ¹	1974 ¹	1975 ²
Aggregate amount (in millions)																
Total	\$3 589	\$2,846	\$3 863	\$12 027	\$25,856	\$38,892	\$42,109	\$47 879	\$53 766	\$60 617	\$69,202	\$77,182	\$86,687	\$95 384	\$104 030	\$118,600
Health services and supplies	3,382	2,788	3,729	11,181	24,162	35 664	38 661	44 343	49 802	56,327	64,055	71,782	80 548	88,941	97,214	111,250
Hospital care	651	731	989	3,698	8,499	13,162	14 245	16 921	19 384	22 356	25,879	29,133	32 720	36,155	39,963	46,800
Physicians' services	994	744	946	2,689	5 580	8 405	8,865	9,738	10,734	11,842	13 443	15 098	16,527	17,995	19 571	22 100
Dentists' services	478	298	402	940	1,944	2,728	2,866	3,158	3 518	3 920	4,473	4,908	5,364	6 101	6,783	7,500
Other professional services	248	150	173	384	848	989	1,140	1 139	1,217	1 298	1,385	1,509	1,634	1,781	1,927	2,100
Drugs and drug sundries	601	471	621	1,642	3,691	4,647	5,032	5,480	5,865	6 482	7,114	7,826	8,239	8 987	9,612	10,800
Eyeglasses and appliances	131	128	180	475	750	1,161	1,309	1,514	1 665	1 743	1,776	1,810	1,878	1,988	2,160	2,300
Nursing home care	---	---	28	178	480	1 271	1,407	1,761	2,360	3,057	3 818	4,890	5,860	6,650	7,450	9,000
Expenses for prepayment and administration	101	91	161	290	807	1,234	1,446	1,818	1,939	2,066	2,115	2,405	3,645	4,299	4 501	4,593
Government public health activities	89	112	155	351	401	671	731	884	1,001	1 195	1 437	1,698	2 075	2,152	2,625	3,457
Other health services	90	63	92	534	1 282	1,416	1 620	1,940	2,119	2,368	2 625	2,685	2,606	2 835	2,622	3,000
Research and medical facilities construction	207	58	134	847	1,694	3 228	3 448	3,536	3,964	4,290	5 137	5 400	6,139	6,443	6 816	7,250
Research	---	---	3	110	592	1 391	1,545	1,606	1,800	1 790	1,846	1,850	2,058	2,298	2 389	2,750
Construction	207	58	131	737	1,102	1,837	1 903	1 930	2,164	2,500	3,291	3,550	4 081	4,145	4,427	4 500
Per capita amount ³																
Total	\$29 16	\$22 04	\$28 83	\$78 35	\$141 63	\$197 75	\$211 56	\$237 93	\$264 37	\$295 20	\$333 57	\$368 25	\$409 71	\$447 31	\$484 35	\$547 03
Health services and supplies	27 48	21 59	27 83	72 83	132 35	181 34	194 24	220 36	244 88	274 30	308 81	342 48	380 69	417 10	452 61	513 56
Hospital care	5 29	5 66	7 23	24 09	46 66	66 87	71 87	84 09	95 31	108 87	124 74	139 03	154 64	169 55	186 06	215 12
Physicians' services	8 08	5 76	7 06	17 52	30 57	42 74	44 54	48 39	52 78	57 67	64 80	72 05	78 11	84 39	91 12	102 02
Dentists' services	3 87	2 31	3 00	6 12	10 65	13 87	14 40	15 69	17 30	19 09	21 56	23 42	25 35	28 61	31 58	34 62
Other professional services	2 01	1 16	1 29	2 50	4 65	5 03	5 73	5 66	5 98	6 32	6 68	7 20	7 72	8 35	8 97	9 69
Drugs and drug sundries	4 88	3 65	4 66	10 70	19 67	23 63	25 28	27 23	28 84	31 57	34 29	36 39	38 94	42 15	44 75	48 93
Eyeglasses and appliances	1 06	99	1 34	3 09	4 11	5 85	6 68	7 52	8 19	8 49	8 56	8 64	8 88	9 11	10 06	10 62
Nursing home care	---	---	21	1 16	2 63	6 46	6 77	8 70	11 60	14 89	18 40	23 34	27 70	31 19	34 69	41 55
Expenses for prepayment and administration	82	70	1 20	1 89	4 42	6 27	7 26	9 03	9 53	10 06	10 19	11 48	17 23	20 16	20 96	21 20
Government public health activities	72	87	1 16	2 29	2 19	3 41	3 67	4 39	4 92	5 82	6 93	8 10	9 81	10 09	12 22	15 96
Other health services	73	49	69	3 48	6 91	7 20	8 14	9 64	10 42	11 53	12 65	12 81	12 32	13 30	12 21	13 85
Research and medical facilities construction	1 68	45	1 00	5 52	9 28	16 41	17 32	17 57	19 49	20 89	24 76	25 77	29 01	30 22	31 73	33 47
Research	---	---	02	72	3 21	7 07	7 76	7 98	8 85	8 72	8 90	8 83	9 73	10 78	11 12	12 69
Construction	1 68	45	98	4 80	6 04	9 34	9 56	9 59	10 64	12 18	15 86	16 94	19 29	19 44	20 61	20 77

¹ Revised estimates
² Preliminary estimates
³ Based on January 1 data from the Bureau of the Census for total U S

population (including Armed Forces and Federal civilian employees overseas and the civilian population of outlying areas)

education and training compiled by the Office of Management and Budget. These Federal expenditures include, principally, direct support for health professional schools and for student assistance through loans and scholarships. Training is funded for a wide variety of health professionals, including physicians, dentists, nurses, mental health and other health professionals, research personnel, and paramedical personnel.

A study by the Institute of Medicine of the National Academy of Sciences presents estimates of the total cost of education for eight health professions.³ The study reports that \$3.1 billion was spent for the education of more than 300,000 students in 1972. About 25 percent (\$765 million) of this expenditure was financed by unrestricted

Federal and State government funds. The remainder was financed through private sources or through other types of Federal and State support.

