

National Health Expenditures, Fiscal Year 1976

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The Nation's spending for health in fiscal year 1976 reached \$139.3 billion, or \$638 per person, according to preliminary figures. This total was 14 percent higher than the \$122.2 billion spent for health in 1975. In the 2 years since price controls on the health industry were lifted, expenditures have risen \$33.0 billion (31 percent). During this period, the economy has grown at a relatively slow pace with the gross national product increasing 18 percent. Thus, the percentage of the GNP attributed to health care reached 8.6 percent in 1976. Public and private spending rose 16 percent and 13 percent, respectively, in 1976, with the rise in public expenditures appreciably below the 22-percent increase of 1975. Third-party financing affected slightly more than two thirds of all personal health care—the private insurance share at 26 percent and that of government 40 percent.

THE NATION SPENT a total of \$139.3 billion for health care during fiscal year 1976—from July 1, 1975, through June 30, 1976. This figure represented an average expenditure of \$638 per person, an increase of 14 percent over the estimated \$122.2 billion¹ spent in 1975 (table 1).

For the second consecutive year, health expenditures rose at a significantly greater rate than the gross national product (GNP). While the GNP increased 18 percent from 1974 to 1976, health spending went up 31 percent. In 1976, health care outlays reached a level of 8.6 percent of the GNP (chart 1), up from 8.4 percent in 1975. During the previous 3 years, when medical care prices were controlled under the economic stabilization program (ESP) from August 1971 through April 1974, the proportion of the GNP had remained 7.8 percent.

EXPENDITURES IN FISCAL YEAR 1976

Price increases have been the most important contributor to the rise in medical care expendi-

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¹ Estimates reported previously for 1974 and 1975 in this series have been revised, as more current and reliable data have become available.

tures in recent years. The tabulation below shows that medical care prices, as reflected by the Con-

Fiscal year	Percentage Increase					
	CPI, all items	Medical care total	Hospital service charges ¹	Hospital semi-private room charges	Physicians' fees	Dentists' fees
1965	1.3	2.1		5.3	3.1	2.9
1966	2.2	2.9		6.1	3.9	2.9
1967	3.0	6.5		17.3	7.4	4.5
1968	3.3	6.4		13.9	6.1	5.2
1969	4.8	6.5		13.5	6.1	5.8
1970	5.9	6.4		12.8	7.2	6.8
1971	5.2	6.9		13.3	7.5	6.0
1972	3.6	4.7		9.4	5.2	5.7
1973	4.0	3.1		5.0	2.6	3.1
1974	9.0	5.7	4.8	6.0	5.0	4.4
1975	11.0	12.5	14.1	16.4	12.8	10.8
1976	7.1	10.2	13.4	15.2	11.4	7.7

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

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

sumer Price Index (CPI), of the Bureau of Labor Statistics increased at an exceptionally high rate in fiscal year 1976.

Although these increases reflect a moderation of the rapid acceleration in costs that occurred after ESP controls were removed in April 1974, the rates of increase for all medical care items (except dentists' fees in 1975) were above those for general price levels as measured by the CPI for all items in the past 2 years. These price increases, in conjunction with population growth and changes in the mix of health care services and supplies provided, generated the \$139.3 billion in health expenditures. The interaction is discussed later in more detail under health expenditure trends.

Uses of the Health Care Dollar

Since much of the health care provided in the United States is obtained in hospitals and hospital care tends to be the most expensive kind of health care, the largest category of spending (\$55.4 billion or 40 percent of the total) was for hospital care (table 2). This figure includes all spending for inpatient and outpatient care, as well as all services and supplies in the hospital setting.

