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COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

MEDICARE AND HEALTH CARE CHARTBOOK

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COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

BILL ARCHER, TEXAS, *Chairman*

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Introduction

In 1995, Americans spent $1 trillion on health-related services, supplies and the other expenses associated with providing these services. As a nation, the United States spent 13.6% of its economy, up from only 5% in 1960. Given current spending trends, the Congressional Budget Office estimates that by the year 2007, health expenditures will consume $2 trillion, or about 16% of the economy.

While spending on health care as a percent of the economy is expected to rise in the near future, between 1992 and 1995 it remained relatively constant, at around 13.5 percent. Multiple factors underlie this trend, including the emergence of managed alternatives to traditional fee-for-service insurance plans. Increasingly, private insurers and the public sector are relying on managed care to control health expenditures.

Based on recent CBO estimates, Medicare's Part A trust fund (the part that covers hospital and other related services) is expected to be insolvent by the year 2001. Moreover, long-term demographic and labor market characteristics may compound this financial situation due to the expected increased costs associated with the health care needs of an aging baby boom population.

These and other health care trends are the subject of this Medicare and Health Care Chartbook. Section 1 builds the overall spending context for considering subsequent topics (insurance and the uninsured in Section 2, Medicare in Section 3, and Medicare and managed care in Section 4.)

This chartbook was prepared by a team of Congressional Research Service analysts including: Jason Lee, Rich Rimkunas, Beth Fuchs, Jennifer O'Sullivan, Richard Price, Pat Purcell, Madeleine Smith, Barbara English, Celinda Franco and Dawn Nuschler. Rich Rimkunas served as the project team leader, but this report benefitted by a strong team effort that rested on Jason Lee's extra efforts. The report's production could never have been completed in as professional and timely a manner without the long hours spent on the project by Flora Adams, Brenda Freeman, and Phillip Brogsdale.

The timeliness of the information in this report is the result of the generous support of a number of additional organizations. The Office of the Actuary, Health Care Financing Administration, provided the most recent expenditure data used throughout the first section of this chartbook. The authors would particularly like to thank Anna Long of that office for her help in supporting our data needs in such a quick and thorough manner. In addition, the authors would like to thank Lauren LeRoy, Jack Hoadley and Katie Merell of the Physician Payment Review Commission (PPRC) for their generous sharing of data from a recent PPRC analysis on HMOs and Medicare. CRS is constantly relying on the Census Bureau’s March income supplement of the Current Population Survey to prepare estimates of health insurance coverage. The validity and reliability of these estimates are always enhanced by advice provided by Chuck Nelson of the Census Bureau. Substantial information also was drawn from publications of the American Association of Health Plans. We would also like to acknowledge the cooperation of the Association of American Medical Colleges (AAMC).

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Section 1. What We Spend on Health Care

U.S. health care spending patterns in the mid-1990s reflect some important delivery and financing changes. This first section of the chartbook provides selected information on health spending in the U.S. that will help place Medicare spending within a broader context. It provides data on overall health expenditure trends and expenditure trends for three major health services: hospitals, physicians, and nursing homes. The figures convey information on the overall size of health expenditures in the United States, the public role in paying for those costs, and shifting patterns among the sources of payment for them.

The national health expenditure data provide summary spending trends for health services and supplies and other related health expenditures. The expenditure trends shown here portray total spending on health services, supplies and other activities. Changes in the price of services, supplies or insurance are incorporated into these summary trends, along with any changes in the use of health services and supplies.

This section answers some basic questions about health spending in the United States:

- How much do we spend on health services and supplies?
- Who pays for this spending?
- How has health spending changed over the last 35 years?
- Who pays for hospital, physician and nursing home services?
- How have we utilized these services?

Most figures presented in this section rely on data developed by the Office of National Health Statistics in the Office of the Actuary at the Health Care Financing Administration (HCFA).

Figure 1.1.
National Health Expenditures, 1960-1995

National health expenditures include spending on health care services and supplies, health research and construction, administration and the net cost of private health insurance. The size of this aggregate spending amount is influenced by such factors as the size of the U.S. population, the population's use of medical services and supplies, and reimbursement for those services and supplies.

In 1960, national health care spending accounted for 5.1% of the Gross Domestic Product (GDP), the commonly used indicator of the size of the overall economy. The enactment of Medicare and Medicaid and the expansion of private health insurance covered services contributed to a health spending trend that, over much of the 35-year period, grew much more quickly than the overall economy.

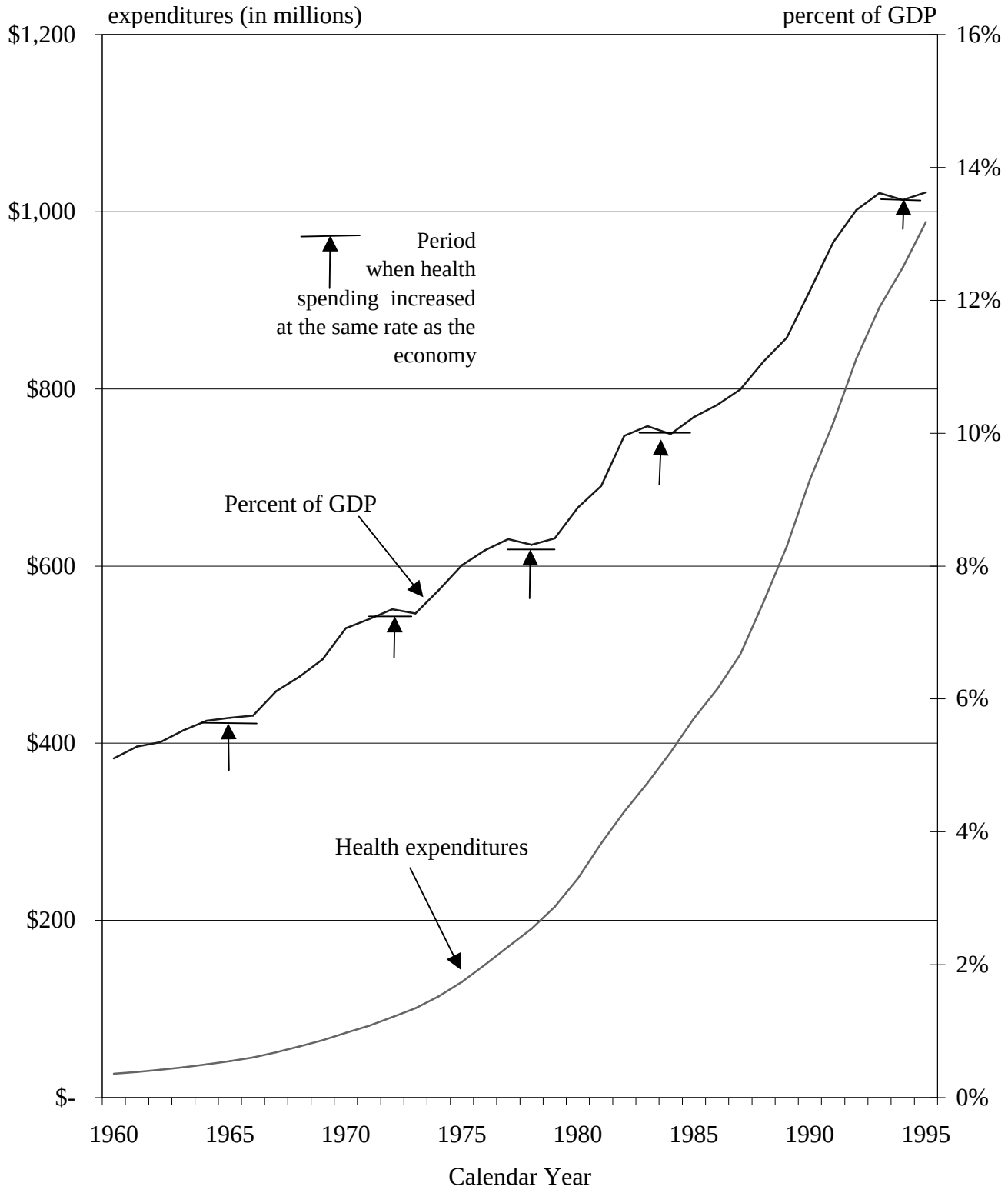
From 1960-1995, four periods are exceptions to the rule that the growth in U.S. health spending outpaced the growth of the overall economy. The 1964-1966 period, the 1977-1979 period, and the 1982-1984 period are times when there was no substantial change in the share of the U.S. economy spent on health. Each of these was characterized by substantial growth in the overall economy. The fourth period, 1992-1995, also shows health spending representing roughly the same share of the economy (between 13.4% and 13.6%). However, unlike these earlier periods, during the nineties health spending grew at an historically lower rate -- close to the moderate rate of growth in the overall economy.

TABLE 1.1.
National Health Expenditures and Expenditures as a Percent of GDP
1960-1995

Calendar Year	National Health Expenditures (in billions)	Percent of GDP
1960	$26.9	5.1
1965	41.1	5.7
1970	73.2	7.1
1975	130.7	8.0
1980	247.2	8.9
1985	428.2	10.2
1990	697.5	12.1
1991	761.7	12.9
1992	834.2	13.4
1993	892.1	13.6
1994	937.1	13.5
1995	988.5	13.6

NOTE: Table prepared by CRS.

Figure 1.1. National Health Expenditures, 1960 - 1995



Source: Figure prepared by CRS based on data from the Office of the Actuary, National Cost Estimates, HCFA.

Figure 1.2.
Health Spending as a Share of the Economy in Selected Nations, 1960-1995

As depicted in this figure, health care spending in the United States far exceeds that of most other industrialized Nations, when measured as a share of the economy. In 1995, the United States spent 13.6% of its economy on health. This can be compared with Canada's and Germany's 10%, and Japan and Great Britain's 7%.

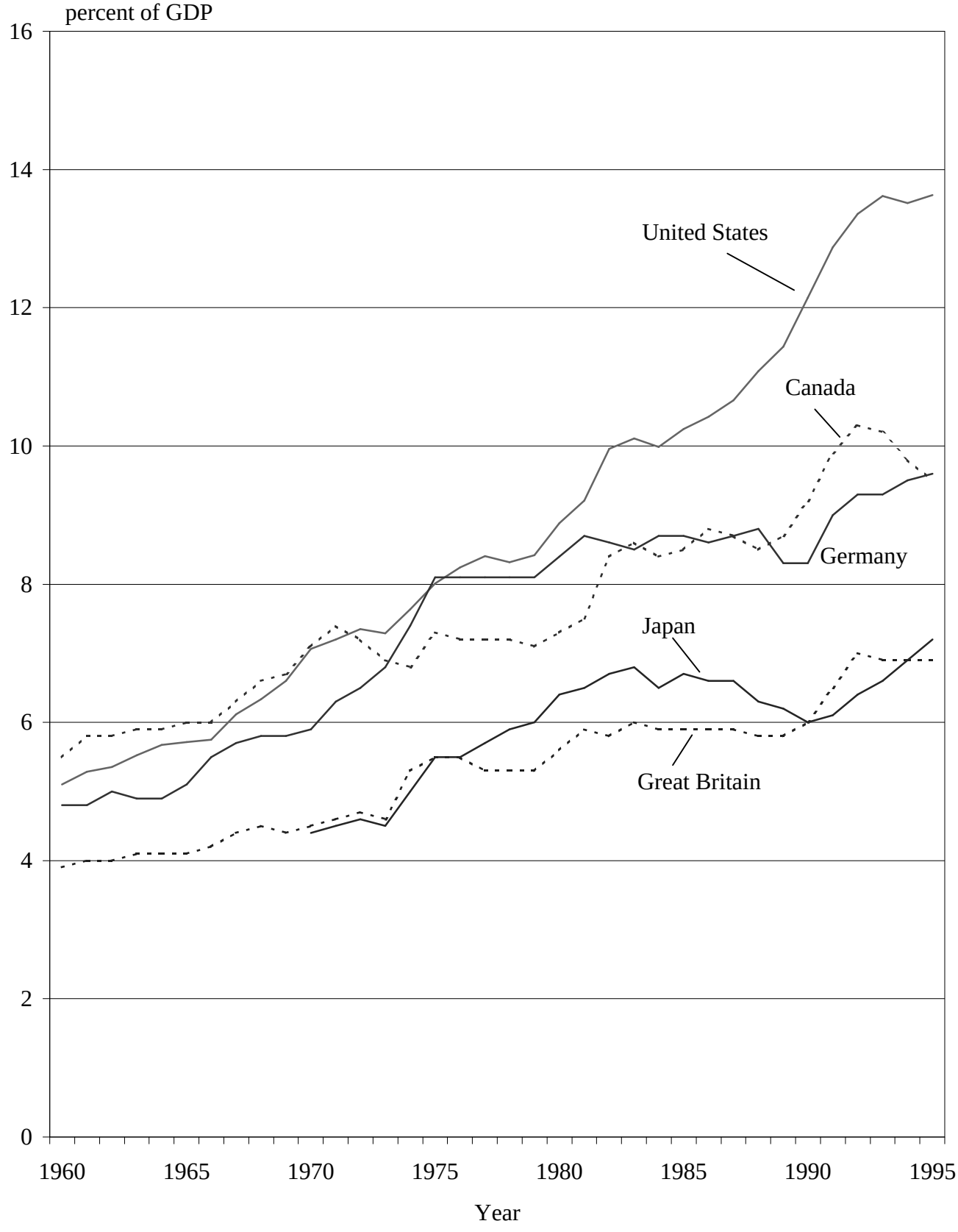
While this figure compares health spending as a share of a Nation's overall economy, it should be remembered that these Nations have different organizational structures for their systems -- some being highly centralized government systems that may use different approaches in treating similar diseases, and provide different type of health benefits under public or private health insurance plans. These and other elements will affect the share of a Nation's economy dedicated to health spending.