TRENDS IN HEALTH EXPENDITURES

Health expenditures for Americans have increased on an average of 12 percent per year since 1965 (table 4). During this 10-year period health spending has more than tripled—from \$38.9 billion in 1965 to \$118.5 billion in 1975—and its share of the GNP has risen from 5.9 percent to 8.3 percent. Apart from inflationary prices within the health care industry, other factors—mainly greater utilization and improvements in quality of care—have interacted to bring this about.

Technological developments in areas such as equipment and drugs, as well as improved treat-

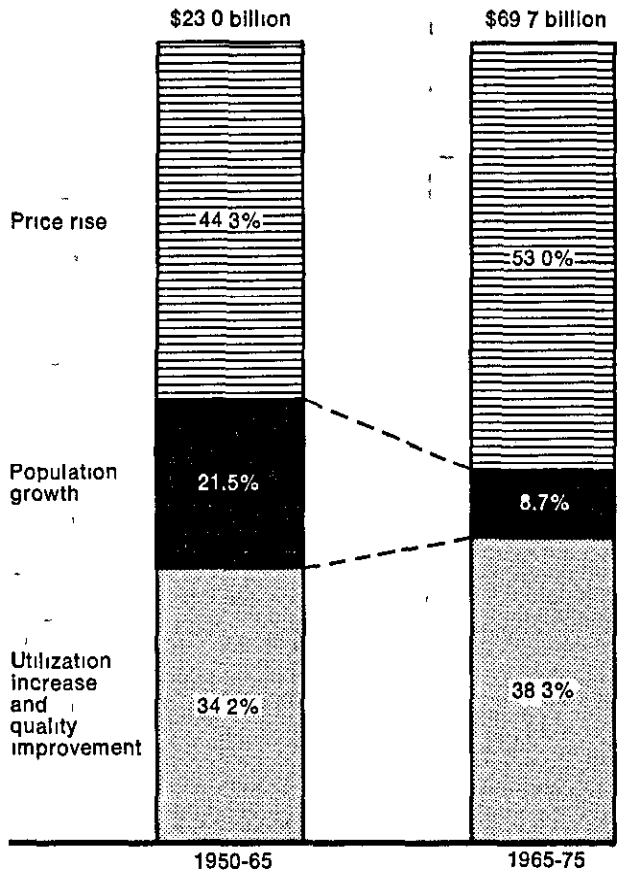
³ National Academy of Sciences, Institute of Medicine, *Costs of Education in the Health Professions Report of a Study*, Parts I and II, 1974. The eight professions studied are medicine, osteopathy, dentistry, optometry, pharmacy, podiatry, veterinary medicine, and nursing.

ment procedures and new techniques—all have added substantially to the health care bill in recent years⁸

In addition to the effect of price increases and technological change, aggregate spending levels are influenced by population growth and by changes in per capita utilization resulting from changes in both demand and supply factors. Although per capita expenditures eliminate the effect of population growth, health expenditures still registered substantial increases from 1965 to 1975. During this period, per capita expenditures rose from \$198 to \$547, an average annual increase of 10.7 percent. Since this increase is only slightly less than the 11.8-percent average annual rate for aggregate expenditures, it appears that population growth has had relatively little effect on aggregate expenditures. In general, with the decline in the population growth rate in the late 1960's and the 1970's, the effect of rising population on the increases in health expenditures has continued to dwindle.

What has been the proportionate effect of these factors on the increasing expenditures for health care? As seen in chart 2 and in the following tabulation, population growth has had a rapidly

CHART 2—Factors affecting increases in personal health care expenditures, fiscal years 1950-65 and 1965-75



Source of Increase	1950-75	1950-65	1965-75
	Amount of increase (in billions)		
Total.....	\$92.7	\$23.0	\$69.7
Price.....	44.9	10.2	36.9
Population.....	13.9	4.9	6.1
Other.....	33.9	7.9	26.7
Percentage distribution			
Total.....	100.0	100.0	100.0
Price.....	48.4	44.3	53.0
Population.....	15.0	21.5	8.7
Other.....	36.6	34.2	38.3

diminishing effect in the past 10 years. Only an estimated 9 percent or \$6.1 billion of the \$69.7 billion increase from 1965 to 1975 can be attributed to population growth. Price rises alone account for an estimated 53 percent or \$36.9 billion of the rise during that period. The remaining 38 percent (\$26.7 billion) can be attributed to greater utilization and improvements in the qual-

ity of care. In contrast, during the period 1950-65, population change accounted for 22 percent of the increase, price rises were the source of 44 percent of increased expenditures, and the remaining 34 percent was attributable to increased utilization and quality-of-care improvements.

THIRD-PARTY PAYMENTS

Private health insurance paid \$27.3 billion in benefits to consumers in 1975 (15.3 percent more than in the previous year). The amounts paid in claims by insurance companies, Blue Cross-Blue Shield plans, and independent plans (community, employer-employee-union, individual and group practice, and other) are almost triple the private health insurance benefits of 10 years ago. The depth of coverage, however, remains a problem. Table 5 and chart 3 show that, although private insurance payments covered 35.8 percent of hos-

⁸ Nancy L. Worthington, "Expenditures for Hospital Care and Physicians' Services: Factors Affecting Annual Changes," *Social Security Bulletin*, November 1975.