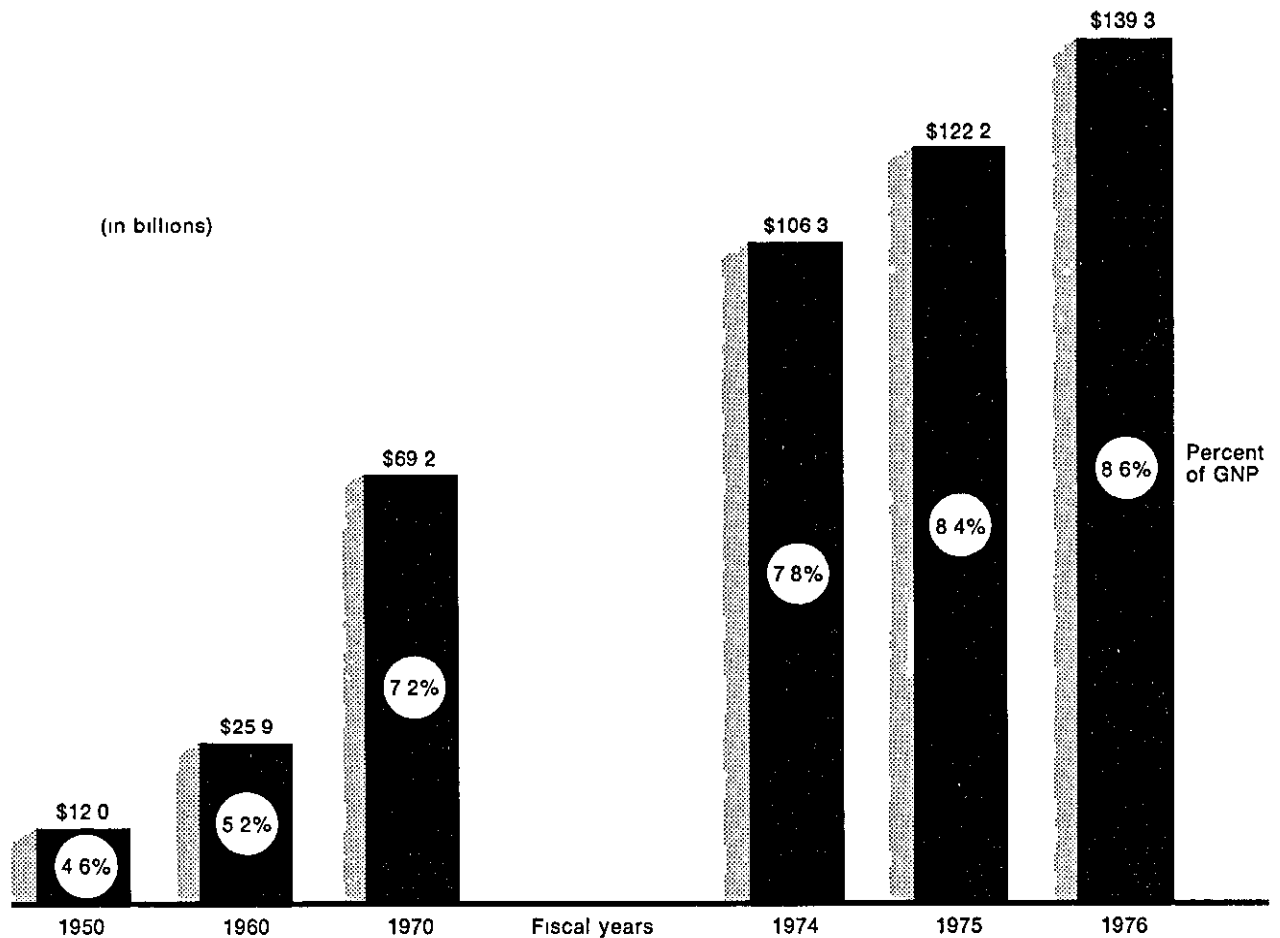
TABLE 1—Aggregate and per capita national health expenditures, by source of funds, and percent of gross national product, selected fiscal years 1929-76