TABLE 1.2.
Health Spending as a Share of the Economy in Selected Nations, 1960-1995
(Expenditures as a percent of national GDP)

Calendar Year	United States	Great Britain	Canada	Germany	Japan
1960	5.1	3.9	5.5	4.8	--
1965	5.7	4.1	6.0	5.1	--
1970	7.1	4.5	7.1	5.9	4.4
1975	8.0	5.5	7.3	8.1	5.5
1980	8.9	5.6	7.3	8.4	6.4
1985	10.2	5.9	8.5	8.7	6.7
1990	12.1	6.0	9.2	8.3	6.0
1991	12.9	6.5	9.9	9.0	6.1
1992	13.4	7.0	10.3	9.3	6.4
1993	13.6	6.9	10.2	9.3	6.6
1994	13.5	6.9	9.8	9.5	6.9
1995	13.6	6.9	9.5	9.6	7.2

NOTE: Table prepared by CRS.

Figure 1.2. Health Spending as a Share of the Economy in Selected Nations, 1960-1995



Source: Figure prepared by CRS based on data from the Organization of Economic Cooperation and Development and HCFA.

Figure 1.3.
Who Pays Our Health Bills, 1995

Figure 1.3 provides a break down of health expenditures by payment source. Private spending remains the largest payment source for health care in the United States, accounting for 54% of all expenditures. When combined, all private sources make up the largest share of health spending; but it is federal spending (primarily through the Medicare and Medicaid programs) that is the largest single contributor, financing 33% of all spending..

Private health insurance payments are financed by businesses through their shared payments for health insurance premiums as well as consumer spending for these premiums.

It should be kept in mind that out-of-pocket spending includes spending on private and public health insurance copayments, deductibles, and in the case of managed care plans, out of plan payments, as well as any health services not covered by public or private insurance. Out-of-pocket payments also include payments by persons without insurance coverage.

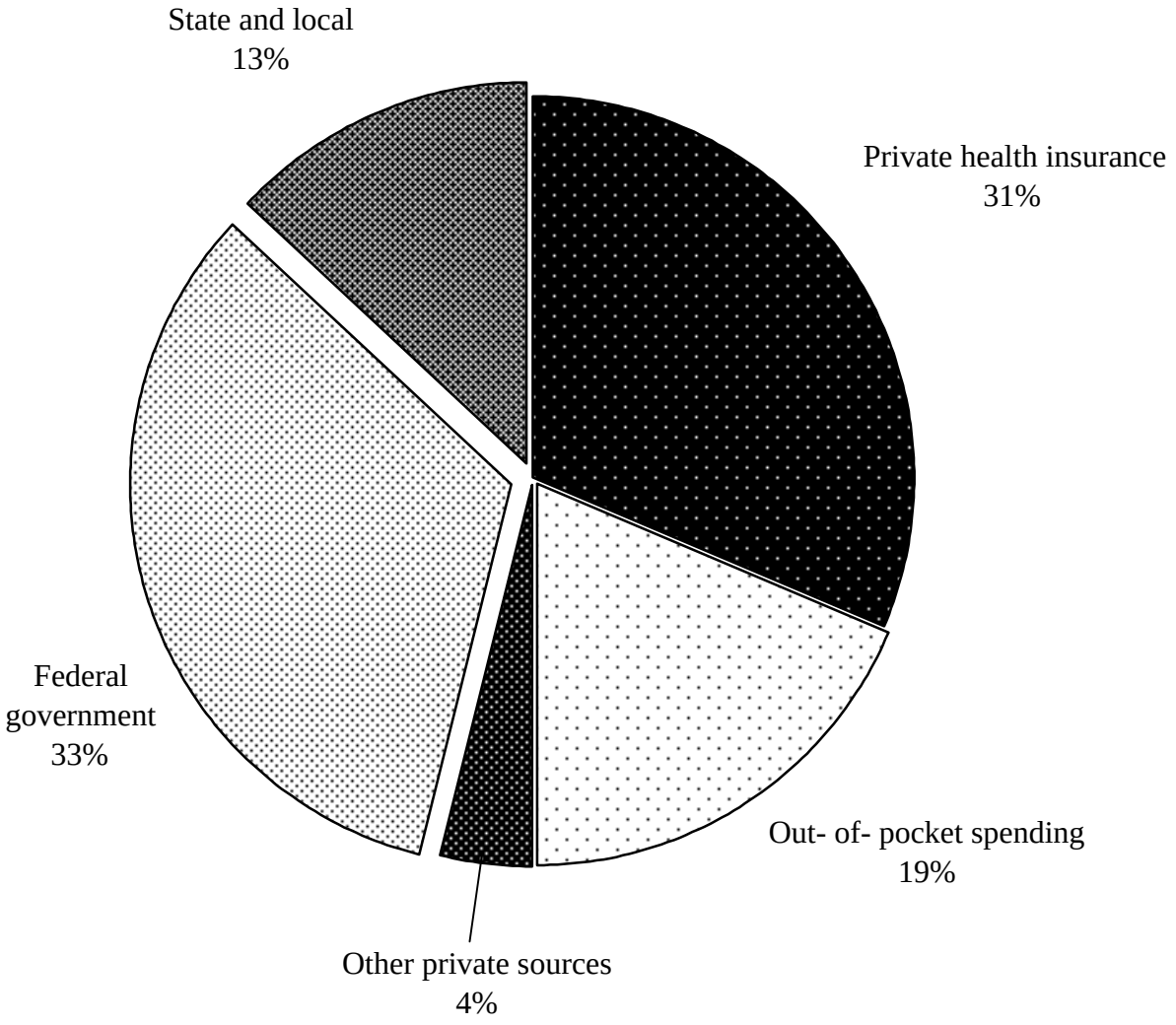
TABLE 1.3.
Health Spending by Major Funding Source

Funding Source	Expenditures (in millions)	Percent of Total
Private health insurance	$310,616	31.4
Out-of-pocket spending	182,563	18.5
Other private spending	38,910	3.9
Federal spending	328,427	33.2
State and local spending	127,973	12.9
All private sources	532,089	53.8
All public sources	456,400	46.2
Total	$988,489	100.0

NOTE: Table prepared by CRS.

Figure 1.3. Who Pays Our Health Bills, 1995

Total Expenditures = $988.5 Billion



Source: Chart prepared by CRS based on data from the Office of the Actuary, National Cost Estimates, HCFA.

Figure 1.4.
Health Spending by Payment Source, 1960-1995

Ultimately, every individual pays for each dollar spent on health, either through health insurance premiums, out-of-pocket, taxes, philanthropic contributions, or other means. However, over the last 35 years there has been a substantial shift in the relative role of various payers of health services. This stems from a number of factors including -- the enactment and expansions of Medicare and Medicaid, changes in reimbursement practices for these federal programs, and changes in private health insurance. Importantly, private health insurance has shifted away from the fee-for-service-based reimbursement system to managed care prepayment and mixed compensation systems.

The first significant shift in payment source depicted in figure 1.4 occurred shortly after 1965 reflecting the enactment of the Medicare and Medicaid programs. In 1964, before their enactment, the federal government contributed about 12% to all health expenditures. By 1970, the federal government's share increased to 25%. Federal spending continued its rise as a percent of all expenditures until 1976 when it represented about 28 cents of each health dollar. Between 1976 and 1990, the share of health spending paid by the federal government hovered around 28%. Since 1990, federal spending on health has grown from this plateau to represent 1/3 of all health spending in 1995.

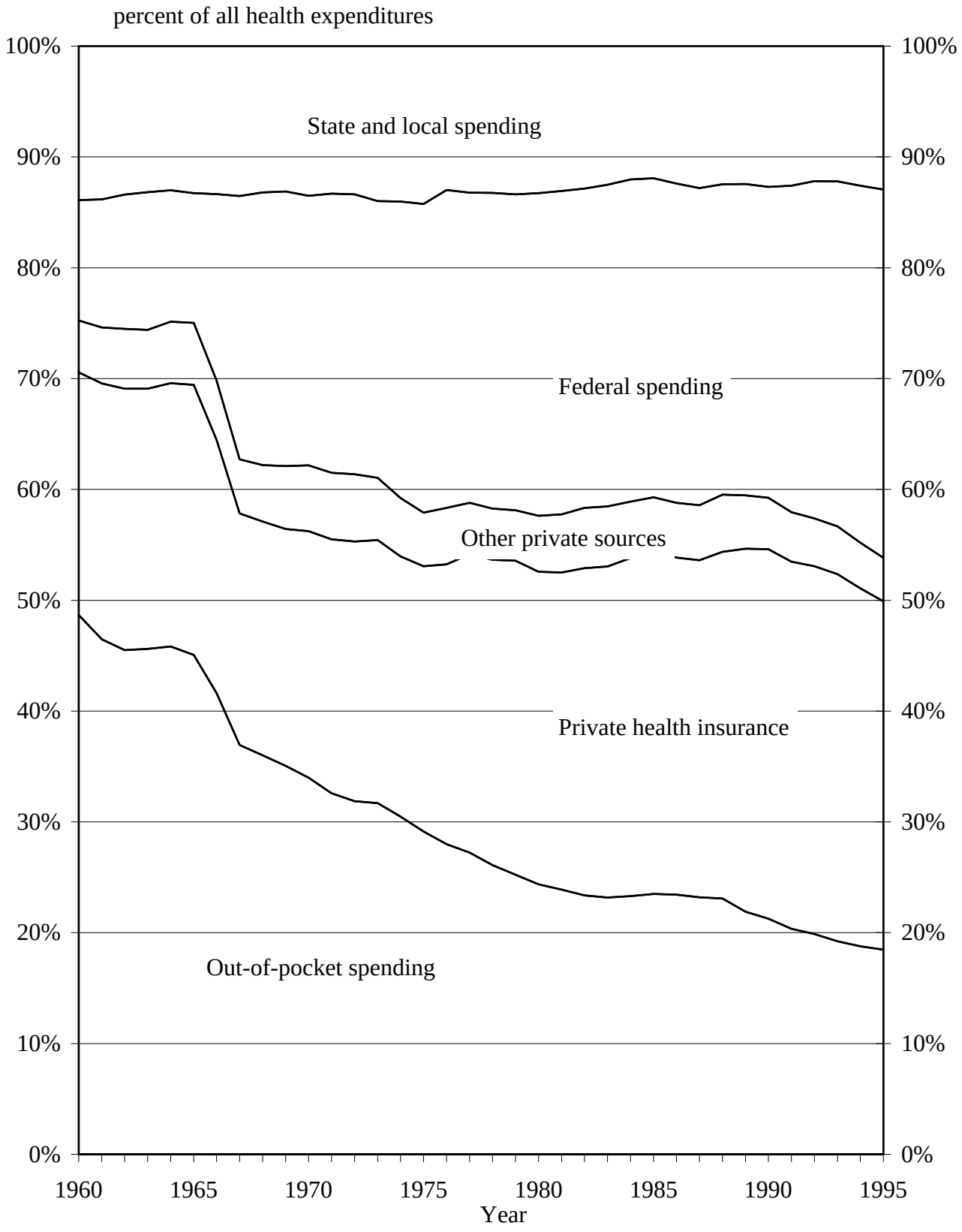
Perhaps the most dramatic trend depicted in the figure is the reduction in the share of health expenditures paid for by individuals out-of-pocket. In 1960, almost half of all health expenditures were paid out-of-pocket. The growth of private health insurance and public health programs results in out-of-pocket spending accounting for about 1/5 of all health spending.