TABLE 5—Amount and percentage distribution of personal health care expenditures met by third parties, by type of expenditure, fiscal year 1975

Type of expenditure	Total	Direct payments	Third party payments			
			Total	Private health insurance	Government	Philanthropy and industry
Aggregate amount (in millions)						
Total.....	\$103,200	\$33,599	\$69,601	\$27,340	\$40,924	\$1,337
Hospital care.....	46,600	3,736	42,864	16,677	25,643	544
Physicians' services...	22,100	7,618	14,482	8,612	5,855	15
Dentists' services....	7,600	6,347	1,153	738	415	-
Drugs and drug sundries.....	10,600	9,011	1,589	684	905	-
All other services ¹	16,400	6,887	9,513	629	8,106	778
Per capita amount						
Total.....	\$476 40	\$155 10	\$321 30	\$126 21	\$188 92	\$6 17
Hospital care.....	215 12	17 25	197 87	76 99	188 38	2 61
Physicians' services...	102 02	35 17	66 85	39 76	27 03	07
Dentists' services....	34 62	29 30	5 32	3 41	1 92	-
Drugs and drug sundries.....	48 93	41 60	7 34	3 16	4 18	-
All other services ¹	75 71	31 79	43 91	2 90	37 42	3 59
Percentage distribution						
Total.....	100 0	32 6	67 4	26 5	39 7	1 3
Hospital care.....	100 0	8 0	92 0	35 8	55 0	1 2
Physicians' services...	100 0	34 5	65 5	39 0	26 5	1
Dentists' services....	100 0	84 6	15 4	9 8	5 5	-
Drugs and drug sundries.....	100 0	85 0	15 0	6 5	8 5	-
All other services ¹	100 0	42 0	58 0	3 8	49 4	4 7

¹ Preliminary estimates
² Includes other professional services, eyeglasses and appliances, nursing home care, and other services not elsewhere classified

pital costs and 39 0 percent of physicians' fees, the consumer had only minimal help from insurance for his dentist bills, prescription drugs and drug sundries, and all other health services. Thus, 61 cents of every insurance claim dollar goes for hospital bills, 31 cents for physicians' services, 3 cents for the dentist, 3 cents for drugs and drug sundries, and the remaining 2 cents for private-duty nursing, vision care, nursing-home care, visiting-nurse service, and other types of care.

Third-party payments are those made by private health insurance, government, philanthropy, and industry. The contribution of third parties to personal health care financing—expenditures for health services and supplies—though climbing rapidly in recent years, particularly in government spending, still leaves the consumer with direct out-of-pocket expense for a third of his health care bills. Although third parties accounted for 92 cents of every hospital care dollar spent, the consumer paid directly more than a third of his charges for physicians' services, 85

percent of his dentist bills, 85 percent of the cost of drugs, and 42 percent of the charges for all other health care services.

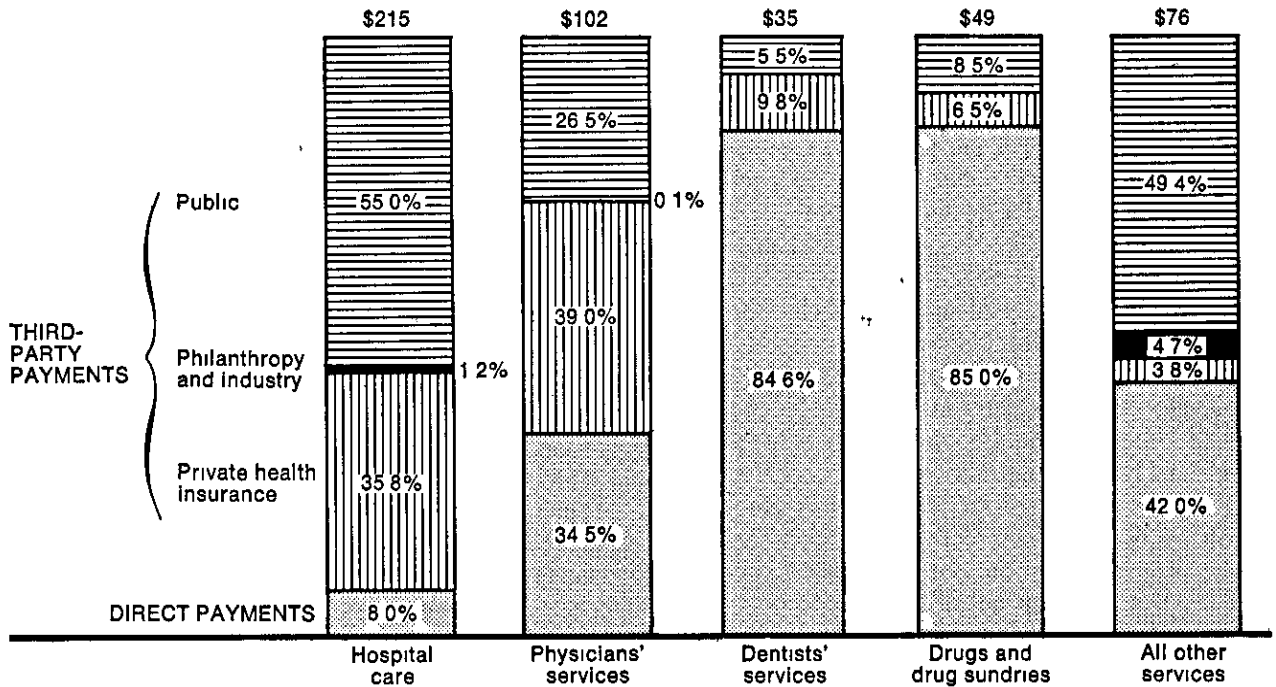
The upward trend in third-party payments that began with the advent of the Medicare and Medicaid programs in 1967 has continued steadily with the expansion of those programs and with the slow but steady growth of private insurance benefits (table 6). In 1967, third-party payments represented more than half of all personal health care expenditures for the first time. By 1970, government and private health insurance, with a small contribution from philanthropy and private industry, paid three-fifths of these costs; by 1975, they paid two-thirds. As a result, the consumer's direct share of costs has inched downward from 45 percent in 1967 to 33 percent in 1975. The consumer's expenditures in dollars—because of inflationary pressures, improvements in technology, and other factors—have more than tripled, however, since 1950 and were a third higher in 1975 than in 1970.

The relative shares paid by the various third parties have been fairly stable since the early years of Medicare and Medicaid. In 1950, before private health insurance had seen any real growth, consumers were paying almost 70 percent of their health bills directly, with third parties picking up less than a third of the costs. Insurance met only 8 percent of costs, philanthropy and industry covered only 3 percent, and government funds met the remaining 20 percent.

