

National Health Expenditures, 1929-71

by DOROTHY P. RICE and BARBARA S. COOPER*

THE HEALTH BILL for the Nation amounted to \$75.0 billion in fiscal year 1971, representing an increase of \$7.2 billion or 10.7 percent more than in the previous year. This rise represented the lowest annual percentage gain since fiscal year 1966. In the 4-year period ending June 1970, the annual increase in health care spending averaged 12.6 percent a year.

Though spending for health care rose at a slightly lower annual rate than in previous years, the general economy showed a considerably slower rate of growth. In fiscal year 1971, the gross national product—the market value of all goods and services produced in the United States—increased 5.8 percent over the previous year, about half as fast as health care spending. The result was a sharp rise in the proportion of the gross national product spent for health care—from 7.1 percent in 1970 to 7.4 percent in 1971 (chart 1).

The summary highlights for fiscal year 1971 reveal that

- the Nation paid a \$75.0 billion health bill that represented 7.4 percent of the gross national product
- each person incurred an average health bill of \$358, up \$31 from the previous year
- total health outlays rose nearly 11 percent, the lowest annual percentage gain in 5 years
- Government outlays for health rose 14 percent, as private outlays increased 9 percent
- nearly two-fifths of the rise in Government spending was due to the 25-percent increase in Medicaid outlays
- the public share of the health bill continued to grow and reached 38 percent of the total
- all third-parties—Government, private health insurance, philanthropy, and others—financed 63 percent of the total personal health care bill, 87 percent of the hospital bill, and 61 percent of the bill for physicians' services
- hospital care continued to be the largest item of expenditure, increasing nearly 14 percent to a total of \$29.6 billion
- private health insurance benefit payments jumped 15 percent to reach \$16.6 billion.

EXPENDITURES IN FISCAL YEAR 1971

The \$75 billion medical care bill is a large one, with increases of about \$7.2 billion, or 10.7 per-

*Division of Health Insurance Studies, Office of Research and Statistics.

cent, over the total in the previous year. Per capita expenditures reached \$358 in fiscal year 1971. Table 1 presents aggregate and per capita data for selected years beginning with fiscal year 1929.¹

Hospital care continues to be by far the largest single item of expenditure, totaling \$29.6 billion in 1971 (table 2). Representing 39.5 percent of the total, outlays for hospital care rose 13.6 percent over 1970 expenditures, a slightly lower annual rate of increase than in any of the preceding 4 years. Expenditures for this purpose had grown at the rate of 16.3 percent a year from 1966 to 70. The rise in the outlays for hospital care reflects the continuing increase in hospital wages and prices, hospital use, and improvements in quality of services. In fiscal year 1971, hospital prices as measured by the hospital daily-service-charge component of the BLS consumer price index increased 12.9 percent. The daily service charge represents the basic charge for room and board and reflects the rate of charge for the most common type of accommodation—a semiprivate room. Excluded are charges for laboratory work, X-rays, drugs, use of operating room, and special nursing.

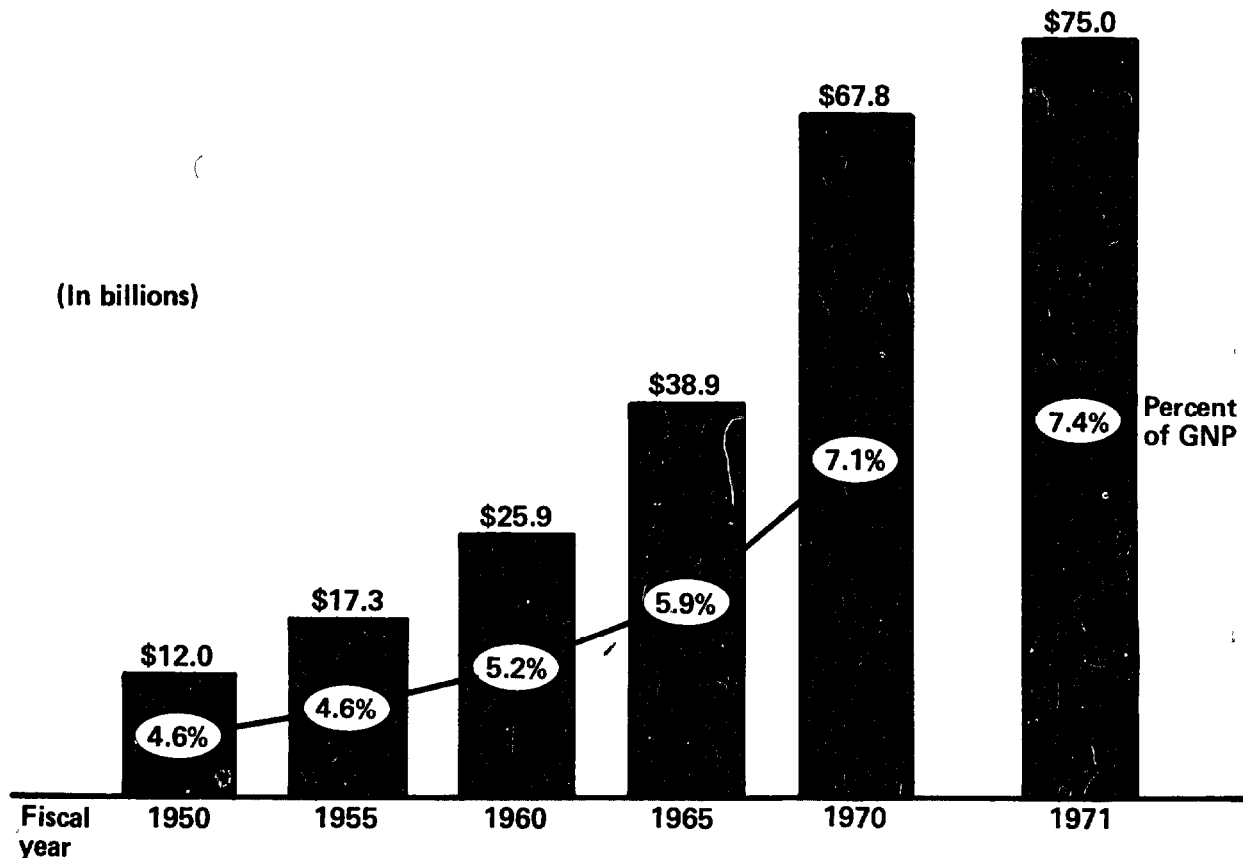
In contrast, the American Hospital Association publishes a figure for the average expense per patient day that is not a measure of price but an estimate of the cost of producing a day of hospital care. This measure also increased at a relatively high rate in fiscal year 1971—13.2 percent.

Expenditures in fiscal year 1971 for physicians' services (\$14.2 billion) and dentists' services (\$4.7 billion) were higher by 9.9 and 9.8 percent, respectively. A significant portion of the growth in these expenditures can be attributed to the increase in fees for these services—7.5 percent for physicians' fees and 6.0 percent for dentists' fees.

The following tabulation compares the percentage increases from fiscal year 1970 to fiscal

¹ For comparable data on a calendar-year basis, see Barbara S. Cooper and Nancy L. Worthington, *National Health Expenditures, Calendar Years 1929-70*, (Research and Statistics Note No. 00), Office of Research and Statistics, 1971.

CHART 1.—National health expenditures and percent of gross national product, selected fiscal years 1950-71



year 1971 in total expenditures for all health services and supplies and selected types of services with the increase in the comparable medical care price index.

Item	Percentage increase in	
	Total expenditures	CPI medical care component
Health services and supplies.....	11.1	16.9
Hospital care.....	13.6	12.9
Physicians' services.....	9.9	7.5
Dentists' services.....	9.8	6.0
Drugs and drug sundries.....	7.2	2.4

¹ Represents increase in medical care index

² Represents increase in index for hospital daily service charge

The 1970 figures used here, as well as the data for earlier years shown in table 1, differ somewhat from those reported in last year's article. For recent years, part of the difference reflects the availability of more current, accurate data for several categories of expenditures. The major difference, however, reflects three adjustments made in the entire series. The first involved the addi-

tion of the administrative expenses of the medical assistance program (Medicaid), which amounted to \$92 million in fiscal year 1967 and rose to \$279 million in fiscal year 1971.