TABLE 1.4.
Health Spending by Payment Source, 1960-1995
(in percent)

Calendar Year	Out-of-Pocket Payments	Private Health Insurance	Other Private	Federal Spending	State and Local Spending	Total Expenditures (in millions)
1960	48.7	21.9	4.7	10.9	13.9	$26,850
1965	45.1	24.4	5.6	11.7	13.3	41,145
1970	34.0	22.2	5.9	24.3	13.5	73,243
1975	29.1	23.9	4.8	27.8	14.2	130,727
1980	24.4	28.2	5.0	29.1	13.3	247,245
1985	23.5	30.9	4.9	28.8	11.9	428,204
1990	21.3	33.3	4.6	28.1	12.7	697,453
1991	20.3	33.1	4.5	29.5	12.6	761,704
1992	19.9	33.2	4.3	30.4	12.2	834,226
1993	19.2	33.1	4.3	31.1	12.2	892,074
1994	18.8	32.3	4.1	32.2	12.6	937,139
1995	18.5	31.4	3.9	33.2	12.9	988,489

NOTE: Table prepared by CRS.

Figure 1.4. Health Spending by Payment Source, 1960-1995



Source: Figure prepared by CRS based on data from the Office of the Actuary, National Cost Estimates, HCFA.

Figure 1.5.
Health Spending as a Share of Government Expenditures 1960-1995

Over the last 35 years, the share of government spending going to health has grown substantially. In 1960, health spending represented a minor component of all federal spending (accounting for just over 3% of each federal dollar). The enactment of the Medicare and Medicaid programs in the mid-1960s, and the program expansions contributed to health representing about 12% of federal expenditures by 1980. Since 1980, health spending has grown to 20% of each federal dollar spent.

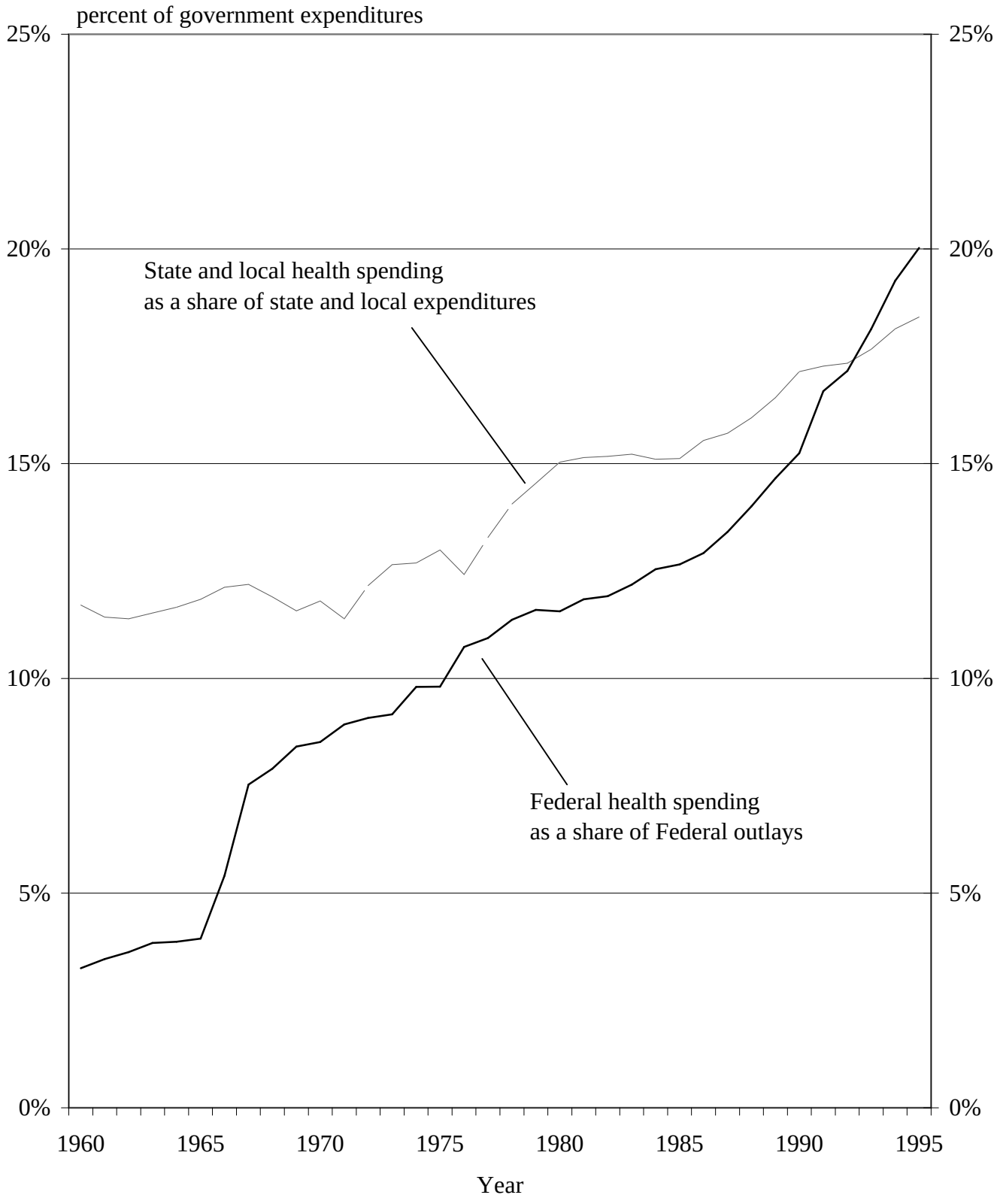
Spurred on largely as a result of increased Medicaid spending, the share of state and local spending dedicated to health has increased from 12% of state and local expenditures in 1960 to 18% in 1995. While the share of state and local budgets dedicated to health has increased, the share of the budget for these entities has not increased as rapidly as the federal government. Caution should be used in interpreting this state and local trend. Individual states and localities may spend substantially more or less of their budgets on health. In addition, state and local balanced budget requirements may impact on this trend.

TABLE 1.5.
Health Spending as a Share of Government Expenditures, 1960-1995
($ in millions)

Calendar Year	Federal Expenditures	Percent of All Federal Expenditures	State and Local Expenditures	Percent of All State and Local Expenditures
1960	$2,914	3.3	$3,734	11.7
1965	4,820	3.9	5,458	11.8
1970	17,816	8.5	9,890	11.8
1975	36,407	9.8	18,625	13.0
1980	71,960	11.6	32,822	15.0
1985	123,267	12.7	51,034	15.1
1990	195,770	15.2	88,538	17.1
1991	224,440	16.7	95,855	17.3
1992	253,881	17.2	101,565	17.3
1993	277,626	18.1	108,900	17.7
1994	301,851	19.3	118,038	18.1
1995	328,427	20.0	127,973	18.4

NOTE: Table prepared by CRS.

Figure 1.5. Health Spending as a Share of Government Expenditures, 1960-1995



Source: Figure prepared by CRS based on data from the Office of the Actuary, Office of National Health Statistics.

Figure 1.6.
Per Capita Health Spending in Selected Nations, 1960-1994

A previous figure (figure 1.2) shows that the United States spends a substantially larger share of its economy on health than other nations. There are a number of factors that are likely to account for this, including the size and age distribution of a nation's population.

Figure 1.6 adjusts cross-national health spending patterns by taking into account the relative size of each nation's population. The table and figure convert each nation's health expenditures into U.S. dollars using a measure of purchasing power parity (PPP). The PPP is an index used to convert national currency units to a common unit. A dollar in this common unit would purchase the same basket of goods in each nation.

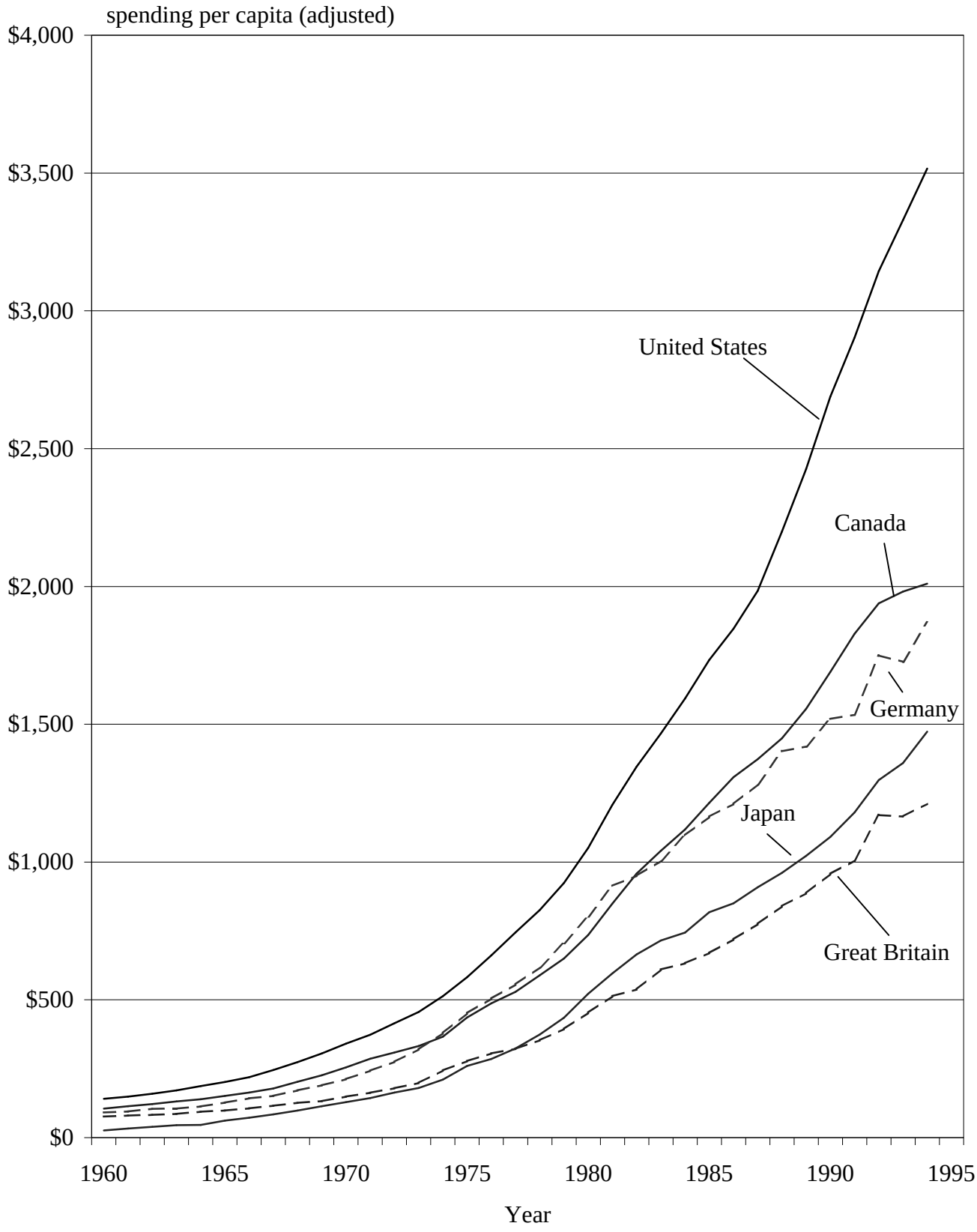
After adjusting for population and the purchasing power of national currencies, the United States still spends substantially more per capita than the other industrialized nations portrayed in the figure. For example, in 1994, the United States spent almost three times as much per capita as Great Britain on health.