As a result of the rapid growth of the health insurance industry, by 1965 insurance payments met 25 percent of health care costs, public spending remained at about 21 percent, and consumer bills were down to 52 percent of total costs. Following enactment of Medicare and Medicaid, public spending surged upward and the share paid by private insurance dropped slightly. In 1975 government paid for almost 40 percent of all personal health care expenditures, but private insurance had leveled off at less than 27 percent, leaving consumer direct payments at about a third of total outlays.

Third-party payments have mainly affected hospital care expenditures (table 7). In 1950, consumers' payments accounted for a little more than a third of all hospital expenditures. The growth in private insurance coverage of hospital care was rapid in the 1950's and early

CHART 3.—Percentage distribution of per capita personal health care expenditures, by type of expenditure and source of funds, fiscal year 1975



1960's, and by 1965 private insurance paid 42 percent of hospital costs and consumer payments dropped to 18 percent. After Medicare and Medicaid came into full swing, the share of private insurance dropped to about 35 percent, and government spending for hospital care rose to more than 50 percent. In 1975, public funds accounted for 55 percent of hospital care expenditures and insurance benefits paid for 36 percent, leaving the consumer to finance directly only 8 percent of hospital care outlays.

The impact of third parties on expenditures for physicians' services has been less dramatic, though substantial. Before its swift growth, private insurance paid only about 10 percent of doctor bills. The consumer paid directly 85 percent of all expenditures for physicians' services, and government picked up the remaining 5 percent. By 1965, insurance payments took care of 30 percent of physicians' bills and the consumer's share was reduced to 63 percent. Once Medicare and Medicaid became firmly established, however, the government share had risen to about 22 percent and insurance payments were slowly rising, with consumer direct payments down to less than 50 percent. In 1975, direct payments repre-

sented about one-third of the total and covered a little less than two-thirds of expenditures for physicians' services; insurance met 39 percent, government 26 percent.

Despite these increases in third-party financing of hospital and physicians' services, the consumer still pays directly a large share of the outlays for all other health services—dentists and other professional services, drugs and drug sundries, eyeglasses and appliances, nursing-home care, and other health services. As of 1975, little private insurance had been written to cover such services; consequently, private insurance paid only 6 percent of these costs. Government spending (mostly for Medicaid) accounted for 27 percent, leaving the consumer to make direct payments for almost two-thirds of these bills.

DEFINITIONS, METHODOLOGY, AND SOURCES OF DATA

Estimates of national health expenditures are compiled by type of expenditure and source of funds. For 1974 and 1975, the data for the public sector represent the outlays of 10 categories of

government health programs⁴ In previous years, 12 such categories were shown, but for two of these categories—school health and OEO programs—data are no longer shown separately For several Federal health programs, the data are taken from the Office of Management and Budget special analysis of health programs⁵ For the remainder, the data are supplied by the various agencies

In the private sector, the data are estimated first on a calendar-year basis by type of expenditure and are then converted to fiscal-year figures on the basis of price and utilization change during 6-month periods The general method is to estimate the total outlays for each type of medical service or expenditure and then to deduct the amounts paid to public and private hospitals, physicians in private practice, etc, under the public programs reported in the social welfare expenditure series The fiscal-year figures for each public program are allocated by type of expenditure on the basis of published and unpublished reports for each program In general, the consumer expenditures are residual amounts, derived by deducting philanthropic and government expenditures from the total spent for each type of service

Hospital Care

The estimates of expenditures for hospital care are derived chiefly from American Hospital Association data on hospital finances, increased slightly to allow for osteopathic hospitals Expenditures for the education and training of physicians and other health personnel are included only where they are not separable from the costs of hospital operations

Expenditures by the Veterans Administration and the Department of Defense for physicians' services (except under contract medical care programs) are included as part of hospital care expenditures Services of salaried physicians in

psychiatric, tuberculosis, and general hospitals—whether public or private—are part of hospital care, but self-employed physicians' services in hospitals are not counted as hospital expenditures The costs of drugs used in hospitals are also included with hospital care. Anesthesia and X-ray services are sometimes classified as hospital care expenditures and sometimes as expenditures for physicians' services, depending on billing practices

Federal expenditures for hospital care represent total expenses for care in Federal hospitals (less any patient payments) plus vendor payments under government programs to non-Federal hospitals Similarly, State and local expenditures include net expenses for care in State and locally owned hospitals as well as vendor payments to nongovernment hospitals Consumer payments for hospital care represent total hospital revenues less all government payments and estimated receipts from philanthropy.

Services of Physicians and Other Health Professionals

Estimated expenditures for the services of physicians and dentists in private practice are based on the gross income from self-employment practice reported by physicians and dentists to the Internal Revenue Service (and shown in its report, *Statistics of Income—Business Income Tax Returns*) Gross receipts are totaled for practitioners in sole proprietorships and partnerships The total also includes the estimated gross income of corporate offices, that portion of gross receipts of medical laboratories estimated to represent patient payments, and the estimated expenses of group-practice prepayment plans in providing physicians' services (to the extent that these are not included in physicians' income from self-employment), as well as those of group-practice dental clinics Estimated receipts of physicians for life insurance examinations are deducted

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

⁴ For a description of the public programs, see Barbara S Cooper and Nancy L Worthington, *Personal Health Care Expenditures, by State, Vol 1 Public Funds, 1966 and 1969*, Office of Research and Statistics, 1973

⁵ See "Special Analysis K Federal Health Programs," *Special Analyses, Budget of the United States Government, Fiscal Year 1976*, Office of Management and Budget, 1975

TABLE 6—Amount and percentage distribution of personal health care expenditures,¹ by source of funds, selected fiscal years, 1929-75