The second adjustment was the addition of the data on hospital care expenditures back to 1950 for the outlying areas of the United States—Guam, Puerto Rico, Samoa, and the Virgin Islands. Conceptually, this series on the Nation's outlays for health care encompasses expenditures made in behalf of the residents of these outlying areas of the United States. A total of 167,000 persons residing in these areas are enrolled in the Medicare program and, in 1969, about \$20 million was paid out under the program for services they received. The data for public programs have therefore covered these areas. Data for hospital care expenditures, obtained from another source, had erroneously excluded them, however.

The third modification involved more complete and accurate reporting by the Department of Defense of their expenditures for hospital care. This adjustment also affected the figures back to 1950.

TABLE 1—Aggregate and per capita national health expenditures, by source of funds, and percent of gross national product, selected fiscal years, 1928-29 through 1970-71

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
1928-29.....	\$101 0	\$3,589	\$29.16	3 6	\$3,112	\$25 28	86 7	\$477	\$3 88	13 3
1934-35.....	68 7	2,846	22 04	4 1	2,303	17 84	80 9	543	4 21	19 1
1939-40.....	95 1	3,863	28 83	4 1	3,081	22 99	79 8	782	5 84	20 2
1949-50.....	263 4	12,028	78 35	4 6	8,962	58 38	74 5	3,065	19 97	25 5
1954-55.....	379 7	17,330	103 76	4 6	12,909	77 29	74 5	4,420	26 46	25 5
1959-60.....	495 6	25,857	141.64	5 2	19,490	106 60	75.3	6,395	35 03	24 7
1964-65.....	655 6	38,892	197 81	5 9	29,357	149.32	75 5	9,535	48.50	24 5
1965-66.....	718 5	42,109	211 64	5 9	31,279	157 21	74 3	10,830	54 43	25 7
1966-67.....	771.4	47,860	237.93	6 2	32,037	159 27	66 9	15,823	78.66	33 1
1967-68.....	827.0	53,563	263 49	6 5	33,523	164 91	62 6	20,040	98 58	37.4
1968-69.....	898 4	59,939	292 01	6 7	37,004	180 28	61.7	22,935	111 74	38.3
1969-70.....	953 2	67,770	326 78	7.1	42,738	206 08	63 1	25,032	120.70	36.9
1970-71.....	1,008 5	75,012	358 05	7.4	46,548	222 18	62.1	28,463	135.86	37.9

SOURCE OF FUNDS

The increased public financing of health care that began with the start of Medicare and Medicaid in fiscal year 1967 continued in fiscal year 1971. From 1950 through 1966, the public share had been about one-fourth of the total. Since that time, except for 1970, the public sector has enlarged its share, reaching 38 percent in 1971 (chart 2).

The rise in the portion of the health bill paid by the Government is readily understood in light of the fact that Government spending for medical care has increased 163 percent in the past 5 years—an average of 21 percent each year. In 1971 it rose 14 percent. Private spending, on the other hand, went up 49 percent in that 5-year period (8 percent per year) and 9 percent in 1971, as shown below.

Fiscal year	Annual increase		
	Total	Public	Private
1967.....	13 7	46 1	2 4
19 8.....	11.9	26 7	4.6
1969.....	11.9	14 4	10 4
1970.....	13 1	9 1	15 5
1971.....	10 7	13 7	8 9

Public funds come from both Federal and State and local governments. In 1971, two-thirds of public health care spending was furnished by Federal funds—in 1966 the proportion was half. The large amount spent under the Medicare program—nearly \$8 billion in 1971—primarily accounts for this shift.

For the most part, private expenditures represent payments made by private consumers or by

private insurers in their behalf. These consumer expenditures amounted to \$42.5 billion in 1971, an increase of \$3.6 billion more than the total in the previous year.

Included in the remaining private expenditures are private philanthropy, amounts spent by industry for maintenance of in-plant health services (classified under "other health services"), expenditures made from capital funds for expansion, renovation, or new construction of medical facilities, and outlays for research by private foundations. These expenditures amounted to \$4.1 billion in fiscal year 1971.

The type of service purchased differs with the source of funds. About three-tenths of the \$46.5 billion spent in 1971 from private sources was for hospital care; more than half of the \$28.5 billion from public funds was for hospital care. Similarly, nursing-home care comprised less than 3 percent of private expenditures but represented 7 percent of the public outlays. The proportion spent for medical research was also smaller in the private sector—0.4 percent, compared with 6 percent in the nonprivate sector.

In contrast, only 2 percent of the public medical care dollar went for drugs, in comparison with 15 percent of the private dollar. Thirty-five percent of the private health dollar purchased services of health professionals—doctors, dentists, nurses, and other medical professional personnel; only 14 percent of public funds were spent for these services.

The above analysis of expenditures by source of funds classifies all of the Medicare outlays, including premium payments by individuals, as

public expenditures. This classification conforms with that of social insurance in the Social Security Administration's social welfare expenditure series where all outlays, including those financed through employee contributions, are treated as public.²

In fiscal year 1971, Medicare outlays totaled \$7.9 billion. An estimated 13 percent was derived from premium payments by individuals. If these premium payments were classified as private expenditures, the public share of national health expenditures would be reduced from 37.9 percent to 36.6 percent.

The estimated source of funds for Medicare outlays in fiscal years 1967-71 is indicated below for both hospital insurance and supplementary medical insurance.

Source of funds	1967	1968	1969	1970	1971
<i>Medicare, total</i>					
Expenditures (in millions).....	\$3,394.6	\$5,347.1	\$6,597.7	\$7,149.2	\$7,875.0
Percent from—					
Payroll tax.....	67.9	66.0	61.4	61.2	60.3
Premium payments.....	11.4	13.9	12.2	13.8	13.0
General revenues.....	20.7	20.1	26.3	24.9	26.7
<i>Hospital insurance</i>					
Expenditures (in millions).....	\$2,596.6	\$3,814.9	\$4,758.2	\$4,952.8	\$5,592.4
Percent from—					
Payroll tax.....	88.8	92.5	85.2	88.4	84.9
General revenues.....	11.2	7.5	14.8	11.6	15.1
<i>Medical insurance</i>					
Expenditures (in millions).....	\$798.0	\$1,532.2	\$1,839.5	\$2,196.3	\$2,282.6
Percent from—					
Premium payments.....	48.4	48.4	43.8	45.0	44.9
General revenues.....	51.6	51.6	56.2	55.0	55.1

Expenditures Under Public Programs

The total amount expended for health services and supplies under government programs was \$25.6 billion in 1971. Federal funds amounting to \$16.5 billion supplied 64.3 percent of this total. The remainder came from State and local government sources.

Each government program with health expenditures is listed in table 3, which distributes the amounts spent in fiscal years 1969-71 by type of expenditure. These government programs and their outlays are the same as those currently reported in the health expenditure table in the annual article on social welfare expenditures.

² See Alfred M. Skolnik and Sophie R. Dales, "Social Welfare Expenditures, 1929-71," *Social Security Bulletin*, December 1971.

Public spending for health services and supplies in 1971 rose \$3.2 billion or about 14 percent over the previous year. Nearly two-fifths of this rise was due to increases in spending under the Medicaid program. Vendor medical payments under public assistance—primarily Medicaid—amounted to \$6.5 billion in 1971, a growth of 25 percent. Medicaid expenditures constitute one-fourth of all health outlays from public funds.

The largest public program for medical care, financing three-tenths of public spending, is Medicare. In 1971, Medicare spent \$7.9 billion, up 10 percent from 1970. Nearly all of this increase was for hospital care, reflecting the overall rise in hospital care prices and costs. For physicians' services, there was a concentrated effort to tighten reimbursement procedures. Only those charges that fell within the 75th percentile of the customary charges made for similar services in calendar year 1969 were to be recognized in fiscal year 1971. As a result, about 41 percent of the total approved claims were reduced and Medicare outlays for physicians' services rose only \$39 million, or about 2 percent. Further tightening of controls in extended-care facilities led to a slight decrease in such spending—from \$292 million in 1970 to \$247 million in 1971.³

Medicare and Medicaid combined pay about 56 percent of the public medical care bill. There is, however, a small amount of duplication in the amounts spent by these two programs. Medicaid expenditures include premiums paid into Medicare's supplementary medical insurance trust fund for medical insurance coverage of old-age assistance recipients and in some States for the aged medically indigent. To the extent that the premium payments are also subsequently reflected in disbursements made from the supplementary medical insurance trust fund, they are counted again. The amount of premiums paid by States to "buy in" coverage for these aged persons since the beginning of the Medicare program is as follows:

Fiscal year	Amount (in millions)
1967	\$32.1
1968	53.0
1969	75.8
1970	97.2
1971	131.5

³ Howard West, "Five Years of Medicare—A Statistical Review," *Social Security Bulletin*, December 1971.