TABLE 1.6.
Per Capita Health Spending in Selected Nations, 1960-1994
(Per capita amounts converted to U.S. dollars)

Calendar Year	United States	Great Britain	Canada	Germany	Japan
1960	$141	$77	$105	$91	$26
1965	202	98	151	127	62
1970	341	149	255	212	129
1975	582	278	436	452	260
1980	1,051	453	735	802	522
1985	1,733	670	1,215	1,164	818
1990	2,689	957	1,690	1,519	1,091
1991	2,903	1,006	1,828	1,534	1,180
1992	3,144	1,170	1,939	1,750	1,297
1993	3,329	1,165	1,981	1,726	1,359
1994	3,516	1,211	2,010	1,869	1,473

NOTE: Table prepared by CRS. All dollar amounts are converted to U.S. dollars using a purchasing price parity measure.

Figure 1.6. Per Capita Health Spending in Selected Nations, 1960-1994



Source: Figure prepared by CRS based on OECD data. Estimates for U.S. based on more more recent National Health Expenditure data, HCFA.

Figure 1.7.
Major Components of Health Expenditures, 1995

Most (89%) but not all health care expenditures are spent on personal health services and supplies. The remaining 11% can be classified into the following categories:

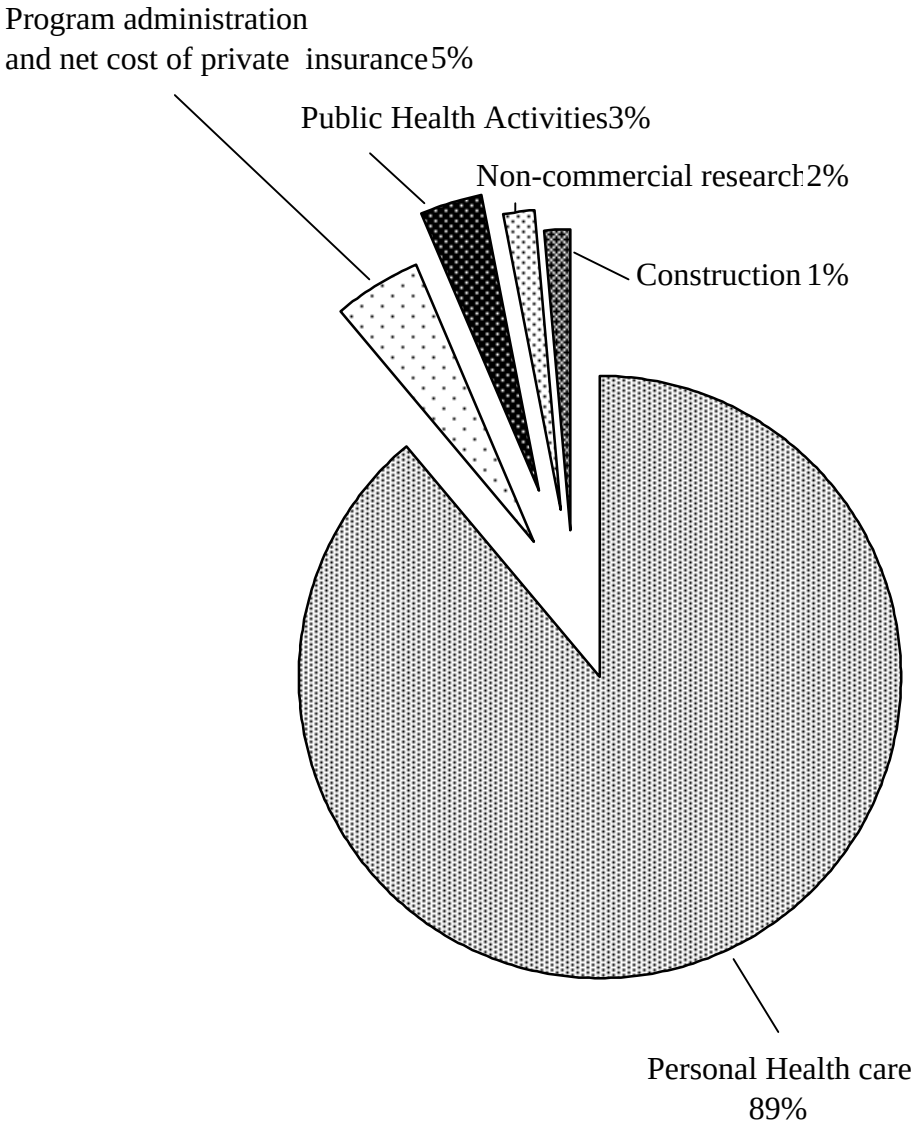
- 4.8% of all health expenditures are for program administration and the net cost of private health insurance (which includes profits earned by private health insurance companies);
- 3.2% of all health expenditures are for public health activities;
- 1.7% of all health expenditures are for non-commercial health research; and
- 1.4% of all health expenditures are for the construction of health care facilities.

TABLE 1.7.
Major Components of Health Expenditures, 1995

Spending Category	Expenditures (in millions)	Percent of Total
Personal health care	$878,777	88.9
Program administration and net cost of private insurance	47,651	4.8
Government public health activities	31,402	3.2
Non-commercial research	16,617	1.7
Construction	14,042	1.4
Total health expenditures	$988,489	100.0

NOTE: Table prepared by CRS.

Figure 1.7. Major Components of Health Expenditures, 1995



National Health expenditures = $988 billion

Source: Figure prepared by CRS based on data from the Office of the Actuary, Office of National Health Statistics.

Figure 1.8.
Personal Health Care Spending, by Service Category, 1995

Combined spending on three service categories (hospital services, physician services, and nursing home services) account for 3/4 of total personal health care spending. Inpatient and outpatient hospital service spending represents the single largest service category (43%). In addition, physician service spending accounts for roughly half that amount (22%). Nursing home service spending accounts for about 9% of the total.

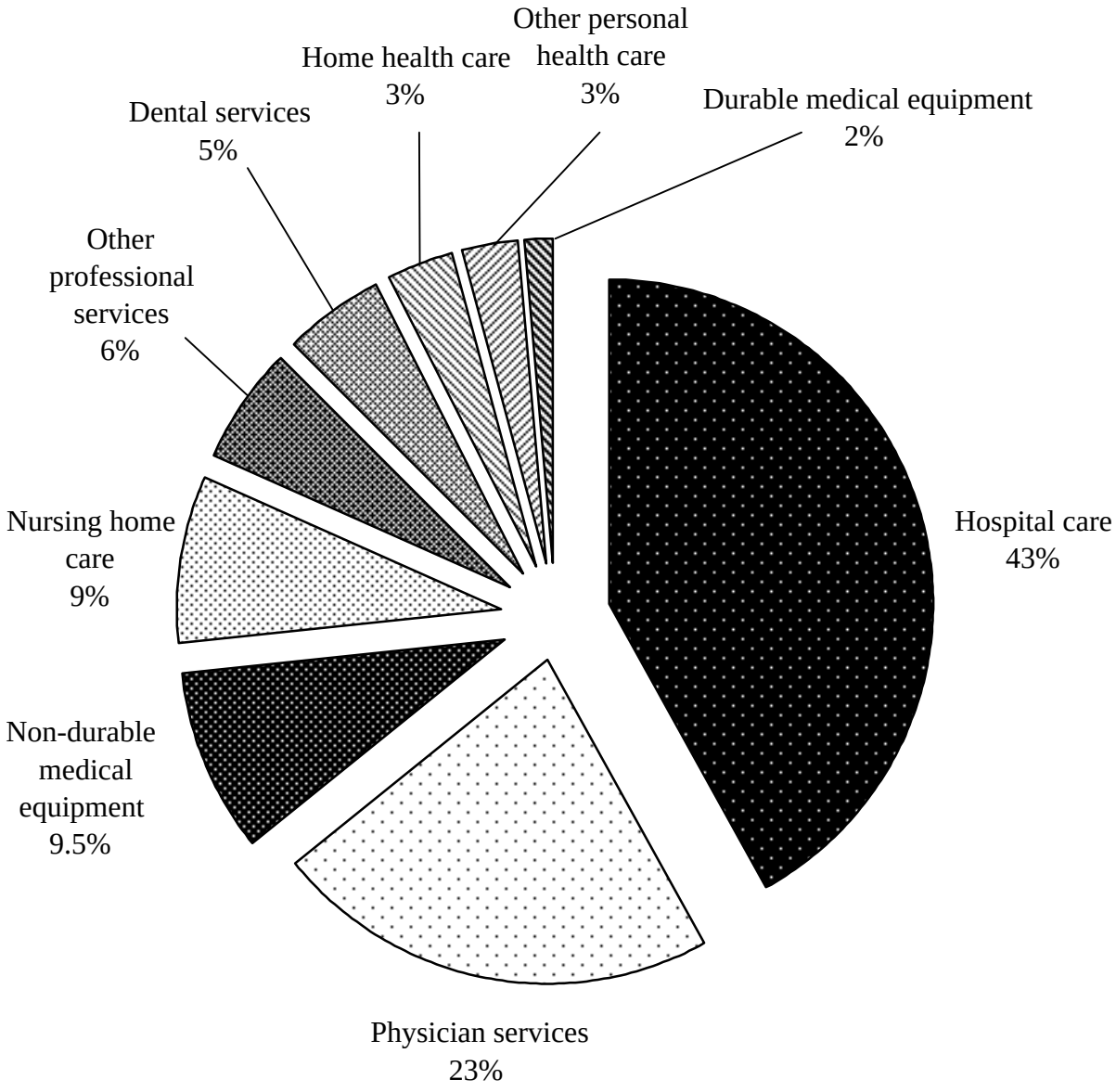
Other significant service or supply categories include prescription drugs (6%), dental services (5%) and a relatively small but growing share home health care services (3%).

TABLE 1.8.
Personal Health Care Spending, by Service Category, 1995

Service Category	Expenditures (in millions)	Percent of Total
Hospital care	381,252	43.4
Physician services	201,614	22.9
Non-durable medical products	83,406	9.5
-- prescription drugs	55,486	6.3
-- other non-durables	27,920	3.2
Nursing home care	77,877	8.9
Other professional care	52,590	6.0
Dental services	45,833	5.2
Home health care	28,573	3.3
Other personal health care	24,981	2.8
Durable medical equipment	13,783	1.6
Personal health care	$878,777	100.0

NOTE: Table prepared by CRS.

Figure 1.8. Personal Health Care Spending, by Service Category, 1995



Source: Figure prepared by CRS based on data from the Office of the Actuary, Office of National Health Statistics.