Fiscal year	Gross national product (in billions)	Health expenditures								
		Total			Private			Public		
		Amount (in millions)	Per capita	Percent of GNP	Amount (in millions)	Per capita	Percent of total	Amount (in millions)	Per capita	Percent of total
1929	\$101.3	\$3,589	\$29.16	3.5	\$3,112	\$25.28	86.7	\$477	\$3.88	13.3
1935	68.3	2,846	22.04	4.1	2,303	17.84	80.9	543	4.21	19.1
1940	95.4	3,883	28.98	4.1	3,101	23.14	79.0	782	5.84	20.1
1950	264.8	12,027	78.30	4.5	8,962	58.38	74.5	3,065	19.97	25.5
1955	381.0	17,330	103.76	4.5	12,909	77.29	74.5	4,421	26.47	25.5
1960	498.3	25,846	141.63	5.2	19,461	106.60	75.3	6,385	35.03	24.7
1965	658.0	38,892	197.75	5.9	29,357	149.27	75.5	9,535	48.48	24.5
1966	722.4	42,109	211.56	5.8	31,279	157.15	74.3	10,830	54.41	25.7
1967	773.5	47,879	237.93	6.2	32,026	159.15	66.9	15,853	78.78	33.1
1968	830.2	53,765	264.37	6.5	33,725	165.83	62.7	20,040	98.54	37.3
1969	904.2	60,617	295.20	6.7	37,680	183.00	62.2	22,937	111.70	37.8
1970	960.2	69,201	333.77	7.2	43,810	211.18	63.3	25,391	122.39	36.7
1971	1,019.8	77,162	368.25	7.6	48,387	230.92	62.7	28,775	137.32	37.3
1972	1,111.8	86,687	409.71	7.8	53,214	251.00	61.4	33,473	158.20	38.6
1973	1,238.6	95,383	447.81	7.7	58,715	275.85	61.6	36,668	171.96	38.4
1974 ¹	1,361.2	106,321	495.01	7.8	64,809	301.74	61.0	41,512	193.27	39.0
1975 ¹	1,452.3	122,231	564.85	8.4	71,361	329.48	58.4	50,870	234.87	41.6
1976 ²	1,611.8	139,312	637.97	8.6	80,492	368.61	57.8	58,820	269.36	42.2

¹ Revised estimates

² Preliminary estimates

CHART 1—National health expenditures and percent of gross national product, selected fiscal years 1950-76



except those provided by physicians who are not part of the hospital staff

These expenditures for hospital care were 15

percent above the 1975 levels, which had been 18 percent above those for 1974. The 15-percent increase is substantially below the 19-percent rise

TABLE 2 —National health expenditure, by type of expenditure and source of funds, fiscal years 1974-76