The third largest public program was general hospital and medical care. Primarily State and local spending in mental hospitals, this program furnished \$3.8 billion in 1971, up nearly one-half of \$1 billion higher than the total in the previous year.

The type of expenditure that received the largest public support in 1971 was hospital care, representing 58 percent of all public outlays for health services and supplies. The proportion going to hospitals varies, however, among the public programs. In 1971, hospital expenditures

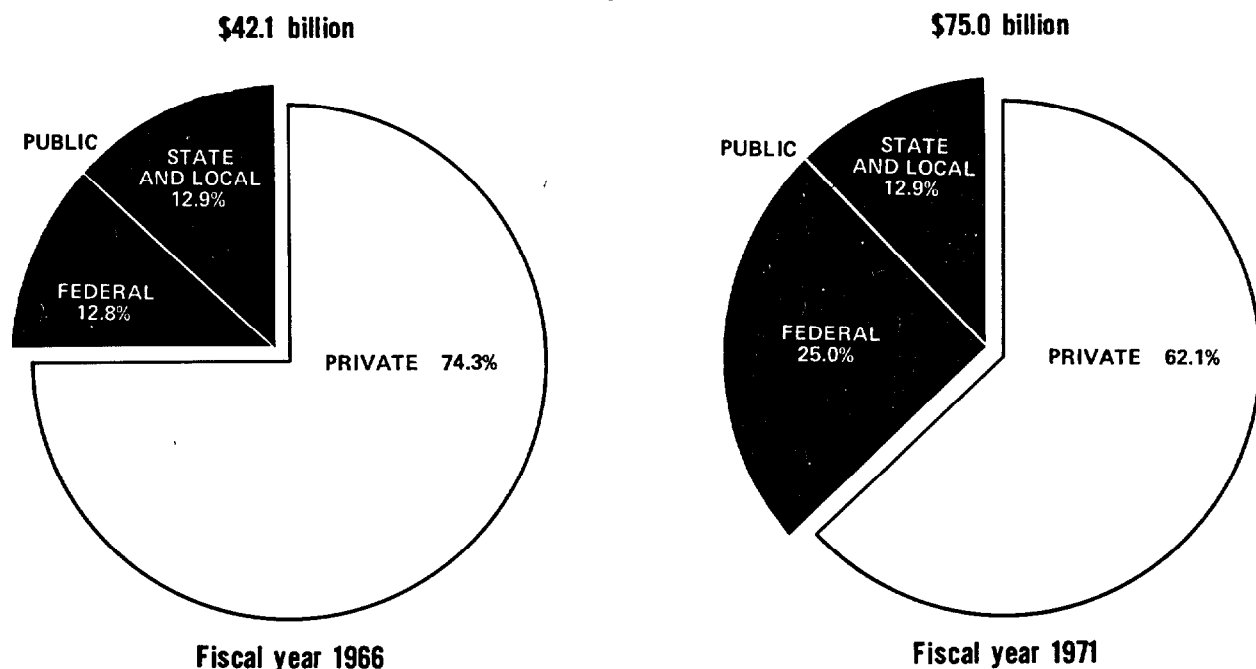
TABLE 2.—National health expenditures, by type of expenditure and source of funds, fiscal years, 1968-69 through 1970-71

[In millions]

Type of expenditure	Total	Source of funds					
		Private			Public		
		Total	Consumers	Other	Total	Federal	State and local
1970-71							
Total.....	\$75,012	\$42,548	\$48,477	\$4,071	\$28,463	\$18,767	\$9,696
Health services and supplies.....	69,479	43,873	42,477	1,396	25,605	16,471	9,134
Hospital care.....	29,628	14,871	14,472	399	14,757	9,510	5,246
Physicians' services.....	14,245	10,700	10,688	12	3,545	2,522	1,022
Dentists' services.....	4,660	4,400	4,400	-----	260	154	106
Other professional services.....	1,475	1,253	1,224	29	222	173	49
Drugs and drug sundries ¹	7,470	6,930	6,930	-----	540	271	269
Eyeglasses and appliances.....	1,915	1,849	1,849	-----	66	37	30
Nursing-home care.....	3,365	1,338	1,314	24	2,027	1,174	853
Expenses for prepayment and administration.....	2,296	1,600	1,600	-----	696	565	131
Government public health activities.....	1,618	-----	-----	-----	1,618	799	819
Other health services.....	2,807	932	-----	932	1,875	1,266	609
Research and medical-facilities construction.....	5,533	2,675	-----	2,675	2,858	2,296	562
Research ¹	2,019	200	-----	200	1,819	1,742	77
Construction.....	3,514	2,475	-----	2,475	1,039	554	485
Publicly owned facilities.....	875	-----	-----	-----	875	404	471
Privately owned facilities.....	2,639	2,475	-----	2,475	164	150	14
1969-70							
Total.....	\$67,770	\$42,738	\$38,850	\$3,888	\$25,032	\$16,598	\$8,434
Health services and supplies.....	62,516	40,140	38,850	1,290	22,376	14,492	7,884
Hospital care.....	26,090	13,335	12,964	371	12,755	8,269	4,486
Physicians' services.....	12,966	9,700	9,690	10	3,266	2,378	889
Dentists' services.....	4,245	4,041	4,041	-----	204	114	89
Other professional services.....	1,384	1,162	1,135	27	222	168	54
Drugs and drug sundries ¹	6,971	6,527	6,527	-----	444	221	223
Eyeglasses and appliances.....	1,850	1,792	1,792	-----	58	31	27
Nursing-home care.....	2,875	1,208	1,186	22	1,667	1,003	664
Expenses for prepayment and administration.....	2,105	1,515	1,515	-----	590	491	98
Government public health activities.....	1,260	-----	-----	-----	1,260	590	670
Other health services.....	2,769	860	-----	860	1,909	1,226	682
Research and medical-facilities construction.....	5,254	2,598	-----	2,598	2,656	2,106	550
Research ¹	1,848	195	-----	195	1,653	1,577	76
Construction.....	3,406	2,403	-----	2,403	1,003	529	474
Publicly owned facilities.....	860	-----	-----	-----	860	399	461
Privately owned facilities.....	2,546	2,403	-----	2,403	143	130	13
1968-69							
Total.....	\$59,939	\$37,004	\$34,057	\$2,947	\$22,935	\$15,228	\$7,707
Health services and supplies.....	55,649	35,257	34,057	1,200	20,392	13,218	7,174
Hospital care.....	22,446	10,726	10,378	348	11,720	7,702	4,018
Physicians' services.....	11,707	8,887	8,877	10	2,820	2,014	806
Dentists' services.....	3,821	3,589	3,589	-----	232	124	108
Other professional services.....	1,306	1,106	1,080	26	200	151	49
Drugs and drug sundries ¹	6,448	6,100	6,100	-----	348	173	174
Eyeglasses and appliances.....	1,770	1,719	1,719	-----	51	26	25
Nursing-home care.....	2,465	762	742	20	1,703	1,055	648
Expenses for prepayment and administration.....	2,058	1,572	1,572	-----	486	403	83
Government public health activities.....	1,195	-----	-----	-----	1,195	525	670
Other health services.....	2,433	796	-----	796	1,637	1,045	592
Research and medical-facilities construction.....	4,290	1,747	-----	1,747	2,543	2,010	533
Research ¹	1,790	190	-----	190	1,600	1,528	72
Construction.....	2,500	1,557	-----	1,557	943	482	461
Publicly owned facilities.....	708	-----	-----	-----	708	260	448
Privately owned facilities.....	1,792	1,557	-----	1,557	235	222	13

¹ Research expenditures of drug companies included in expenditures for drugs and drug sundries and excluded from research expenditures

CHART 2.—Distribution of national health expenditures by source of funds, fiscal years 1966 and 1971



accounted for nearly all expenditures under general hospital and medical care, 67 percent of expenditures under Medicare, and 72 percent of those under the Veterans Administration. Hospital care expenditures represented only 15 percent of outlays for maternal and child health, however.