Figure 1.9.
Growth Rates for Hospital, Physician, and Nursing Home Spending, 1960-1995

During the 1990s, the rate of growth for all three major health spending categories (hospital, physician, and nursing home services) was lower than in the past. From 1990 to 1995, hospital and physician spending grew at a relatively moderate rate of 6.4% and 6.6% per annum, respectively. Nursing home services also grew at a lower rate than in prior periods over these 5 years, but at a somewhat higher per annum rate of 8.9%.

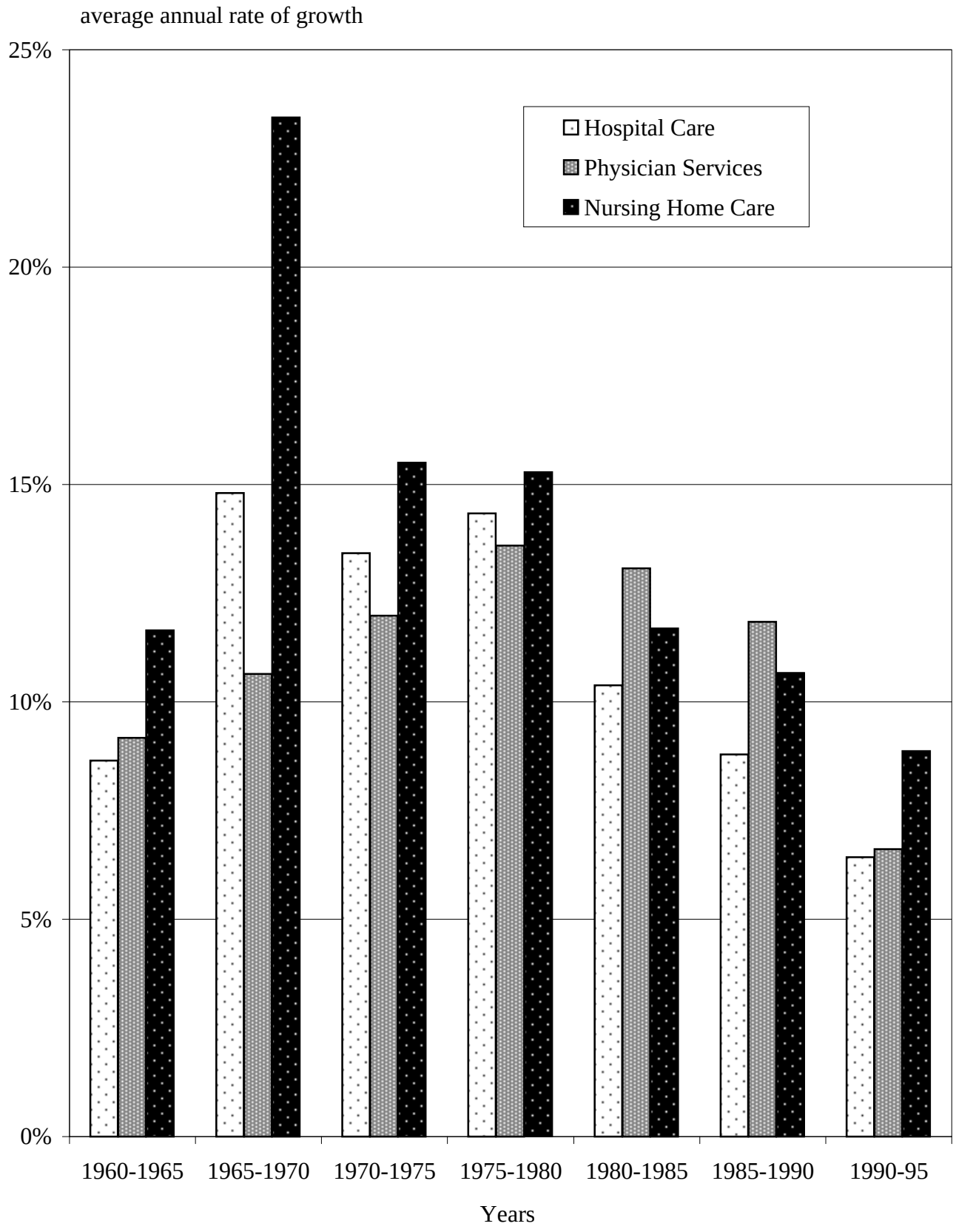
A number of factors have contributed to the lowering of growth rates. For instance, the move of much of the population into managed care together with changes in reimbursement practices have contributed to a reduction in inpatient hospital use (see chapter 2) and physician services. In addition, the availability of other alternatives to nursing home care, such as community-based care and special living arrangements for the elderly, may impact on the use of nursing home services.

TABLE 1.9.
Spending and Annual Growth Rates for Hospital Services, Physician Services, and Nursing Home Services, 1960-1995
(All dollar amounts are in millions)

Calendar Year	Hospital Care	Average Annual Rate of Growth	Physician Services	Average Annual Rate of Growth	Nursing Home Care	Average Annual Rate of Growth
1960	$9,275	--	$5,283	--	$848	--
1965	14,040	8.6%	8,191	9.2%	1,471	11.6%
1970	28,003	14.8	13,579	10.6	4,217	23.4
1975	52,571	13.4	23,909	12.0	8,668	15.5
1980	102,700	14.3	45,232	13.6	17,649	15.3
1985	168,290	10.4	83,618	13.1	30,679	11.7
1990	256,447	8.8	146,346	11.8	50,928	10.7
1991	282,272	10.1	159,167	8.8	57,164	12.2
1992	305,357	8.2	175,717	10.4	62,301	9.0
1993	323,272	5.9	182,662	4.0	67,029	7.6
1994	334,966	3.6	190,634	4.4	72,446	8.1
1995	350,120	4.5	201,614	5.8	77,877	7.5
1990-95	--	6.4%	--	6.6%	--	8.9%

NOTE: Table prepared by CRS.

Figure 1.9. Growth Rates for Hospital, Physician, and Nursing Home Spending, 1960-1995



Source: Figure prepared by CRS based on data from the Office of the Actuary, Office of National Health Statistics, HCFA.

Figure 1.10.
Sources of Hospital Service Payments, 1960-1995

In 1995, public (federal and state and local) sources accounted for over 61% of hospital service expenditures. The single largest hospital services payer is the federal government, contributing over half of the total spending for this service category. Private health insurance represents the next largest payer paying about one-third of all hospital spending.

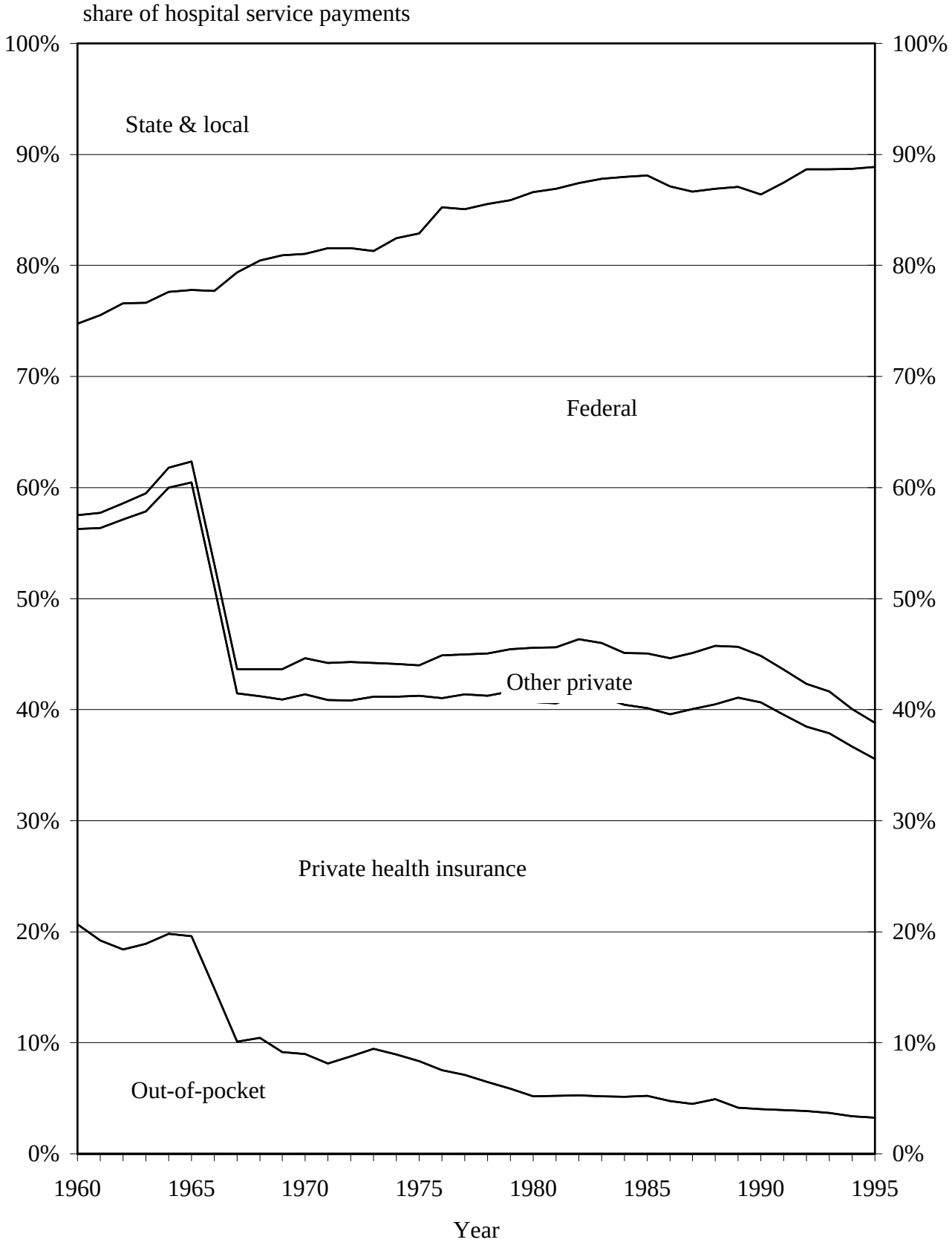
Between 1960 and 1995, federal payments grew from 17% to 50% of hospital spending. Medicare and Medicaid's enactment coincide with a reduction in out-of-pocket spending between 1960 and 1980. Over the most recent years, the increased role of the federal dollar in this service category may partially be the result of an increased use of managed care options by private insurers.

TABLE 1.10.
Sources of Hospital Service Payments, 1960-1995
(in percent)

Calendar Year	Out-of-Pocket Payments	Private Health Insurance	Other Private	Federal Spending	State and Local Spending	Total Expenditures (in millions)
1960	20.7	35.6	1.2	17.3	25.2	$9,275
1965	19.6	40.9	1.9	15.4	22.2	14,040
1970	9.0	32.4	3.2	36.4	19.0	28,003
1975	8.3	32.9	2.7	38.9	17.1	52,571
1980	5.2	35.5	4.9	41.0	13.4	102,700
1985	5.2	34.9	4.9	43.1	11.9	168,290
1990	4.0	36.6	4.2	41.6	13.6	256,447
1991	4.0	35.6	4.1	43.9	12.5	282,272
1992	3.8	34.6	3.9	46.3	11.4	305,357
1993	3.7	34.2	3.8	47.0	11.3	323,272
1994	3.4	33.3	3.4	48.6	11.3	334,966
1995	3.3	32.3	3.2	50.1	11.1	350,120

NOTE: Table prepared by CRS.

Figure 1.10. Sources of Hospital Service Payments, 1960-1995



Source: Figure prepared by CRS based on data from the Office of the Actuary, Office of National Health Statistics.

Figure 1.11.
Total Hospital Marginal Revenues, 1976-1994

Total hospital margins are a widely used indicator to show whether hospital revenues exceed expenses. A hospital margin is calculated as the difference between hospital revenues and expenses. This dollar amount is then compared to the size of revenues. Total hospital margins as portrayed in figure 1.11 represent this dollar difference compared to revenue.