Type of expenditure	[In millions]						
	Total	Source of funds					
		Private			Public		
	Total	Con- sumers	Other ¹	Total	Federal	State and local	
1976 ²							
Total	\$139 312	\$80 492	\$75,622	\$4 870	\$58 820	\$39 863	\$18 957
Health services and supplies	131 022	77 722	75,622	2 100	53 300	36 247	17 053
Personal health care	120 431	72 013	70,457	1 556	48 417	33 683	14,735
Hospital care	55 400	25 004	24 352	652	30 396	21,394	9 002
Physicians' services	26 350	19 718	19,700	18	6 632	4,884	1,748
Dentists' services	8 600	8 131	8 131	-	469	288	181
Other professional services	2 400	1 607	1,509	48	793	540	254
Drugs and drug sundries	11 168	10 144	10,144	-	1 023	550	474
Eyeglasses and appliances	1 980	1 866	1 866	-	114	61	53
Nursing-home care	10 600	4,744	4 706	38	5 856	3 417	2,439
Other health services	3 933	800	-	800	3 133	2,548	585
Expenses for prepayment and administration	7,336	5 709	5 165	544	1 627	1,322	306
Government public health activities	3,255	-	-	-	3 255	1,243	2,012
Research and medical facilities construction	8 290	2 770	-	2 770	5 520	3 616	1,904
Research ³	3 327	258	-	258	3 069	2 818	251
Construction	4 963	2 512	-	2 512	2 451	798	1 653
Publicly owned facilities	1 673	-	-	-	1,673	37	1,636
Privately owned facilities	3,290	2,512	-	2 512	778	761	17
1975 ⁴							
Total	\$122 231	\$71 361	\$66 584	\$4 776	\$50,870	\$34,126	\$16,744
Health services and supplies	114 652	68 459	66,584	1 875	46 192	31 047	15 145
Personal health care	105 745	63 779	62,447	1,331	41 966	28 866	13 100
Hospital care	48 224	21 690	21 146	544	26 534	18 371	8 163
Physicians' services	22 925	17 217	17,202	15	5,708	4,170	1,538
Dentists' services	7,810	7 409	7 409	-	401	249	162
Other professional services	2,190	1,581	1 541	40	609	416	193
Drugs and drug sundries	10 269	9 416	9 416	-	853	454	399
Eyeglasses and appliances	1 785	1 679	1 679	-	106	59	47
Nursing-home care	9,100	4,086	4 004	32	5 014	2,917	2 097
Other health services	3 442	700	-	700	2,742	2,231	511
Expenses for prepayment and administration	5 954	4 681	4 137	544	1,273	1 040	233
Government public health activities	2,903	-	-	-	2 953	1 141	1,812
Research and medical facilities construction	7,579	2 901	-	2 901	4 678	3 079	1,599
Research ³	2 942	250	-	250	2 692	2,453	239
Construction	4 637	2 651	-	2 651	1 986	626	1 360
Publicly owned facilities	1 413	-	-	-	1 413	69	1 344
Privately owned facilities	3 224	2 651	-	2 651	572	556	16
1974 ⁴							
Total	\$106 321	\$64 809	\$59 836	\$4,973	\$41,512	\$27 499	\$14 013
Health services and supplies	99 830	61,584	59 836	1 748	37 746	24,928	12 818
Personal health care	91 815	57 259	56 039	1 220	34 006	22 974	11 082
Hospital care	41,020	19 594	19 081	513	21 426	14 534	6,893
Physicians' services	19 742	15 083	15,069	14	4 659	3 363	1,296
Dentists' services	6 870	6 544	6,544	-	326	211	111
Other professional services	1 929	1 497	1 459	38	432	284	148
Drugs and drug sundries	9 416	8 684	8 684	-	732	400	331
Eyeglasses and appliances	1 674	1 583	1 583	-	91	50	41
Nursing-home care	7 450	3 649	3 619	30	3 801	2,277	1 524
Other health services	3 214	625	-	625	2,589	1 855	734
Expenses for prepayment and administration	5 483	4 325	3 797	528	1 158	995	104
Government public health activities	2 531	-	-	-	2,531	959	1,572
Research and medical facilities construction	6,991	3,225	-	3 225	3 766	2 571	1 195
Research ³	2,527	227	-	227	2,300	2 078	222
Construction	4 464	2 998	-	2,998	1 466	493	973
Publicly owned facilities	1 204	-	-	-	1 204	246	958
Privately owned facilities	3 260	2,998	-	2,998	262	247	15

¹ Includes spending by philanthropic organizations and for providing industrial in plant health services

² Preliminary estimates

³ Research and development expenditures of drug companies and other

manufacturers and providers of medical equipment and supplies excluded from research expenditures but included in the expenditure class in which the product falls

⁴ Revised estimates

in community hospital expenses reported by the American Hospital Association for fiscal year 1976.² Several factors account for the difference. The growth in total hospital spending represents—in addition to increases in expenditures for community hospitals—those for Federal hospitals and State and local noncommunity hospitals. Expenditures for these hospitals did not go up at as fast a rate as those for community hospitals. For community hospitals themselves, changes in the sample used by the Association may have somewhat overstated the expense increases reported for 1976.

This decline in the rate of increase in hospital expenditures has a multitude of causes. By 1975 the restraint on cost increases imposed during ESP had been removed, and the cost increases experienced during that fiscal year reflect a “catchup” after the removal of price controls.

The physician community probably has the most influence on expenditures within the American health care system. Physicians are the most important determinant of who will receive hospital care, what care will be provided, and what the duration of care will be. They thus exert a major influence on hospital expenditure levels.

Spending for the services of physicians accounts for the second largest category of health expenditures, with nearly 19 percent of total expenses (\$26.4 billion). These expenditures went up 15 percent in 1976 and 16 percent in 1975, for a total increase of 34 percent since the end of wage and price controls.

Expenditures for drugs and drug sundries accounted for 8 percent of health spending (\$11.2 billion) in 1976 and an increase of 19 percent in the 2-year period since 1974. It should be pointed out that this expenditure figure represents only prescription drugs, over-the-counter drugs, and medical sundries dispensed through retail channels. Expenditures for drugs dispensed in inpatient settings, through outpatient clinics, and by physicians are reported within those cost categories.