For the second largest public outlay for health—physicians' services—the distribution also varies among the programs. Workmen's compensation devoted 58 percent of its health outlay to physicians' services. Medicare spent 24 percent for these services and the Veterans Administration less than 1 percent. It should be noted that most of the expenditures for this purpose by the Veterans Administration, as well as those by the Department of Defense, are included with hospital care expenditures (see Definitions page 00).

Expenditures for eyeglasses and appliances represented 11 percent of vocational rehabilitation outlays. These items did not even appear as an identifiable category in expenditures under public assistance.

TRENDS IN HEALTH EXPENDITURES

Medical care expenditures have been rising at a rapid pace. In 1950, such expenditures amounted

to \$12 billion, one-sixth of the 1971 total. By 1960, they had more than doubled; in the next 11 years they tripled (table 4).

The substantial rise in national health expenditures is the result of many factors. One is simply the growth in population. Other factors are the rising costs or prices per unit of service, the increase in the average per capita utilization of health services and supplies, and the rising level and scope of services through new techniques, new drugs, and improved treatment procedures.

By examining expenditures in terms of per capita amounts, one can eliminate population growth as a factor. With this factor eliminated, health expenditures still show a substantial increase from fiscal year 1950 to fiscal year 1971. During this period, per capita expenditures grew from \$78 to four and one-half times that figure—\$358.

By eliminating price as well as population growth, one can determine the increase in expenditures that results from more utilization and a higher level of care. When per capita expenditures are converted to constant fiscal year 1971 dollars by means of the medical care component of the consumer price index, health expenditures still maintain considerable growth: in per capita constant dollars the increase was \$174—a growth of 94 percent.

Although the above discussion indicates the effect of various factors on health expenditures, it does not show the proportion of the increase each of the factors produce. The calculation of these proportions is most meaningful in terms of personal health care expenditures, which rose from the 1950 amount of \$10.4 billion to the 1971 figure of \$65.1 billion. Personal health care expenditures, as defined here and in the social welfare series, represent all expenditures for health services and supplies except expenses for prepayment and administration, government public health activities, and amounts spent by private voluntary agencies for fund-raising and administrative services.

About 47 percent of the \$54.7 billion increase

from fiscal year 1950 to fiscal year 1971 in personal health care expenditures reflected the rise in prices, 17 percent was the result of population growth, and the remaining 36 percent was attributable to greater utilization of services and the introduction of new medical techniques. The relative contributions of the various factors in the growth during the period 1950-71 are compared below.

Factor	Aggregate Increase (in billions)	Percentage distribution
Total.....	\$54.7	100.0
Price.....	25.8	47.2
Population.....	9.2	16.8
All other.....	19.7	36.0

TABLE 3—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years, 1968-69 through 1970-71

(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.....	\$25,604.9	\$14,756.8	\$3,544.8	\$260.2	\$221.5	\$539.6	\$66.4	\$2,027.0	\$1,617.8	\$1,875.0	\$695.8
Health insurance for the aged ^{1,2}	7,875.0	5,239.0	1,859.0	-----	105.0	-----	-----	247.0	-----	28.0	397.0
Temporary disability insurance (medical benefits) ³	68.4	47.0	19.1	-----	1.0	.7	.7	-----	-----	-----	-----
Workmen's compensation (medical benefits).....	1,050.0	367.5	609.0	-----	31.5	21.0	21.0	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	6,493.8	2,601.1	745.8	205.1	18.6	491.0	-----	1,709.1	-----	354.3	278.8
General hospital and medical care.....	3,831.7	3,785.4	6.7	1.1	2.0	2.0	-----	-----	-----	34.6	-----
Defense Department hospital and medical care (including military dependents) ⁴	1,788.3	1,147.0	102.2	-----	-----	-----	-----	-----	-----	539.1	-----
Maternal and child health services.....	447.9	67.4	40.0	9.9	31.7	9.6	12.8	-----	-----	276.5	-----
School health.....	258.0	-----	-----	-----	-----	-----	-----	-----	-----	258.0	-----
Other public health activities.....	1,617.8	-----	-----	-----	-----	-----	-----	-----	1,617.8	-----	-----
Veterans' hospital and medical care ⁴	1,873.8	1,354.2	14.5	36.6	-----	3.2	15.5	70.9	-----	358.9	20.0
Medical vocational rehabilitation.....	149.3	68.2	74.7	-----	-----	-----	16.4	-----	-----	-----	-----
Office of Economic Opportunity.....	150.8	-----	73.9	7.5	31.7	12.1	-----	-----	-----	25.6	-----
Federal.....	16,470.9	9,510.5	2,522.5	154.4	172.8	270.6	36.6	1,174.0	798.6	1,266.3	564.7
Health insurance for the aged ^{1,2}	7,875.0	5,239.0	1,859.0	-----	105.0	-----	-----	247.0	-----	28.0	397.0
Workmen's compensation (medical benefits).....	23.0	15.0	5.8	-----	1.4	.5	.5	-----	-----	-----	-----
Public assistance (medical vendor payments) ²	3,260.7	1,347.9	373.6	102.7	9.3	245.9	-----	856.1	-----	177.4	147.7
General hospital and medical care.....	376.1	329.8	6.7	1.1	2.0	2.0	-----	-----	-----	34.6	-----
Defense Department hospital and medical care (including military dependents) ⁴	1,788.3	1,147.0	102.2	-----	-----	-----	-----	-----	-----	539.1	-----
Maternal and child health services.....	205.1	31.0	27.1	6.5	23.4	6.9	7.5	-----	-----	102.7	-----
Other public health activities.....	798.6	-----	-----	-----	-----	-----	-----	-----	798.6	-----	-----
Veterans' hospital and medical care ⁴	1,873.8	1,354.2	14.5	36.6	-----	3.2	15.5	70.9	-----	358.9	20.0
Medical vocational rehabilitation.....	119.4	46.6	59.7	-----	-----	-----	13.1	-----	-----	-----	-----
Office of Economic Opportunity.....	150.8	-----	73.9	7.5	31.7	12.1	-----	-----	-----	25.6	-----
State and local.....	9,134.0	5,246.3	1,022.3	105.8	48.7	269.0	29.8	853.1	819.2	608.6	131.1
Temporary disability insurance (medical benefits) ³	68.4	47.0	19.1	-----	1.0	.7	.7	-----	-----	-----	-----
Workmen's compensation (medical benefits).....	1,027.0	352.5	603.2	-----	30.1	20.5	20.5	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	3,233.1	1,343.2	372.2	102.4	9.3	245.1	-----	853.1	-----	176.8	131.1
General hospital and medical care.....	3,455.6	3,455.6	-----	-----	-----	-----	-----	-----	-----	-----	-----
Maternal and child health services.....	242.8	36.4	12.9	3.4	8.3	2.7	5.3	-----	-----	173.8	-----
School health.....	258.0	-----	-----	-----	-----	-----	-----	-----	-----	258.0	-----
Other public health activities.....	819.2	-----	-----	-----	-----	-----	-----	819.2	-----	-----	-----
Medical vocational rehabilitation.....	29.9	11.6	14.9	-----	-----	-----	3.3	-----	-----	-----	-----

See footnotes at end of table

THIRD-PARTY PAYMENTS

As health expenditures have risen, an increasing proportion has been paid by third parties. Although aggregate payments have risen, the individual has had a diminishing share to pay directly out of his pocket. Private health insurance, philanthropy, and industry (through industrial in-plant services) have helped reduce the consumer's direct payments. These private third-party outlays coupled with Government health expenditures have grown significantly in the past few years (table 5).

In fiscal year 1950, direct payments had represented 68 percent of the total and the remaining 32 percent had been contributed by third parties

as follows: Federal, State, and local governments (20 percent), private health insurance (8 percent), and philanthropy and others (3 percent).

In the 1950's, private health insurance grew substantially. Thus by fiscal year 1960, third parties paid 45 percent of the personal health care bill, distributed as follows: The government share was 22 percent, the private health insurance share moved up to 21 percent, and 2 percent came from philanthropy.