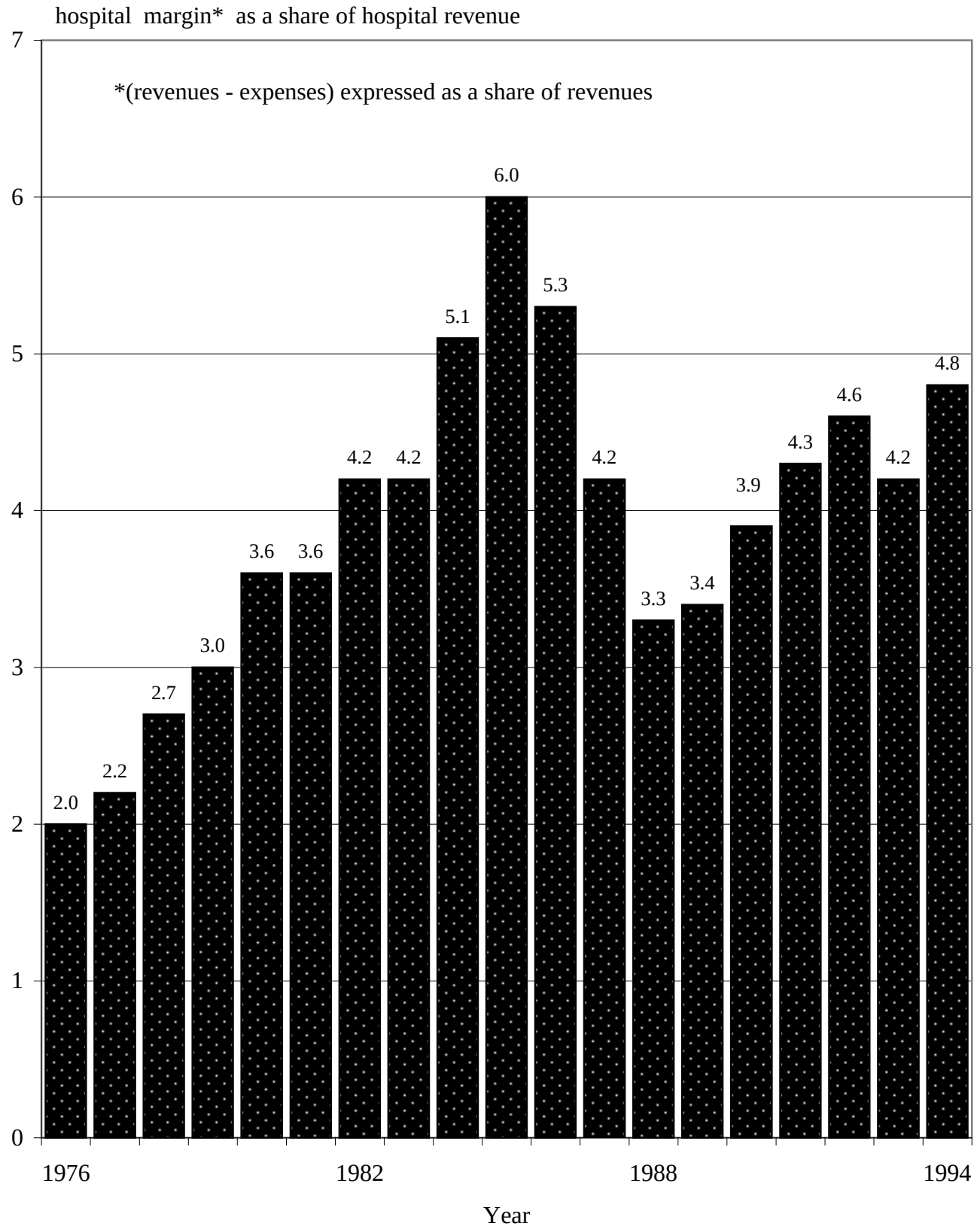
Figure 1.11 shows a cyclical trend in hospital margins. Between 1976 and 1985, hospital revenues increased at a faster rate than hospital expenses, resulting in increased margins. In 1985, the total margin represented 6% of all hospital revenues. Between 1985 and 1988, total margins declined to 3.3% of revenues. This lower margin reflects the implementation of Medicare's prospective payment system for hospital care under which the program began paying only a fixed amount for each admission. Since the late 1980s, total margins have increased. In 1994, total margins represented 4.8% of all revenues.

TABLE 1.11.
Total Hospital Marginal Revenues
1976-1994

Calendar Year	Total Aggregate Margin
1976	2.0
1980	3.6
1985	6.0
1990	3.9
1991	4.3
1992	4.6
1993	4.2
1994	4.8

NOTE: Table prepared by CRS.

Figure 1.11. Total Hospital Marginal Revenues, 1976-1994



Source: Figure prepared by CRS based on estimates prepared by the Prospective Payment Commission.

Figure 1.12.
Trends in Hospital Utilization: Inpatient Days and Outpatient Visits, 1965-1994

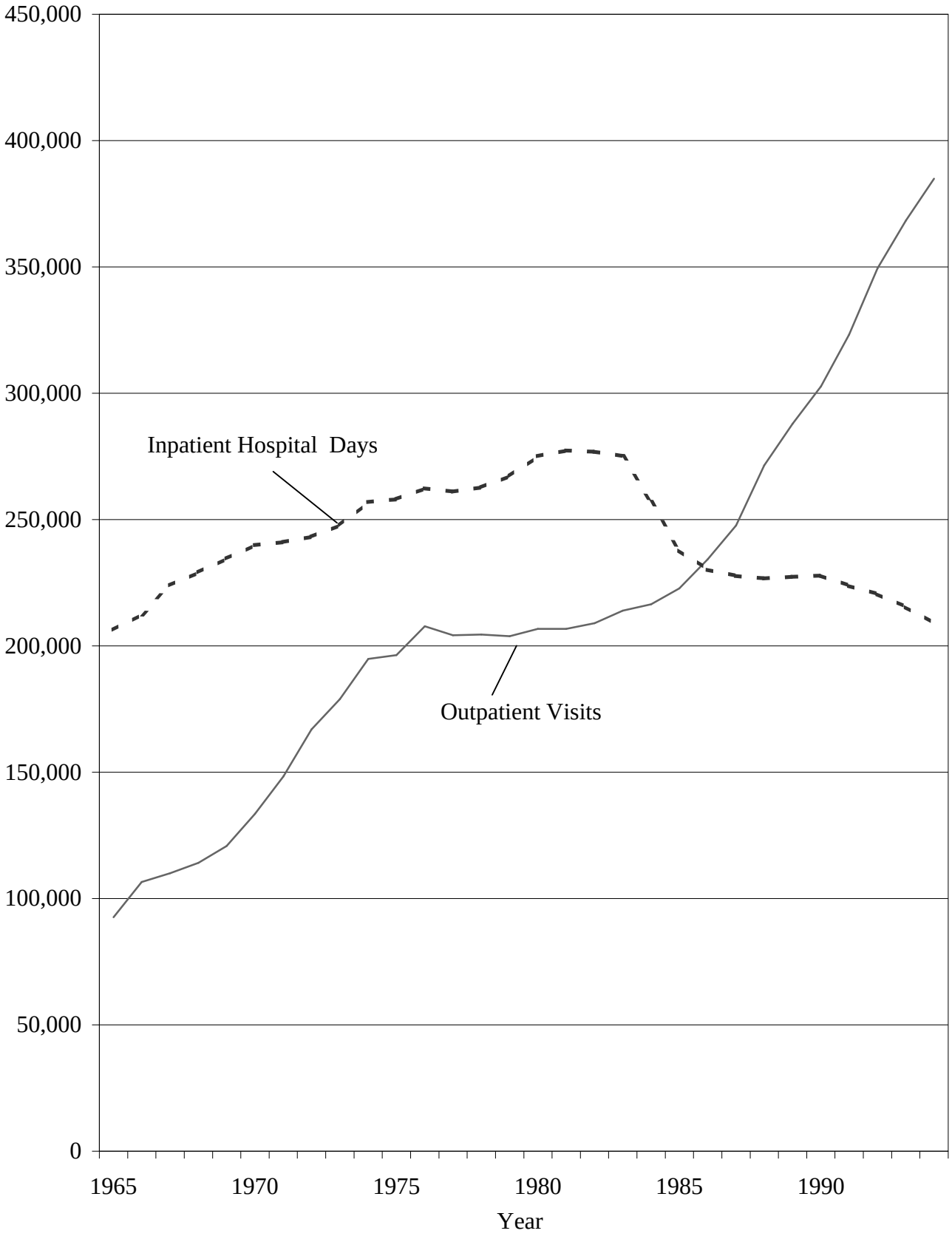
Spending on hospital services includes spending for inpatient care and outpatient visits. Figure 1.12 depicts a major shift in the use of these two categories of hospital services. Inpatient hospital days (an aggregate measure influenced by the number of admissions and the length of hospital stays) declined during the 1980s and has continued to decline. In contrast, the number of outpatient visits has increased over this time period, rising by 27% between 1990 and 1994.

TABLE 1.12.
Trends in Hospital Inpatient Days and Outpatient Visits
1965-1994

Calendar Year	Outpatient Visits	Inpatient Days
1965	92,631	206,411
1970	133,545	239,866
1975	196,311	258,096
1980	206,752	275,105
1985	222,773	237,857
1990	302,691	227,782
1991	323,202	223,805
1992	349,397	220,476
1993	368,358	215,390
1994	384,880	209,025

NOTE: Table prepared by CRS.

Figure 1.12. Trends in Hospital Utilization: Inpatient Days and Outpatient Visits, 1965-1994



Source: Figure prepared by CRS based on data from the American Hospital Association.

Figure 1.13.
Sources of Physician Services Payments, 1960-1995

Private payers are the major source of spending for physician services. Roughly $1 in $5 spent on physician services in the United States is paid directly by individuals either in the form of copayments, deductibles, or in-full for services that are not covered by their health insurance.

Like hospital services, the probability of individuals paying for physician services has declined sharply since the 1960s. Unlike hospital services, however, the single largest payer for physician services is not the federal government, but rather private health insurance companies. Private health insurers paid for 48% of all physician services in 1995; in 1985, private health insurers contributed to about 40% of the total.