Fiscal year	Source of funds							
	Total	Private				Public		
		Total	Direct payments	Insurance benefits	Other	Total	Federal	State and local
Aggregate amount (in millions)								
1929	\$3,165	\$2,582	\$2,800	---	\$83	\$282	\$85	\$197
1935	2,585	2,204	2,134	---	70	382	89	293
1940	8,414	2,891	2,799	---	92	623	133	389
1950	10,400	8,298	7,107	\$579	312	2,102	979	1,124
1955	15,231	11,762	8,992	2,358	412	3,469	1,583	1,886
1960	22,729	17,799	12,576	4,698	625	4,930	2,102	2,828
1965	33,498	26,540	17,577	8,280	683	6,958	2,840	4,118
1966	36,216	28,324	18,668	8,936	720	7,892	3,349	4,542
1967	41,343	28,883	18,786	9,344	753	12,461	7,471	4,991
1968	46,821	30,822	19,098	10,444	780	16,200	10,401	5,797
1969	62,690	33,987	20,957	12,206	824	18,705	12,283	6,421
1970	60,113	39,868	24,272	14,406	890	20,545	13,403	7,142
1971	67,228	43,909	26,307	16,728	964	23,229	15,401	7,827
1972 ²	74,828	47,796	28,141	18,620	1,035	27,082	18,126	8,956
1973 ²	82,490	52,428	30,348	20,955	1,125	30,062	20,178	9,884
1974 ²	90,088	56,630	31,310	24,100	1,220	33,450	22,959	10,499
1975 ²	103,200	62,276	33,599	27,340	1,337	40,924	28,578	12,345
Per capita amount								
1929	\$25 72	\$23 42	\$22 75	---	\$0 67	\$2 29	\$0 69	\$1 60
1935	20 02	17 07	16 53	---	.84	2 96	.69	2 27
1940	25 47	21 57	20 89	---	.69	3 90	.89	2 90
1950	67 75	54 05	46 30	\$5 75	2 03	13 69	6 38	7 32
1955	91 19	70 42	53 84	14 12	2 47	20 77	9 48	11 28
1960	124 50	97 50	68 89	25 73	2 86	27 00	11 51	15 49
1965	170 82	134 95	89 37	42 10	3 47	35 38	14 44	20 94
1966	181 96	142 30	93 79	44 90	3 62	39 65	16 83	22 82
1967	205 45	143 53	93 35	46 43	3 74	61 92	37 13	24 80
1968	228 75	149 10	93 91	51 35	3 84	79 66	51 14	28 50
1969	256 59	166 51	102 06	59 44	4 01	91 09	69 82	31 27
1970	289 76	190 73	117 00	69 44	4 29	99 03	64 61	34 43
1971	320 84	209 98	125 55	79 88	4 60	110 86	73 50	37 35
1972 ²	363 66	225 90	133 00	88 00	4 89	127 76	85 67	42 09
1973 ²	386 84	245 87	142 32	98 27	5 28	140 98	94 63	46 35
1974 ²	419 44	263 66	145 78	112 21	5 68	155 78	104 89	46 79
1975 ²	476 40	287 48	155 10	126 21	6 17	188 92	131 92	56 99
Percentage distribution								
1929	100 0	91 1	88 5	---	2 6	8 9	2 7	6 2
1935	100 0	85 3	82 6	---	2 7	14 8	3 4	11 3
1940	100 0	84 7	82 0	---	2 7	13 2	3 9	11 4
1950	100 0	79 8	68 3	8 5	3 0	20 2	9 4	10 8
1955	100 0	77 2	59 0	15 5	2 7	22 8	10 4	12 4
1960	100 0	78 3	55 3	20 7	2 8	21 7	9 2	12 4
1965	100 0	79 2	52 5	24 7	2 0	20 8	8 5	12 3
1966	100 0	78 2	51 5	24 7	2 0	21 8	9 2	12 5
1967	100 0	69 9	45 4	22 6	1 8	30 1	18 1	12 1
1968	100 0	65 2	41 1	22 5	1 7	34 8	22 4	12 5
1969	100 0	64 5	39 8	23 2	1 6	35 5	23 3	12 2
1970	100 0	65 8	40 4	24 0	1 5	34 2	22 3	11 9
1971	100 0	65 4	39 1	24 9	1 4	34 6	22 9	11 6
1972 ²	100 0	63 9	37 6	24 9	1 4	36 1	24 2	11 9
1973 ²	100 0	63 6	36 8	25 4	1 4	36 4	24 5	12 0
1974 ²	100 0	62 9	34 8	26 8	1 4	37 1	25 5	11 6
1975 ²	100 0	60 3	32 6	26 5	1 3	39 7	27 7	12 0

¹ Includes all expenditures for health services and supplies other than (a) expenses for prepayment and administration, (b) government public health activities

premiums less insurance benefits)

² Revised estimates

⁴ Preliminary estimates

³ Includes any insurance benefits and expenses for prepayment (insurance

The salaries of physicians and dentists on the staffs of hospitals and hospital outpatient facilities are considered a component of hospital care. The salaries of physicians and dentists serving in field services of the Armed Forces are included in "other health services" Where they can be

separated, expenditures for the education and training of medical personnel are considered as expenditures for education and are excluded from health expenditures

The Internal Revenue Service also provides data on the income of other health professionals

in private practice. Estimated salaries of visiting nurses are added to the private income of other health professionals. Deductions and exclusions are made in the same manner as for expenditures for physicians' and dentists' services.