With the implementation of Medicare in 1966, a number of changes occurred in the source of payment for medical care services. In fiscal year 1971, third-party payments increased to 63 percent of the total, with the government proportion rising to 36 percent and the share held by private

TABLE 3—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years, 1968-69 through 1970-71—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
1969-70											
Total.....	\$22,376.3	\$12,755.4	\$3,266.5	\$203.7	\$222.1	\$444.3	\$58.2	\$1,666.9	\$1,260.0	\$1,909.0	\$589.8
Health insurance for the aged ^{1,2}	7,149.2	4,541.0	1,820.0	.....	99.0	.....	.....	292.0	.....	31.0	365.7
Temporary disability insurance (medical benefits) ³	62.6	44.9	15.8	.....	8	.5	.5	.....	.....	.....	.....
Workmen's compensation (medical benefits).....	965.0	337.8	559.7	.....	29.0	19.3	19.3	.....	.....	.....	.....
Public assistance (vendor medical payments) ²	5,212.8	1,942.0	585.1	170.9	35.1	401.1	.....	1,326.5	.....	545.4	206.7
General hospital and medical care.....	3,382.3	3,347.6	5.2	.9	1.3	1.3	.....	.....	.....	26.1	.....
Defense Department hospital and medical care (including medical dependents) ⁴	1,759.6	1,127.4	100.7	.....	.....	.....	.....	.....	.....	.....	.....
Maternal and child health services.....	431.4	64.8	38.2	9.5	30.2	9.1	12.3	.....	.....	531.5	.....
School health.....	241.0	.....	.....	.....	.....	.....	.....	.....	.....	267.3	.....
Other public health activities.....	1,260.0	.....	.....	.....	.....	.....	.....	.....	1,260.0	241.0	.....
Veterans' hospital and medical care ⁴	1,651.4	1,297.5	12.0	16.0	.....	2.8	12.2	48.4	.....	245.1	17.4
Medical vocational rehabilitation.....	133.8	52.4	67.4	.....	.....	.....	13.9	.....	.....	.....	.....
Office of Economic Opportunity.....	127.3	.....	62.4	6.4	26.7	10.2	.....	.....	.....	21.6	.....
Federal.....	14,491.9	8,269.0	2,377.7	114.5	167.9	221.1	30.8	1,002.6	590.3	1,226.4	491.4
Health insurance for the aged ^{1,2}	7,149.2	4,541.0	1,820.0	.....	99.0	.....	.....	292.0	.....	31.0	365.7
Workmen's compensation (medical benefits).....	20.7	13.5	5.2	.....	1.2	4	.4	.....	.....	.....	.....
Public assistance (medical vendor payments) ²	2,607.1	969.5	292.4	85.0	17.5	199.9	.....	662.2	.....	272.4	108.3
General hospital and medical care.....	283.3	248.6	5.2	.9	1.3	1.3	.....	.....	.....	26.1	.....
Defense Department hospital and medical care (including military dependents) ⁴	1,759.6	1,127.4	100.7	.....	.....	.....	.....	.....	.....	.....	.....
Maternal and child health services.....	196.0	29.5	25.8	6.2	22.2	6.5	7.1	.....	.....	531.5	.....
Other public health activities.....	590.3	.....	.....	.....	.....	.....	.....	.....	590.3	98.7	.....
Veterans' hospital and medical care ⁴	1,651.4	1,297.5	12.0	16.0	.....	2.8	12.2	48.4	.....	245.1	17.4
Medical vocational rehabilitation.....	107.0	42.0	54.0	.....	.....	.....	11.1	.....	.....	.....	.....
Office of Economic Opportunity.....	127.3	.....	62.4	6.4	26.7	10.2	.....	.....	.....	21.6	.....
State and local.....	7,884.3	4,486.4	889.0	89.2	54.2	223.2	27.4	664.3	669.7	682.5	98.4
Temporary disability insurance (medical benefits) ³	62.6	44.9	15.8	.....	8	.5	.5	.....	.....	.....	.....
Workmen's compensation (medical benefits).....	944.3	324.3	554.5	.....	27.8	18.9	18.9	.....	.....	.....	.....
Public assistance (vendor medical payments) ²	2,605.6	972.4	292.8	85.9	17.6	201.2	.....	664.3	.....	273.0	98.4
General hospital and medical care.....	3,099.0	3,099.0	.....	.....	.....	.....	.....	.....	.....	.....	.....
Maternal and child health services.....	235.3	35.3	12.4	3.3	8.0	2.6	5.2	.....	.....	168.5	.....
School health.....	241.0	.....	.....	.....	.....	.....	.....	.....	.....	241.0	.....
Other public health activities.....	669.7	.....	.....	.....	.....	.....	.....	.....	669.7	.....	.....
Medical vocational rehabilitation.....	26.8	10.5	13.5	.....	.....	.....	2.8	.....	.....	.....	.....

See footnotes at end of table.

health insurance advancing to 26 percent; direct payments were further reduced to 37 percent (chart 3).

In the area of hospital care expenditures, the growth of private health insurance and the impact of Medicare and Medicaid have been especially influential in reducing the share of direct payments by consumers. In fiscal year 1971, the third-party share of hospital care expenditures reached 87 percent—36 percent from private health insurance, 1 percent from philanthropy and industry, and 50 percent from Government. Consumers directly paid only 13 percent of the total hospital bill.

For physicians' services, however, the share paid by third parties is not so substantial. In 1971, third-party payments represented 61 percent of the total—36 percent came from health insurance, 25 percent from public funds, and the remaining fraction from philanthropy and industry.

Private Health Insurance

The private health insurance portion of third-party outlays has shown considerable growth in the last few years. In fiscal year 1971 alone, bene-

TABLE 3.—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years, 1968-69 through 1970-71—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
1968-69											
Total.....	\$20,391.5	\$11,720.1	\$2,820.1	\$232.0	\$200.3	\$347.5	\$51.3	\$1,703.2	\$1,194.7	\$1,636.8	\$485.5
Health insurance for the aged ^{1,2}	6,597.7	4,308.0	1,512.0	-----	83.0	-----	-----	367.0	-----	29.0	298.8
Temporary disability insurance (medical benefits) ³	57.7	42.6	13.4	-----	.7	.5	.5	-----	-----	-----	-----
Workmen's compensation (medical benefits)	875.0	306.2	507.5	-----	26.2	17.5	17.5	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	4,505.6	1,634.1	523.3	210.6	33.3	306.8	-----	1,295.4	-----	419.6	172.4
General hospital and medical care	3,009.7	2,984.3	4.6	.7	1.2	1.2	-----	-----	-----	17.8	-----
Defense Department hospital and medical care (including military dependents) ⁴	1,749.5	1,174.1	86.7	-----	-----	-----	-----	-----	-----	488.7	-----
Maternal and child health services	411.5	62.3	37.1	9.4	29.4	8.8	11.6	-----	-----	252.9	-----
School health	225.0	-----	-----	-----	-----	-----	-----	-----	-----	225.0	-----
Other public health activities	1,194.7	-----	-----	-----	-----	-----	-----	-----	1,194.7	-----	-----
Veterans' hospital and medical care ⁴	1,430.8	1,162.0	13.3	5.0	-----	2.6	10.4	40.8	-----	182.4	14.3
Medical vocational rehabilitation	118.4	46.5	60.5	-----	-----	-----	11.3	-----	-----	-----	-----
Office of Economic Opportunity	126.0	-----	61.7	6.3	26.5	10.1	-----	-----	-----	21.4	-----
Federal.....	13,217.6	7,701.8	2,013.9	124.2	151.3	173.0	26.1	1,054.7	524.7	1,045.4	402.9
Health insurance for the aged ^{1,2}	6,597.7	4,308.0	1,512.0	-----	83.0	-----	-----	367.0	-----	29.0	298.8
Workmen's compensation (medical benefits)	16.7	10.9	4.2	-----	1.0	.3	.3	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	2,297.8	814.8	260.5	106.0	17.7	152.4	-----	646.9	-----	209.8	89.8
General hospital and medical care	193.2	167.8	4.6	.7	1.2	1.2	-----	-----	-----	17.8	-----
Defense Department hospital and medical care (including military dependents) ⁴	1,749.5	1,174.1	86.7	-----	-----	-----	-----	-----	-----	488.7	-----
Maternal and child health services	192.5	29.3	25.5	6.2	21.9	6.4	6.9	-----	-----	96.3	-----
Other public health activities	524.7	-----	-----	-----	-----	-----	-----	-----	524.7	-----	-----
Veterans' hospital and medical care ⁴	1,430.8	1,162.0	13.3	5.0	-----	2.6	10.4	40.8	-----	182.4	14.3
Medical vocational rehabilitation	88.8	34.9	45.4	-----	-----	-----	8.5	-----	-----	-----	-----
Office of Economic Opportunity	126.0	-----	61.7	6.3	26.5	10.1	-----	-----	-----	21.4	-----
State and local.....	7,173.9	4,018.4	806.2	107.8	49.0	174.5	25.2	648.5	670.0	591.5	82.7
Temporary disability insurance (medical benefits) ³	57.7	42.6	13.4	-----	.7	.5	.5	-----	-----	-----	-----
Workmen's compensation (medical benefits)	858.3	295.3	503.3	-----	25.2	17.2	17.2	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	2,297.8	819.4	262.8	104.6	15.6	154.4	-----	648.5	-----	209.9	82.7
General hospital and medical care	2,816.5	2,816.5	-----	-----	-----	-----	-----	-----	-----	-----	-----
Maternal and child health services	219.0	33.0	11.6	3.2	7.5	2.4	4.7	-----	-----	156.6	-----
School health	225.0	-----	-----	-----	-----	-----	-----	-----	-----	225.0	-----
Other public health activities	670.0	-----	-----	-----	-----	-----	-----	-----	670.0	-----	-----
Medical vocational rehabilitation	29.6	11.6	15.1	-----	-----	-----	2.8	-----	-----	-----	-----