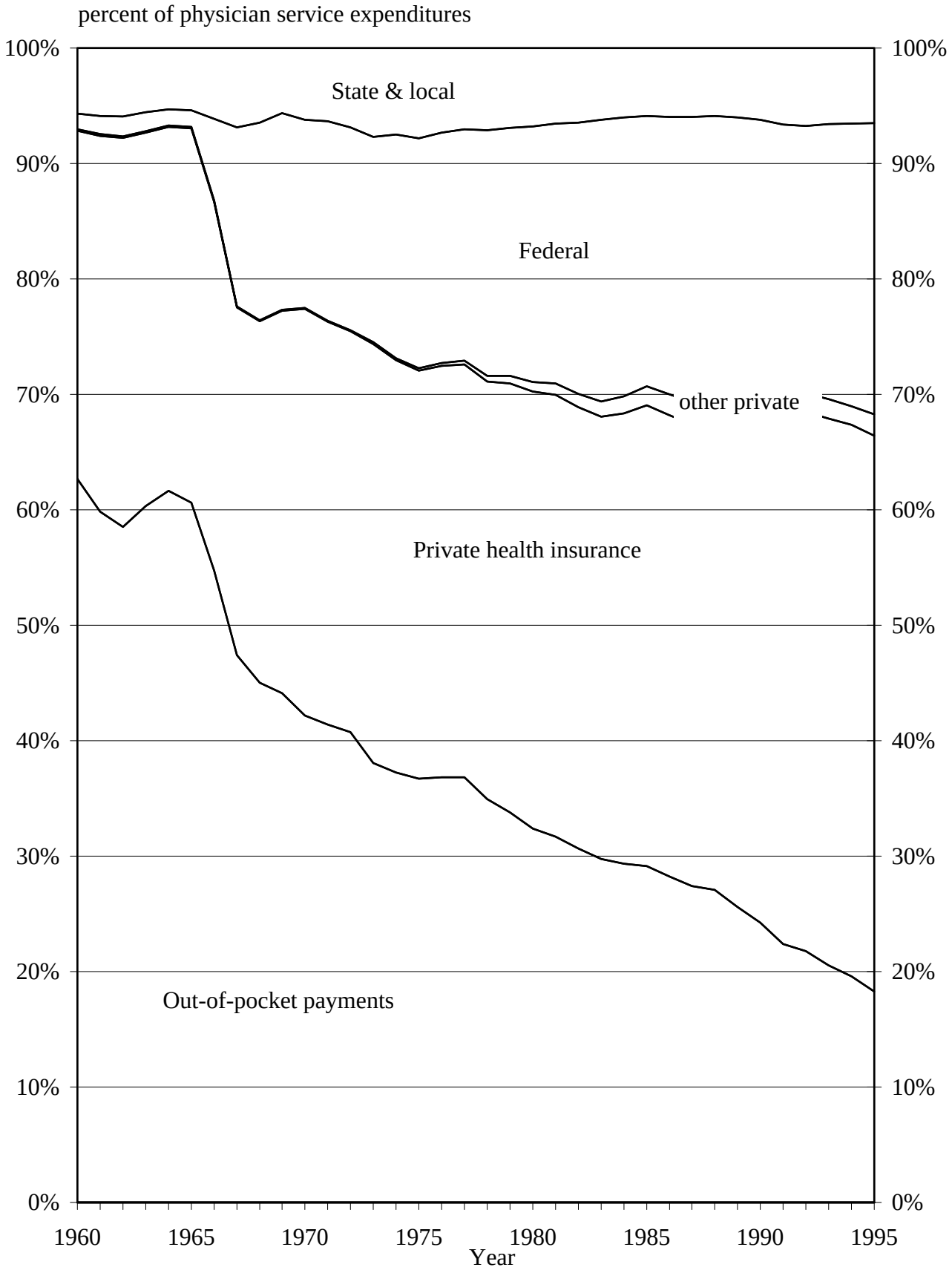
In contrast to these shifts in private payment sources, public sources of physician payments has remained relatively stable over the last 10 years. The federal government's share of this spending increased slightly (from 23% to 25%), while state and local spending continued to pay for about 6% of all physician services.

TABLE 1.13.
Sources of Physician Services Payments, 1960-1995
(in percent)

Calendar Year	Out-of-Pocket Payments	Private Health Insurance	Other Private	Federal Spending	State and Local Spending	Total Expenditures (in millions)
1960	62.7	30.2	0.1	1.4	5.7	$5,283
1965	60.6	32.5	0.1	1.4	5.4	8,191
1970	42.2	35.2	0.1	16.3	6.2	13,579
1975	36.7	35.3	0.2	19.9	7.8	23,909
1980	32.4	37.9	0.8	22.1	6.8	45,232
1985	29.1	39.9	1.6	23.4	5.9	83,618
1990	24.2	43.2	1.8	24.5	6.2	146,346
1991	22.4	45.0	1.7	24.2	6.6	159,167
1992	21.8	46.7	1.6	23.2	6.7	175,717
1993	20.6	47.3	1.7	23.8	6.6	182,662
1994	19.6	47.8	1.6	24.5	6.5	190,634
1995	18.3	48.1	1.9	25.3	6.5	201,614

NOTE: Table prepared by CRS.

Figure 1.13. Sources of Physician Services Payments, 1960-1995



Source: Figure prepared by CRS based on data from the Office of Actuary, Office of National Health Statistics.

Figure 1.14.
Physician Contacts Per Person, 1987-1994

Largely as a result of an increase in the number of visits by the aged, the number of physician contacts per person has increased from 5.4 contacts per person per annum in 1987 to 6.0 contacts per annum per year in 1994. Placing these numbers in context each percentage point increase represents approximately 250,000 contacts with a physician in person or by phone for the purpose of examination, diagnosis, treatment or advice.

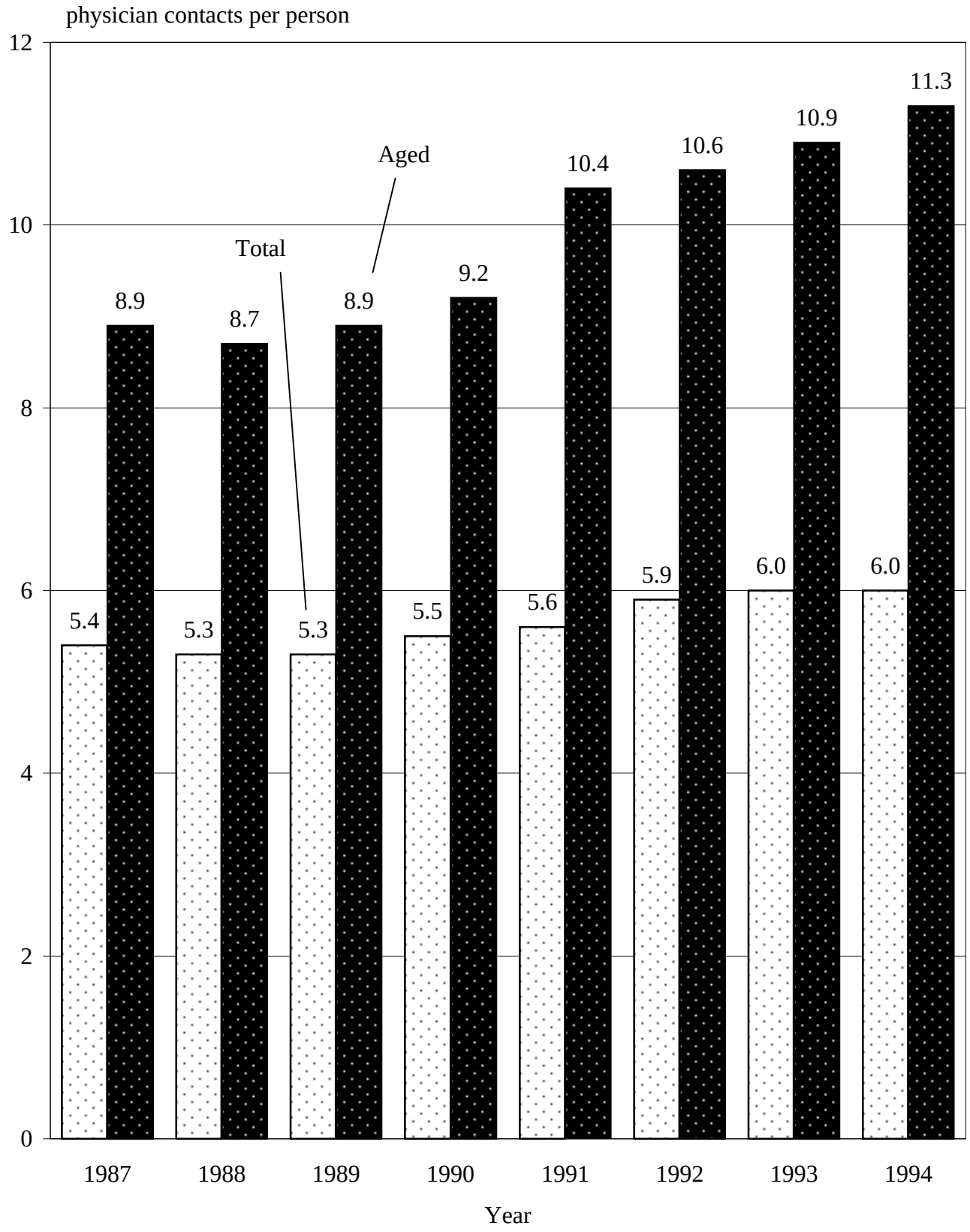
For the elderly, the number of physician contacts increased from 8.9 contacts per year in 1989 to 11.3 contacts per person in 1994.

TABLE. 1.14.
Physician Contacts Per Person
1987-1994

Year	Total	Aged
1987	5.4	8.9
1988	5.3	8.7
1989	5.3	8.9
1990	5.5	9.2
1991	5.6	10.4
1992	5.9	10.6
1993	6.0	10.9
1994	6.0	11.3

NOTE: Table prepared by CRS.

Figure 1.14. Physician Contacts Per Person, 1987-1994



Source: Figure prepared by CRS based on data from American Medical Association.

Figure 1.15.
Physician Supply, Selected Years 1965-1994

Since the 1960s the number of physicians in the United States has grown rapidly. In 1965, 266,000 physicians (excluding those physicians practicing in federal health systems) provided services to the U.S. population. By 1975, the number of physicians increased to 357,000. By 1994, there were close to 653,000 physicians in the United States, more than double the number in 1965.

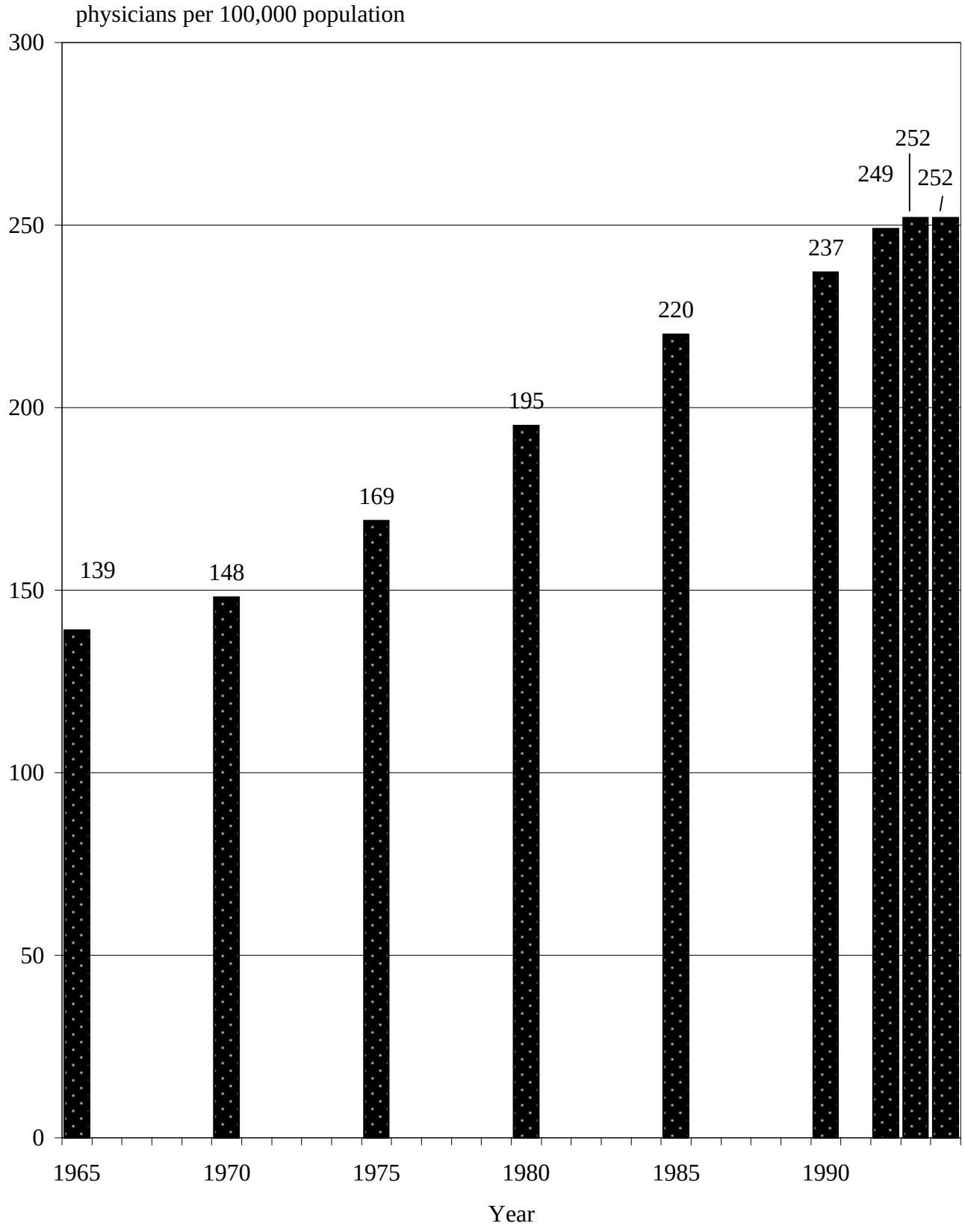
As shown in figure 1.15, the increase in the number of physicians has outpaced population growth in the United States. A recent Institute of Medicine report indicates that the physician growth rate is about 1-1/2 times the rate of population growth. It should be noted that this overall growth rate masks significant differences in the physician to population ratio in specific geographic regions.