Drugs, Drug Sundries, Eyeglasses, and Appliances

Expenditures in these categories include only the spending for outpatient drugs and appliances

TABLE 7—Amount and percentage distribution of personal health care expenditures, by type of expenditure and source of funds, selected fiscal years, 1950-75

Type of expenditure and fiscal year	Total	Source of funds				Public
		Private				
		Total	Direct pay-ments	Insur-ance benefits	Other	
Aggregate amount (in millions)						
Hospital care						
1950	\$3,698	\$2,008	\$1,265	\$610	\$133	\$1,690
1955	5,689	3,075	1,844	1,560	171	2,614
1960	8,499	4,931	1,583	3,124	224	3,598
1965	13,152	8,222	2,434	5,498	800	4,930
1966	14,245	8,940	2,628	5,892	320	5,405
1967	16,921	8,494	2,084	6,068	337	6,437
1968	19,384	9,090	2,009	6,731	340	10,304
1969	22,356	10,503	2,313	7,842	348	11,853
1970	25,379	12,727	3,174	9,182	371	13,152
1971	29,133	14,006	2,982	10,644	400	15,127
1972 ¹	32,720	15,087	2,892	11,798	427	17,633
1973 ¹	36,155	17,113	3,608	13,034	471	19,042
1974 ¹	39,983	18,639	3,366	14,760	513	21,324
1975 ²	46,600	20,957	3,736	16,677	544	25,643
Per capita amount						
Hospital care						
1950	\$24.09	\$13.08	\$8.24	\$3.97	\$0.87	\$11.01
1955	34.06	18.41	8.05	9.34	1.02	15.65
1960	46.86	27.01	8.67	17.11	1.23	19.84
1965	66.89	41.82	12.88	27.90	1.53	25.06
1966	71.59	44.43	13.20	29.60	1.61	27.17
1967	84.09	42.16	10.86	30.13	1.67	41.93
1968	95.31	44.65	9.88	33.10	1.67	50.67
1969	108.87	51.15	11.26	38.19	1.69	57.72
1970	124.74	61.35	15.80	44.26	1.79	63.40
1971	139.03	66.84	14.14	50.80	1.91	72.19
1972 ¹	154.64	71.31	13.67	55.62	2.02	83.34
1973 ¹	169.55	80.25	16.92	61.12	2.21	89.30
1974 ¹	186.06	86.78	15.67	68.72	2.39	99.28
1975 ²	215.12	96.74	17.25	76.99	2.51	118.38
Percentage distribution						
Hospital care						
1950	100.0	64.3	34.2	16.5	3.6	45.7
1955	100.0	54.1	23.6	27.4	3.0	45.9
1960	100.0	58.0	18.6	36.8	2.6	42.0
1965	100.0	62.5	18.5	41.7	2.3	37.6
1966	100.0	62.1	18.4	41.4	2.2	37.9
1967	100.0	50.1	12.3	35.8	2.0	49.9
1968	100.0	46.8	10.4	34.7	1.8	53.2
1969	100.0	47.0	10.4	35.1	1.6	53.0
1970	100.0	49.2	12.3	35.5	1.6	50.8
1971	100.0	48.1	10.2	36.5	1.4	51.9
1972 ¹	100.0	46.1	8.8	36.0	1.3	53.9
1973 ¹	100.0	47.3	10.0	36.1	1.3	52.7
1974 ¹	100.0	46.6	8.4	36.9	1.3	53.4
1975 ²	100.0	45.0	8.0	35.8	1.2	55.0

See footnotes at end of table

and exclude those provided to inpatients. The basic source of the estimates for drugs and drug sundries and for eyeglasses and appliances is the report of personal consumption expenditures in the Department of Commerce national income accounts in the *Survey of Current Business*. To estimate the consumer portion, workmen's compensation payments are subtracted. The Depart-

TABLE 7—Amount and percentage distribution of personal health care expenditures, by type of expenditure and source of funds, selected fiscal years, 1950-75—Continued

Type of expenditure and fiscal year	Total	Source of funds				Public
		Private				
		Total	Direct pay-ments	Insur-ance benefits	Other	
Aggregate amount (in millions)						
Physicians' services						
1950	\$2,689	\$2,556	\$2,279	\$270	\$7	\$183
1955	3,632	3,392	2,887	797	8	240
1960	5,580	5,218	3,685	1,524	9	362
1965	8,405	7,878	5,315	2,554	9	627
1966	8,865	8,267	5,502	2,766	9	598
1967	9,738	8,323	5,415	2,898	10	1,415
1968	10,734	8,378	5,148	3,220	10	2,366
1969	11,842	9,170	5,407	3,753	10	2,672
1970	13,443	10,512	6,034	4,468	10	2,931
1971	15,098	11,900	6,620	5,169	11	3,298
1972 ¹	16,827	12,878	7,113	5,754	11	3,649
1973 ¹	17,995	13,861	7,290	6,569	12	4,134
1974 ¹	19,568	14,834	7,214	7,606	14	4,734
1975 ²	22,100	16,245	7,618	8,612	15	5,855
Per capita amount						
Physicians' services						
1950	\$17.52	\$16.65	\$14.85	\$1.76	\$0.05	\$0.87
1955	21.75	20.31	15.49	4.77	0.6	1.44
1960	30.57	28.58	20.18	8.35	0.6	1.98
1965	42.75	40.06	27.02	12.99	0.5	2.68
1966	44.56	41.55	27.64	13.85	0.5	3.01
1967	48.39	41.36	26.91	14.40	0.5	7.03
1968	52.78	41.20	25.31	15.83	0.5	11.58
1969	57.67	44.66	26.33	18.28	0.5	13.01
1970	64.80	50.67	29.08	21.54	0.5	14.13
1971	72.05	56.31	31.59	24.67	0.5	15.74
1972 ¹	78.11	60.87	33.62	27.20	0.6	17.26
1973 ¹	84.39	65.00	34.19	30.76	0.6	19.39
1974 ¹	91.12	69.07	33.59	35.41	0.7	22.04
1975 ²	102.02	74.99	35.17	39.76	0.7	27.08
Percentage distribution						
Physicians' services						
1950	100.0	95.1	84.8	10.0	0.3	4.9
1955	100.0	93.4	71.2	21.9	2	6.6
1960	100.0	93.5	66.0	27.3	2	6.5
1965	100.0	93.7	63.2	30.4	1	6.8
1966	100.0	93.3	82.1	31.1	1	6.7
1967	100.0	85.5	55.6	29.8	1	14.5
1968	100.0	78.1	48.0	30.0	1	21.9
1969	100.0	77.4	45.7	31.7	1	22.6
1970	100.0	73.2	44.9	33.2	1	21.8
1971	100.0	73.2	43.8	34.2	1	21.8
1972 ¹	100.0	77.9	43.0	34.8	1	22.1
1973 ¹	100.0	77.0	40.5	36.4	1	23.0
1974 ¹	100.0	75.8	36.9	38.9	1	24.2
1975 ²	100.0	73.3	34.5	39.0	1	26.5