¹ Includes premium payments for supplementary medical insurance by or in behalf of enrollees

² Includes duplication in the Medicare and Medicaid amounts where premium payments for Medicare are paid for by Medicaid for old-age recipients and, in some States, for the aged medically indigent.

³ Includes medical benefits paid under public law by private insurance carriers and self-insurers

⁴ Payments for services outside the hospital (excluding "other health services") represent only those made under contract medical care programs.

TABLE 4—Aggregate and per capita national health expenditures, by type of expenditure, selected fiscal years, 1928-29 through 1970-71

Type of expenditure	1928-29	1934-35	1939-40	1949-50	1954-55	1959-60	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
Aggregate amount (in millions)													
Total.....	\$3,589	\$2,846	\$3,863	\$12,027	\$17,330	\$25,855	\$38,802	\$42,109	\$47,860	\$53,563	\$59,930	\$67,770	\$75,012
Health services and supplies.....	3,382	2,788	3,729	11,181	16,392	24,163	35,664	38,661	44,324	49,599	55,649	62,516	69,479
Hospital care.....	651	731	969	3,698	5,689	8,499	13,152	14,245	16,921	19,384	22,446	26,090	29,628
Physicians' services.....	994	744	946	2,689	3,632	5,560	8,405	8,865	9,738	10,734	11,707	12,966	14,245
Dentists' services.....	476	298	402	940	1,457	1,944	2,728	2,866	3,158	3,498	3,821	4,245	4,660
Other professional services.....	248	150	173	384	552	848	989	1,140	1,139	1,210	1,306	1,384	1,475
Drugs and drug sundries.....	601	471	624	1,642	2,282	3,591	4,647	5,032	5,480	5,864	6,448	6,971	7,470
Eyeglasses and appliances.....	131	128	180	475	605	750	1,151	1,309	1,514	1,665	1,770	1,850	1,915
Nursing-home care.....	-----	-----	28	178	291	480	1,271	1,407	1,692	2,070	2,465	2,875	3,365
Expenses for prepayment and administration.....	101	91	161	290	605	809	1,234	1,446	1,820	1,935	2,058	2,105	2,296
Government public health activities.....	89	112	155	351	384	400	671	731	884	1,001	1,195	1,260	1,618
Other health services.....	90	63	92	534	895	1,262	1,416	1,620	1,978	2,238	2,433	2,769	2,807
Research and medical-facilities construction.....	207	58	134	847	938	1,694	3,228	3,448	3,536	3,964	4,290	5,254	5,533
Research.....	-----	-----	3	110	194	592	1,391	1,545	1,606	1,800	1,790	1,848	2,019
Construction.....	207	58	131	737	744	1,102	1,837	1,903	1,930	2,164	2,500	3,406	3,514
Per capita amount ¹													
Total.....	\$29 16	\$22 04	\$28 83	\$78 35	\$103 76	\$141.64	\$197.81	\$211 64	\$237 93	\$263 49	\$292 01	\$326 78	\$358 05
Health services and supplies.....	27 48	21 59	27 83	72 83	98 14	132 36	181.39	194 31	220 35	243 99	271 11	301 45	331.64
Hospital care.....	5 29	5 66	7 23	24 09	34 06	48 56	66 89	71 59	84 12	95 35	109 35	125 80	141 42
Physicians' services.....	8 08	5 76	7 06	17 52	21 75	30 57	42 75	44 56	48 41	52 80	57 03	62 52	67 99
Dentists' services.....	3 87	2 31	3 00	6 12	8 72	10 65	13 88	14 40	15 70	17 21	18 62	20 47	22 24
Other professional services.....	2.01	1 16	1.29	2 50	3 30	4 65	5 03	5 73	5 66	5 95	6 36	6 67	7 04
Drugs and drug sundries.....	4 88	3 65	4 66	10.70	13 66	19 67	23 64	25 29	27 24	28 85	31 41	33 61	35 66
Eyeglasses and appliances.....	1 06	99	1.34	3 09	3 62	4 11	5 85	6 58	7 53	8 19	8 62	8 92	9 14
Nursing-home care.....	-----	-----	.21	1 16	1 74	2 63	6 46	7 07	8 41	10 18	12 01	13 86	16 06
Expenses for prepayments and administration.....	82	.70	1 20	1 89	3 62	4 43	6 28	7 27	9 05	9 52	10 03	10 15	10 96
Government public health activities.....	72	.87	1 16	2 29	2.30	2 19	3 41	3 67	4 39	4 92	5 82	6 08	7 72
Other health services.....	.73	49	69	3 48	5 36	6 91	7 20	8 14	9 33	11 01	11 85	13 35	13 40
Research and medical-facilities construction.....	1 68	45	1 00	5 52	5 62	9 28	16 42	17 33	17 58	19 50	20 90	25 33	26 41
Research.....	-----	-----	.02	.72	1 16	3 24	7 07	7 77	7 98	8 85	8 72	8 91	9 64
Construction.....	1 68	.45	.98	4 80	4 45	6 04	9 34	9 56	9 59	10 65	12 18	16.42	16 77

¹ 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)

fit payments of \$16.6 billion were 15 percent higher than payments in the previous year. In the past 5 years, these payments have averaged increases of about 13 percent per year.

The impact of private health insurance varies substantially with type of service. For all types of personal health services and supplies, private health insurance paid one-fourth of the bill; for both hospital care and physicians' services it paid 36 percent; but for all other services and supplies it paid only 4 percent (table 6).

The cost of private health insurance is classified as a consumer expenditure. About 41 percent of the 1971 consumer personal health bill was financed through private health insurance benefit payments. Benefit payments paid nearly three-fourths of the consumers' hospital bill and almost one-half of their physicians' bill.

Not all of the cost of private health insurance is borne individually. It is estimated that about four-fifths of the premiums for employer-employee group health insurance plans was paid for by employers. These employer contributions

represent more than half the \$18.2 billion in total private health insurance premium expense.

DEFINITIONS, METHODOLOGY, AND SOURCES OF DATA

The national health expenditures estimates for fiscal and for calendar years are prepared together. The social welfare series presented in the December issues of the *Bulletin* report data for fiscal years on health expenditures in the public sector by government program and those in the private sector by major category of expenditure (direct payments, insurance benefits, etc.). The national health expenditures shown here are reported by type of expenditure (hospital care, physicians' and dentists' services, etc.) and by source of funds.⁴

A growing category of health expenditures—medical training and education—is not included

⁴ Similar data on a calendar-year basis are shown in Research and Statistics Note No. 00, *op. cit.*

TABLE 5.—Distribution of personal health care expenditures, by source of funds, selected fiscal years, 1928-29 through 1970-71