TABLE 1.15.
Physician Supply, Selected Years 1965-1994

Year	Number of Physicians Per 100,000 Population
1965	139
1970	148
1975	169
1980	195
1985	220
1990	237
1992	249
1993	252
1994	252

NOTE: Table prepared by CRS.

Figure 1.15. Physician Supply, Selected Years 1965-1994



Source: Figure prepared by CRS based on data from the American Medical Association. Rates are for non-federal physicians.

Figure 1.16.
Sources of Nursing Home Care Payments, 1960-1995

The federal government's role as a source of payment for nursing home care has changed in the last few years. In 1990, the federal government paid for 31% of care; by 1995, its share increased to about 38%. As depicted in the figure, no other single payment source experienced a similar increase in share of nursing home payments. This increased share coincides with changes in how long-term care services are treated by Medicare.

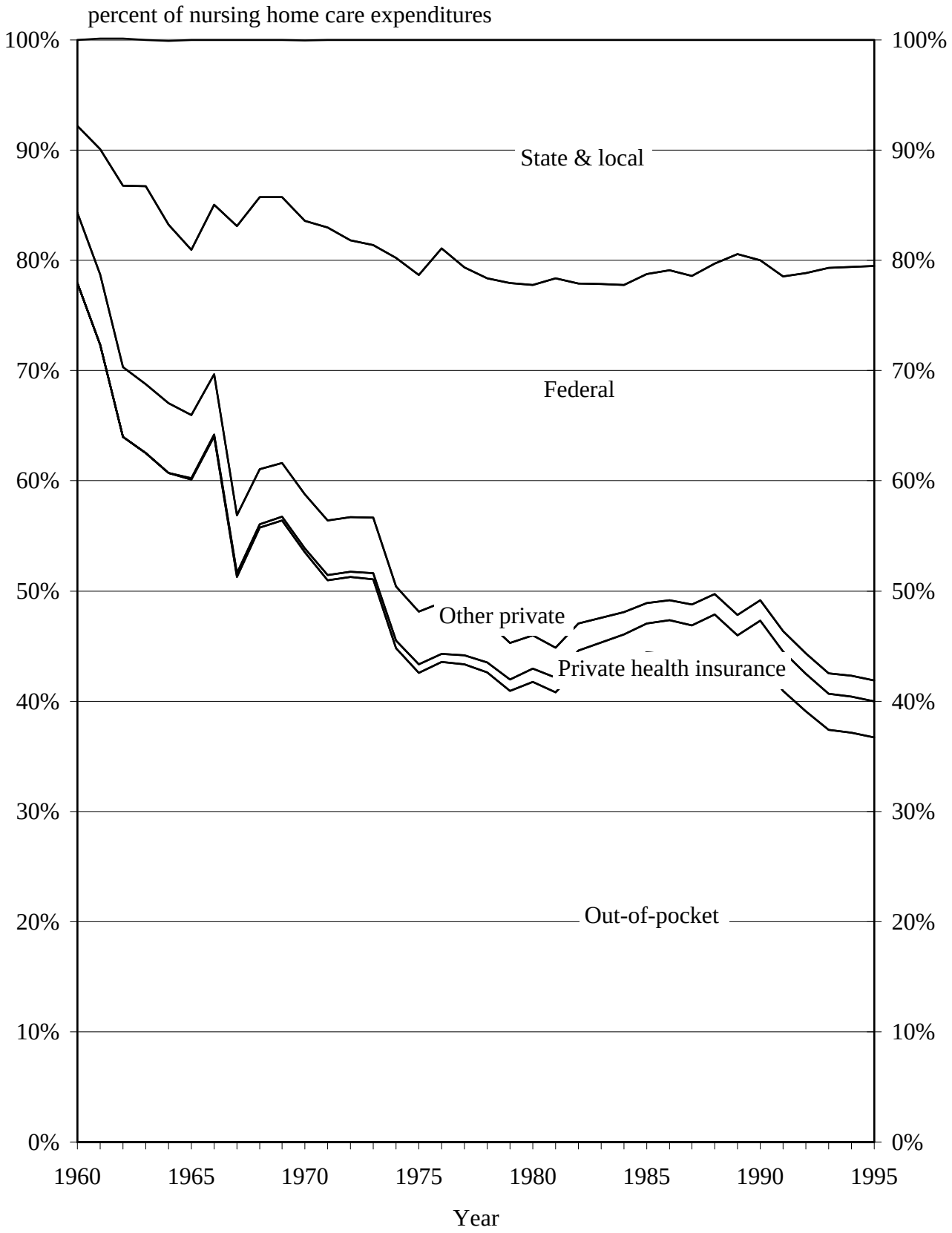
The Nation spent $78 billion for nursing home care in 1995. Government programs financed the largest portion of this, with Medicaid (federal and state spending) playing the largest role. Medicare's role as a payer for nursing home care has increased in the last several years and accounts for much of the increase in the federal government's share of nursing home spending. Out-of-pocket spending is the other major source of payment for nursing home care, private insurance coverage of nursing home services is currently very limited.

TABLE 1.16.
Sources of Nursing Home Care Payments, 1960-1995
(in percent)

Calendar Year	Out-of-Pocket Payments	Private Health Insurance	Other Private	Federal Spending	State and Local Spending	Total Expenditures (in millions)
1960	77.9	0.0	6.4	7.9	7.8	848
1965	60.1	0.1	5.7	15.0	19.0	1,471
1970	53.5	0.4	4.9	24.8	16.4	4,217
1975	42.6	0.7	4.8	30.5	21.3	8,668
1980	41.8	1.2	3.0	31.8	22.2	17,649
1985	44.4	2.7	1.8	29.8	21.2	30,679
1990	43.6	3.7	1.8	30.8	20.0	50,928
1991	40.9	3.6	1.8	32.2	21.5	57,164
1992	39.1	3.4	1.9	34.5	21.2	62,301
1993	37.4	3.3	1.9	36.8	20.7	67,029
1994	37.1	3.3	1.9	37.1	20.6	72,446
1995	36.7	3.3	1.9	37.6	20.5	77,877

NOTE: Table prepared by CRS.

Figure 1.16. Sources of Nursing Home Care Payments, 1960-1995



Source: Figure prepared by CRS based on data from Office of the Actuary, Office of National Health Statistics.

Figure 1.17.
Nursing Home Use by the Aged, 1973-1995

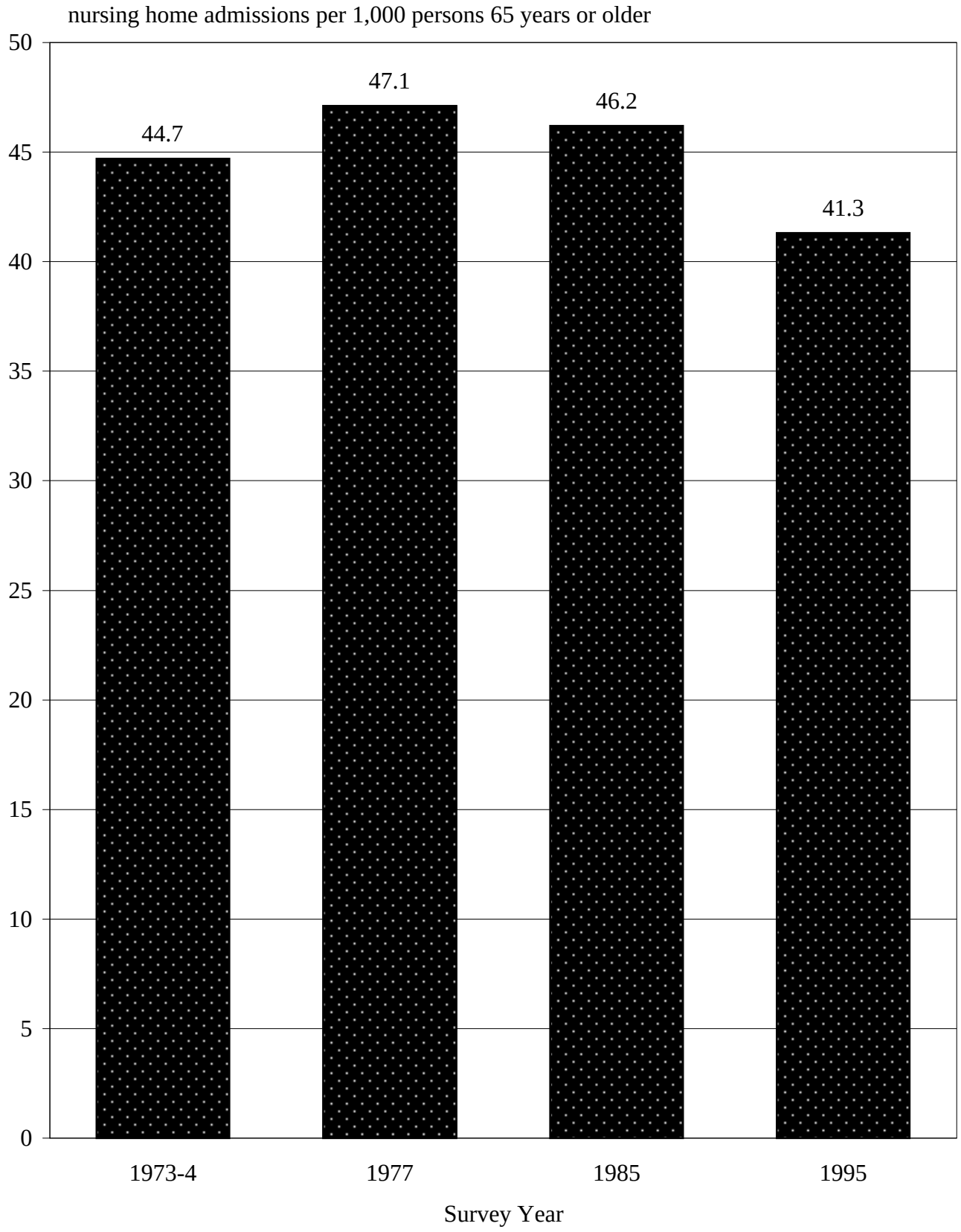
A recent survey finds that the rate of nursing home use among the aged has declined since the mid-1970s. In 1985, 4.6% of the aged were residents in nursing homes. In 1995, this percentage fell to 4.1%. This reduction is occurring at the same time that the aged population is growing in size and becoming much older. One possible explanation for this decline in the use of nursing home services is the growing use of alternative sources of long-term care services for the aged. For instance, the Medicare program's extension of coverage to home health services may have contributed to this lower nursing home utilization rate among the aged.

TABLE 1.17.
Nursing Home Use by the Aged
1973-1995

Year	Rate (Per 1,000)
1973-1974	44.7
1977	47.1
1985	46.2
1995	41.3

NOTE: Table prepared by CRS.

Figure 1.17. Nursing Home Use by the Aged, 1973-1995



Source: Figure prepared by CRS based on NCHS, National Nursing Home Survey data.