See footnotes at end of table

TABLE 7—Amount and percentage distribution of personal health care expenditures, by type of expenditure and source of funds, selected fiscal years, 1950-75—Continued

Type of expenditure and fiscal year	Source of funds					Public
	Total	Private			Other	
		Total	Direct pay-ments	Insur-ance benefits		
Aggregate amount (in millions)						
All other serv-ices ¹						
1950	\$4 013	\$3,734	\$3 862	(*)	\$172	\$279
1955	5,910	5 295	5 062	(*)	233	615
1960	8,650	7,650	7,308	\$50	293	1,000
1965	11,941	10,440	9,828	238	374	1,501
1966	13,106	11,217	10,538	288	391	1,889
1967	14,664	12,076	11,178	492	406	2 609
1968	16 408	12,864	11,823	611	430	3,540
1969	18,492	14,314	13,092	756	466	4,180
1970	20,791	16,829	14,904	916	509	4,462
1971	22,997	18 193	16 644	1,096	553	4 804
1972 ¹	25,581	19,831	18,136	1,098	597	5,760
1973 ¹	28 340	21,454	19,450	1,362	642	6 886
1974 ¹	30,554	23,157	20,730	1,734	693	7,898
1975 ²	34,500	25,074	22,245	2,051	778	9,426
Per capita amount						
All other serv-ices ¹						
1950	\$26 14	\$24 32	\$23 20	---	\$1 12	\$1 82
1955	35 38	31 70	30 31	---	1 40	3 68
1960	47 38	41 90	40 03	\$0 27	1 60	5 48
1965	60 72	53 08	49 97	1 21	1 90	7 63
1966	65 85	56 36	52 92	1 45	1 96	9 49
1967	72 97	60 01	55 55	2 44	2 02	12 96
1968	80 66	63 25	58 14	3 00	2 11	17 41
1969	90 05	69 71	63 76	3 68	2 27	20 36
1970	100 22	78 71	71 84	4 42	2 45	21 51
1971	109 75	86 82	78 95	5 23	2 64	22 93
1972 ¹	120 90	93 73	85 72	5 19	2 82	27 18
1973 ¹	132 90	100 61	91 21	6 39	3 01	32 29
1974 ¹	142 26	107 82	96 52	8 07	3 23	34 44
1975 ²	159 26	115 75	102 69	9 47	3 89	43 51
Percentage distribution						
All other serv-ices ¹						
1950	100 0	93 0	88 8	---	4 3	7 0
1955	100 0	89 6	85 7	---	3 9	10 4
1960	100 0	88 4	84 5	0 6	3 4	11 6
1965	100 0	87 4	82 3	2 0	3 1	12 8
1966	100 0	85 6	80 4	2 2	3 0	14 4
1967	100 0	82 2	76 1	3 4	2 8	17 8
1968	100 0	78 4	72 1	3 7	2 6	21 6
1969	100 0	77 4	70 8	4 1	2 5	22 6
1970	100 0	78 5	71 7	4 4	2 4	21 5
1971	100 0	79 1	71 9	4 8	2 4	20 9
1972 ¹	100 0	77 5	70 9	4 3	2 3	22 5
1973 ¹	100 0	75 7	68 6	4 8	2 3	24 3
1974 ¹	100 0	75 8	67 9	5 7	2 3	24 2
1975 ²	100 0	72 7	64 5	5 9	2 3	27 3

¹ Revised estimates

² Preliminary estimates

³ Includes dentists' services, other professional services, drugs and drug sundries, eyeglasses and appliances, nursing home care, and other health services

⁴ Included in "physicians' services", data not available separately

ment of Commerce counts this expenditure as a consumer expenditure, but the Office of Research and Statistics considers it an expenditure of government Total expenditures for drugs and appliances represent the sum of these consumer

expenditure estimates and the expenditures under all public programs for these products.

Nursing-Home Care

Expenditures for nursing-home care encompass spending by both private and public sources in all facilities providing some level of nursing care Included are all nursing homes certified by Medicare and/or Medicaid as skilled-nursing facilities and those certified by Medicaid as intermediate-care facilities and all other homes providing some level of nursing care even though they are not certified under either program

Expenditure estimates are based on periodic surveys of nursing homes conducted by the National Center for Health Statistics of the Department of Health, Education, and Welfare The estimates for total expenditures are derived from survey data on utilization and charges for a total universe of nursing-care homes and personal-care homes with nursing, as defined by the Center.⁶ Estimates for intervening years (for which no data are available) are based on available economic and other indicators

Consumer expenditures in nursing homes represent the difference between total nursing-home expenditures and expenditures from philanthropic and government sources for services in skilled-nursing facilities and intermediate-care facilities

Expenses for Prepayment and Administration

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

⁶ For a complete definition, see *Monthly Vital Statistics Report*, vol 23, No 6, Supplement, National Center for Health Statistics, 1974, pages 11-12

Data on the financial experience of health insurance organizations are reported annually by the Office of Research and Statistics in an article on private health insurance. Data for 1974 will appear in the March 1976 BULLETIN.

The administration component includes the estimated amounts expended by philanthropic organizations for fund-raising activities. In addition, it includes administrative expenses (where they are reported) of federally financed health programs. Such data were available for Medicare and Medicaid and for the Veterans Administration and Department of Defense contract medical care programs.

Government Public Health Activities

The category "government public health activities" is the same as the "other public health activities" category in the social welfare series of the Office of Research and Statistics. The Federal portion consists of outlays for the organization and delivery of health services, the prevention and control of health problems, and similar health activities administered by various Federal agencies, chiefly the Department of Health, Education, and Welfare. The data for these programs are taken from the Special Analyses of the Budget.

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

Other Health Services

Items of expenditure that could not be classified elsewhere are brought together in the category "other health services." It includes, for each public program, the residual amount of expenditures not classified as a specific type of medical service. In addition, it includes the following: (1) Industrial in-plant services, (2) school health services, before 1974, and (3) medical activities in Federal

units other than hospitals.