Fiscal year	Total	Source of funds						
		Private				Public		
		Total	Direct payments	Insurance benefits	Other	Total	Federal	State and local
Amount (in millions)								
1928-29	\$3,165.2	\$2,883.0	\$2,800.00		\$83.0	\$282.2	\$84.8	\$197.4
1934-35	2,585.5	2,204.0	2,134.0		70.0	381.5	88.7	292.8
1939-40	3,413.7	2,891.0	2,799.0		92.0	522.7	133.3	389.4
1949-50	10,400.4	8,298.0	7,107.0	\$879.0	312.0	2,102.4	978.8	1,123.6
1954-55	15,231.0	11,762.0	8,992.0	2,358.0	412.0	3,469.0	1,582.9	1,886.1
1959-60	22,727.7	17,798.0	12,575.0	4,696.0	625.0	4,929.7	2,102.1	2,827.6
1964-65	33,498.3	26,540.0	17,577.0	8,280.0	683.0	6,958.3	2,839.9	4,118.4
1965-66	36,216.3	28,324.0	18,668.0	8,936.0	720.0	7,892.3	3,349.4	4,542.9
1966-67	41,323.9	28,863.0	18,786.0	9,344.0	753.0	12,460.9	7,470.3	4,990.6
1967-68	46,323.3	30,118.0	18,899.0	10,444.0	775.0	16,205.3	10,407.8	5,797.5
1968-69	52,020.3	33,309.0	20,279.0	12,206.0	824.0	18,711.3	12,290.1	6,421.2
1969-70	58,751.5	38,225.0	22,929.0	14,406.0	890.0	20,526.5	13,450.3	7,076.2
1970-71	65,132.3	41,841.0	24,262.0	16,615.0	964.0	23,291.3	15,107.6	8,183.7
Percentage distribution								
1928-29	100.0	91.1	88.5		2.6	8.9	2.7	6.2
1934-35	100.0	85.2	82.5		2.7	14.8	3.4	11.3
1939-40	100.0	84.7	82.0		2.7	15.3	3.9	11.4
1949-50	100.0	79.8	68.3	8.5	3.0	20.2	9.4	10.8
1954-55	100.0	77.2	59.0	15.5	2.7	22.8	10.4	12.4
1959-60	100.0	78.3	55.3	20.7	2.3	21.7	9.2	12.4
1964-65	100.0	79.2	52.5	24.7	2.0	20.8	8.5	12.3
1965-66	100.0	78.2	51.5	24.7	2.0	21.8	9.2	12.5
1966-67	100.0	69.8	45.4	22.6	1.8	30.2	18.1	12.1
1967-68	100.0	65.0	40.8	22.5	1.7	35.0	22.5	12.5
1968-69	100.0	64.0	39.0	23.5	1.6	36.0	23.6	12.3
1969-70	100.0	65.1	39.0	24.5	1.5	34.9	22.9	12.0
1970-71	100.0	64.2	37.2	25.5	1.5	35.8	23.2	12.6

¹ Personal health care expenditures include all expenditures for health services and supplies other than (a) expenses for prepayment and administration, (b) government public health activities, and (c) expenditures of private

voluntary agencies for other health services

² Includes any insurance benefits and expenses for prepayment (insurance premiums less insurance benefits).

in the above estimates of total health expenditures. Work is now in progress to develop a methodology for estimating the public and private health portions of the education expenditures. A compilation of Federal expenditures for medical training and education, made by the Bureau of the Budget, is shown below. This summary includes some amounts now put under health expenditures—mainly the sums reported by the Department of Defense and the Veterans Administration.

The health and medical expenditures under public programs in the social welfare series are calculated by adding to fiscal-year expenditures for health programs the medical care expenditures under programs for social insurance, public assistance, veterans' programs, and other programs.⁵ Data for several health programs—including those of the Department of Defense and the Public Health Service—are taken from the Office of Management and Budget special analysis of Federal health programs.⁶

In the private sector, the data are estimated first on a calendar-year basis by type of expenditure and then converted to fiscal-year figures on the basis of price and utilization change during 6-month periods. The general method is to esti-

Agency	Fiscal year		
	1969	1970	1971
Total Federal expenditures for medical training and education.....	\$805.5	\$968.8	\$1,049.2
Department of Health, Education, and Welfare.....	560.3	653.0	687.4
Department of Defense.....	119.9	79.7	84.8
Veterans Administration.....	77.5	95.0	115.5
Department of State.....	2.8	4.3	4.5
Atomic Energy Commission.....	7	.6	.5
Department of Labor.....	28.1	113.7	126.1
Other agencies.....	16.1	22.5	30.4

Source *Special Analyses, Budget of the United States, Fiscal Year 1971*, page 170, and *Budget of the United States, Fiscal Year 1972*, pages 171-172

⁵ For a complete description of these public programs, see Ida C. Merriam and Alfred M. Skolnik, *Social Welfare Expenditures Under Public Programs in the United States, 1929-66* (Research Report No 25), Office of Research and Statistics, Social Security Administration, 1968.

⁶ See "Special Analysis L, Federal Health Programs," *Special Analyses, Budget of the United States, Fiscal Year 1971*.

mate the total outlays for each type of medical service or expenditure and 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 expenditures for each type of service.

Hospital Care

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

There are some definitional differences between the public and private sectors in hospital care expenditures. Expenditures by the Veterans Administration and the Department of Defense for physicians' services are included as part of hospital care expenditures. Services of paid physicians in mental, 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 in hospital care. Anesthesia and X-ray services are sometimes hospital care expenditures and sometimes expenditures for physicians' services.

Estimates of the sources of funds are made for each type of hospital ownership separately. The Federal expenditures for Federal hospitals represent the total expenses of these hospitals, less consumer payments for care in such hospitals and any payments to them by State and local governments.

State and local government expenditures for care in their own hospitals represent total hospital expenses of State and local governments, plus vendor payments from State and local programs, less State and local payments to Federal and nongovernment hospitals.

Consumer payments for care in nongovernment hospitals represent total revenues of the hospitals, less Federal, State, and local government payments and less estimated receipts from philanthropy.

Services of Physicians and Other Health Professionals

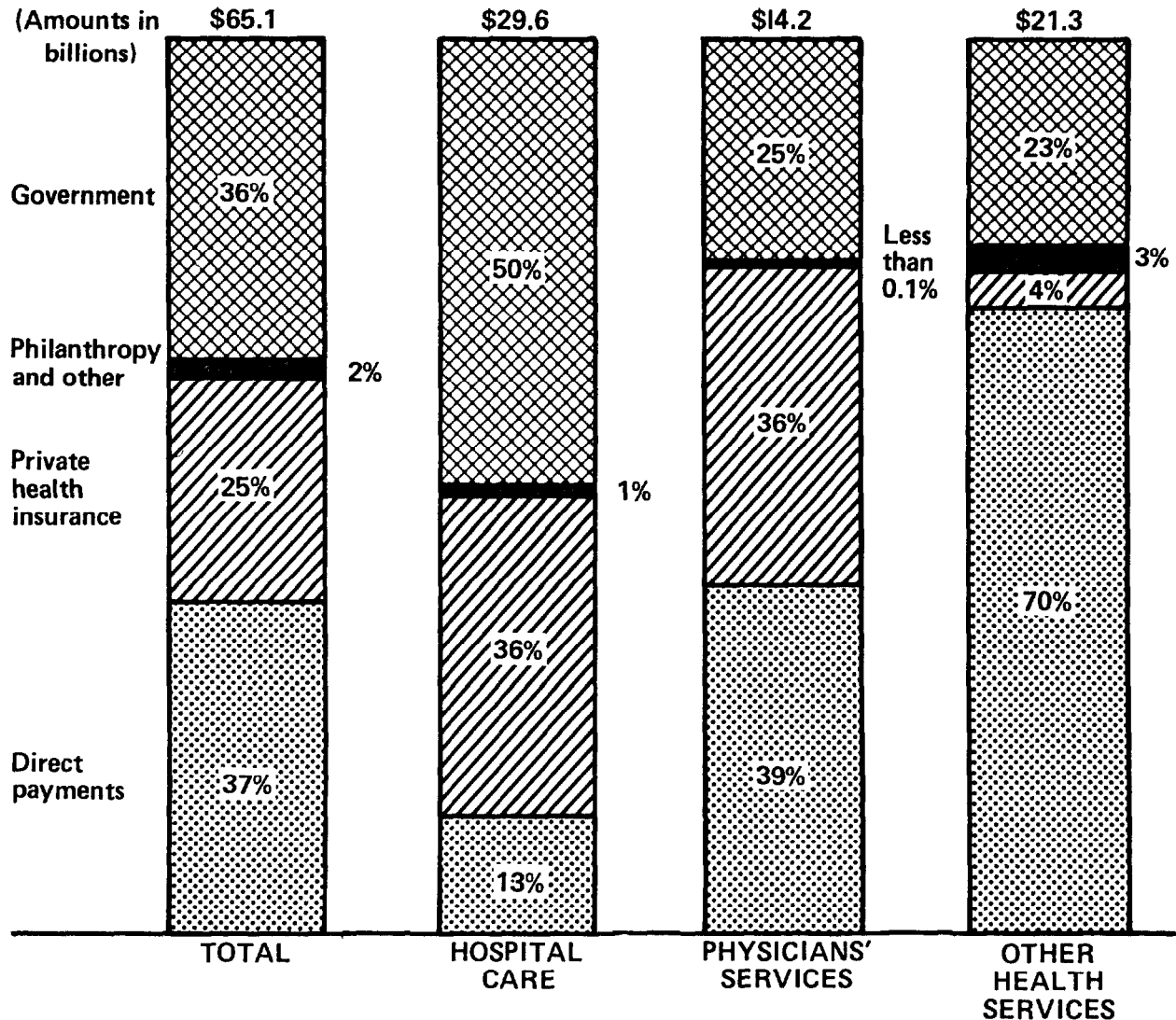
The estimates of expenditures for the services of physicians and dentists in private practice are based on the gross incomes from self-employment practice reported by physicians and dentists to the Internal Revenue Service on Schedule C of the income-tax return (as shown in *Statistics of Income*, published by the Internal Revenue Service). Data are totaled for practitioners in sole proprietorships and partnerships. The total also includes the estimated gross income of offices that are organized as corporations, the gross receipts of medical and dental laboratories estimated to represent patient payments to medical laboratories, 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). Estimated receipts of physicians for making 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.