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

Until 1974, expenditures for school health were estimated by the Office of Education and reported as a separate item in the social welfare expenditure series. As of 1974, separate estimates for this item were no longer available and, although expenditures for this purpose continue to be included in the social welfare expenditure series as part of total expenditures for education, school health is no longer included as a health expenditure.

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

Expenditures for private voluntary health agencies, included in the "other" private outlays, are the expenditures that remain after amounts for hospital care, physicians' services, etc., have been distributed. They represent the amounts spent for health education, lobbying, fund-raising, etc.

Medical Research

Expenditures for medical research include all such spending by agencies whose primary object is the advancement of human health. Also included are those research expenditures directly related to health that are made by other agencies, such as those of the Department of Defense or the National Aeronautics and Space Administration. Research expenditures of drug and medical supply companies are excluded, since they are included in the cost of the product. The Federal amounts represent those reported as medical research in the Special Analyses of the Budget. The amounts shown for State and local governments and private expenditures are based on published estimates that have been prepared by the National Institutes of Health—primarily in the annual publication, *Basic Data Relating to the National Institutes of Health*.

(Continued on page 48)

TABLE M-3 — Selected social insurance and related programs Beneficiaries of cash payments, 1940-75

[In thousands For explanatory footnotes on programs, see table M-1]

At end of selected month	Retirement and disability					Survivor				Railroad temporary disability ⁴	Unemployment		Federal "black lung" ⁶	
	OASDHI ¹		Railroad ¹	Federal civil service	Veterans	OASDHI	Railroad	Federal civil service	Veterans ²		State laws ⁵	Railroad ⁴		
	Retirement ³	Disability												
December														
1940	148		146	65	610	74	3		323		667	74		
1945	691		173	92	1,584	597	4	(?)	698		1,743	13		
1950	2,326		256	161	2,366	1,152	142	25	1,010	32	838	35		
1955	5,788		427	234	2,707	2,172	206	74	1,156	36	912	48		
1960	10,599	687	553	379	3,064	3,558	256	154	1,398	34	2,165	102		
1961	11,655	1,027	567	408	3,137	3,812	262	167	1,547	31	1,993	75		
1962	12,675	1,275	585	438	3,177	4,108	270	182	1,653	30	1,585	59		
1963	13,262	1,452	594	465	3,195	4,321	278	197	1,750	31	1,909	49		
1964	13,697	1,563	600	494	3,204	4,539	286	214	1,848	29	1,351	41		
1965	14,175	1,739	620	522	3,216	4,953	291	227	1,924	25	1,035	30		
1966	15,437	1,970	630	564	3,194	5,360	299	240	1,995	23	936	18		
1967	15,907	2,141	641	588	3,175	5,659	309	258	2,077	21	989	26		
1968	16,264	2,335	647	613	3,171	5,963	318	274	2,151	25	941	19		
1969	16,595	2,488	651	636	3,179	6,229	321	283	2,208	23	1,084	16		
1970	17,096	2,665	658	697	3,210	6,468	326	303	2,301	22	2,045	21		
1971	17,660	2,930	660	747	3,251	6,700	330	324	2,365	20	1,784	38		
1972	18,176	3,250	661	829	3,288	6,919	334	343	2,393	16	1,458	17	299	
1973	19,161	3,561	660	924	3,267	7,160	335	358	2,360	14	1,462	8	461	
1974	19,668	3,912	667	981	3,250	7,254	336	376	2,282	15	2,716	14	487	
1974														
October	19,578	3,804	665	975	3,245	7,215	335	374		16	1,618	8	485	
November	19,642	3,863	666	978	3,247	7,240	336	375		16	1,922	9	486	
December	19,688	3,912	667	981	3,250	7,254	336	376	2,282	15	2,716	14	487	
1975														
January	19,767	3,946	666	983	3,215	7,269	336	377		16	3,845	22	488	
February	19,798	3,983	666	992	3,212	7,286	337	379		16	4,240	24	489	
March	19,804	4,024	670	997	3,215	7,302	336	380	2,256	17	4,586	25	490	
April	19,836	4,061	674	1,000	3,220	7,321	336	381		16	4,328	26	488	
May	19,897	4,108	678	1,002	3,222	7,350	337	384		15	3,983	21	486	
June	19,925	4,125	681	1,002	3,227	7,321	337	391	2,258	15	3,572	19	485	
July	20,034	4,130	684	1,005	3,238	7,322	337	394		15	3,347	21	485	
August	20,094	4,176	689	1,012	3,235	7,255	337	385		15	3,150	25	484	
September	20,142	4,222	691	1,023	3,236	7,284	337	387	2,218	17	(^b)	32	484	
October	20,226	4,264	693	1,025	3,238	7,311	338	389		18	(^b)	33	484	

¹ Includes dependents

² Beginning Oct. 1966, includes special benefits authorized by 1966 legislation for persons aged 72 and over and not insured under the regular or transitional provisions of the Social Security Act

³ Monthly number at end of quarter

⁴ Average number during 14-day registration period

⁵ Average weekly number Includes regular State unemployment insur-

ance, the Federal employees' unemployment compensation program, and the ex-servicemen's compensation program

⁶ Includes dependents and survivors

⁷ Less than 500

⁸ Data not available

Source Based on reports of administrative agencies

NATIONAL HEALTH EXPENDITURES

(Continued from page 20)

Construction of Medical Facilities

Expenditures for construction represent "value put in place" for the hospitals, nursing homes, medical clinics, and medical research facilities but not for private office buildings providing office space for private practitioners Excluded are amounts spent for construction of water-treat-

ment or sewage-treatment plants and Federal grants for these purposes

The data for "value put in place" for construction of publicly and privately owned medical facilities in each year are taken from the Department of Commerce report, *Construction Review* Amounts spent by Federal and State and local governments for construction are subtracted from the total The residual represents the amount coming from private funds