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 Indian health activities, as well as those in the field services of the Armed Forces, are included with expenditures of "other health services." Expenditures for the education and training of medical personnel (except in hospitals) 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. Salaries of visiting nurse associations, estimated from surveys conducted by the National League for Nursing, are added

CHART 3.—Distribution of personal health care expenditures, by source of funds and type of expenditures, fiscal year 1971



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

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 Department of Commerce counts this expenditure as a consumer expenditure, but the Office of Research and Statistics counts it as an expenditure of government. Total expenditures for drugs and appliances are the sum of the Department of Commerce estimates and the expenditures under all public programs for these products.

Nursing-Home Care

Expenditures for nursing-home care are derived by applying an estimated cost per patient day to the total days of care. Total days of care are

TABLE 6.—Amount and percent of personal health care expenditures and consumer expenditures for personal health care met by private insurance, selected fiscal years, 1949-50 through 1970-71

Fiscal year	Personal health care expenditures ¹ (in millions)	Consumer expenditures for personal health care		Private insurance payments		
		Amount (in millions)	Percent	Amount ² (in millions)	As a percent of—	
					Personal health care	Consumer expenditures
All types of services						
1949-50.....	\$10,402	\$7,986	76.8	\$880	8.5	11.0
1954-55.....	15,232	11,350	74.5	2,358	15.5	20.8
1959-60.....	22,728	17,272	76.0	4,698	20.7	27.2
1964-65.....	33,498	25,857	77.2	8,280	24.7	32.0
1965-66.....	36,216	27,604	76.2	8,936	24.7	32.4
1966-67.....	41,324	28,110	68.0	9,344	22.6	33.2
1967-68.....	46,323	29,343	63.3	10,444	22.5	35.6
1968-69.....	52,020	32,485	62.4	12,206	23.5	37.6
1969-70.....	58,751	37,335	63.5	14,406	24.5	38.6
1970-71.....	65,133	40,877	62.8	16,615	25.5	40.6
Hospital care						
1949-50.....	\$3,698	\$1,875	50.7	\$610	16.5	32.5
1954-55.....	5,689	2,904	51.0	1,560	27.4	53.7
1959-60.....	8,499	4,707	55.4	3,124	36.8	66.4
1964-65.....	13,152	7,922	60.2	5,488	41.7	69.3
1965-66.....	14,245	8,520	59.8	5,892	41.4	69.2
1966-67.....	16,921	8,149	48.2	6,063	35.6	74.4
1967-68.....	19,384	8,801	45.4	6,731	34.7	76.5
1968-69.....	22,445	10,373	46.2	7,842	34.9	75.6
1969-70.....	26,090	12,964	49.7	9,182	35.2	70.8
1970-71.....	29,628	14,472	48.8	10,608	35.8	73.3
Physicians' services³						
1949-50.....	\$2,689	\$2,549	94.8	\$270	10.0	10.6
1954-55.....	3,632	3,384	93.2	797	21.9	23.6
1959-60.....	5,580	5,209	93.4	1,624	27.3	29.3
1964-65.....	8,405	7,869	93.6	2,554	30.4	32.5
1965-66.....	8,865	8,258	93.2	2,766	31.1	33.4
1966-67.....	9,738	8,338	85.6	2,898	29.8	34.8
1967-68.....	10,734	8,404	78.3	3,220	30.0	38.3
1968-69.....	11,707	8,877	75.8	3,753	32.1	42.5
1969-70.....	12,966	9,690	74.7	4,468	34.5	46.1
1970-71.....	14,245	10,688	75.0	5,139	36.1	48.1
Other health services						
1949-50.....	\$4,015	\$3,562	88.7	(4)	(4)	(4)
1954-55.....	5,911	5,062	85.6	(4)	(4)	(4)
1959-60.....	8,649	7,356	85.1	\$50	0.6	0.7
1964-65.....	11,941	10,066	84.3	238	2.0	2.4
1965-66.....	13,106	10,826	82.6	288	2.2	2.7
1966-67.....	14,665	11,623	79.3	382	2.6	3.3
1967-68.....	16,205	12,138	74.9	492	3.0	4.1
1968-69.....	17,867	13,230	74.0	611	3.4	4.6
1969-70.....	19,695	14,681	74.5	756	3.8	5.1
1970-71.....	21,260	15,717	73.9	868	4.1	5.5

¹ All expenditures for health services and supplies other than (a) expenses for prepayment and administration, (b) government public health activities, and (c) expenditures of private voluntary agencies for other health services

² Based on data from annual articles on private health insurance coverage

and financial experience in the *Social Security Bulletin*

³ Includes insurance payments of small amounts for other types of professional services for 1950 and 1955.

⁴ Included in physicians' services

estimated by applying an average occupancy rate to the number of nursing-home beds, as reported by the Division of Hospital and Medical Facilities of the Public Health Service in their annual report, *Hill-Burton State Plan Data*.

The cost per patient-day is based on unpublished data from a current survey of nursing homes financed by the Social Security Administration.

Consumer expenditures in nursing homes rep-

resent the difference between total nursing-home expenditures and expenditures from philanthropic and government sources.

Expenses for Prepayment and Administration

Prepayment expenses represent the difference between the earned premiums or subscription charges of health insurance organizations and their claim or benefit expenditures (expenditures in providing such services in the case of organi-

zations that directly provide services). In other words, it is the amount retained by health insurance organizations for operating expenses, additions to reserves, and profits and is considered a consumer expenditure.

The data on the financial experience of health insurance organizations are reported by the Office of Research and Statistics annually in a BULLETIN article on private health insurance.

The administration component represents the administrative expenses (where they are reported) of federally financed health programs. Such data were available for Medicare and Medicaid and for the Veterans Administration hospital and medical program.

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 and prevention and control of health problems by the Health Services and Mental Health Administration, the National Institutes of Health, and the Environmental Health Service of the Public Health Service. Also included are outlays by other Federal agencies for similar health activities. 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 expenditures that could not be elsewhere classified are brought together in the category "other health services." It includes, for each public program, the residual amount of expendi-

tures not classified as a specific type of medical service. In addition, it includes the following programs, at one time listed separately: (1) industrial in-plant services, (2) school health services, (3) medical activities in Federal units other than hospitals, and (4) those of private voluntary health agencies.

Industrial in-plant services consist of amounts spent for maintaining in-plant health services and are based on estimates made by the Bureau of Occupational Safety and Health of the Environmental Health Service. This item is classified as a private expenditure in the "other" category.

School health services are readily identified as they are the only State and local expenditures in this category. Expenses for these services, estimated by the Office of Education, are reported as a separate item in the social welfare expenditure series.

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, fundraising, 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 Resources Analysis Branch of the National Insti-

tutes of Health, primarily in the periodic publications, *Resources for Medical Research* and *Basic Data Relating to the National Institutes of Health*.

Construction of Medical Facilities

Expenditures for construction represent "value put in place" for 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-treatment 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.