Research and the construction of medical facilities amounted to \$8.3 billion in 1976—an increase of 9 percent from 1975. Identified expenditures for medical research include only government

funds for research and expenditures by research and development organizations. Research and development expenditures by drug companies (estimated at \$1.1 billion in 1976) and by other manufacturers and providers of medical equipment and supplies (estimated as at least \$267 million) are not included with research expenditures but are included in the expenditure class in which the product or service falls.

Expenditures for medical facilities, (primarily for the construction of hospital facilities) were \$5.0 billion in 1976. The cost of providing office and laboratory facilities for private practitioners is not included with this figure. In addition, some portion of the construction dollars reported in a given year is reported again in subsequent years as depreciation. It is estimated that the majority of medical facility construction is being financed through long-term loans from the private capital markets. Depreciation costs are treated as legitimate expenses to be covered by reimbursements from both private and public insurance. Some duplication exists in the reporting of depreciation since a portion of the construction outlays in earlier years is subsequently reported as depreciation expenses. This duplication is estimated to be small, not significantly affecting total health expenditures.

Medical Education

The category “medical training and education” is not included in the estimates of total health expenditures presented here. Some of the components of this category, however, are included—mainly training outlays that cannot be separated from hospital expenses and medical research. Most of these expenditures are made by the Department of Defense and the Veterans Administration. Shown below are data on Federal spending for medical education and training compiled by the Office of Management and Budget. These Federal expenditures include, principally, direct support for health professional schools and for student assistance through loans and scholarships. Training is funded for a wide variety of health professionals—including physicians, dentists, nurses, mental health and other health professionals, research personnel, and paramedical personnel.

² National Hospital Panel Survey of the American Hospital Association.

[In millions]

Agency	Fiscal year		
	1974	1975	1976
Total...	\$1,146	\$1,138	\$1,476
Department of Health, Education, and Welfare	767	928	929
Department of Defense	191	231	252
Veterans Administration	167	198	241
Department of Labor	4	9	6
Other agencies	17	18	49

Source: Office of Management and Budget, *Special Analyses, Budget of the United States Government, Fiscal Year 1976*, page 194 and *Special Analyses, Fiscal Year 1977*, page 215 and *Fiscal Year 1978*, page 226

A study by the Institute of Medicine of the National Academy of Sciences presents estimates of the total cost of education for eight health professions.³ The study reports that \$3.1 billion was spent for the education of more than 300,000 students in 1972. About \$765 million or one-fourth of this expenditure was financed by unrestricted Federal and State Government funds, the remainder through private sources or other types of Federal and State support.

Personal Health Care Expenditures

For purposes of this article, the portion of the total national health care expense that represents health services and supplies received directly by individuals is identified as "personal health care expenditures." In fiscal year 1976, personal health care spending amounted to \$120.4 billion or 87 percent of the \$139.3 billion national figure. Expenses for prepayment and administration and government public health activities are excluded from the category.

CHANNELS OF FINANCING

Private spending in 1976 reached a level of \$80.5 billion, 58 percent of total health spending. This share, which amounted to \$369 per person, was at the lowest level recorded in any year for which national health expenditure data have been compiled.

A very small portion of private expenditures—

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

\$4.9 billion—represents funds provided through charitable and philanthropic organizations, as well as those provided by private industry for in-plant health care services. The \$75.6 billion in consumer expenditures includes all direct payments for health services and supplies by individuals plus the total amount of premiums for private health insurance paid by individuals and/or employers in their behalf. The benefits paid by private health insurance are included in the various categories of health care expenditures; the net difference between these benefits and the premiums paid is the \$5.2 billion prepayment expense shown under "expenses for prepayment and administration."

The private share of national health expenditures declined from 58.4 percent in 1975 to 57.8 percent in 1976 because of the faster growth in public expenditures during 1976. Nevertheless, private outlays grew at a faster rate in 1976 than in 1975, reflecting the particularly large increases in certain important expenditure categories. Private expenditures for hospital care increased 15 percent in 1976, compared with 11 percent in 1975. The net cost of private health insurance rose 25 percent in 1976 but only 9 percent in 1975, as premium levels caught up with the very high expenditure increases experienced during 1975. Research and construction declined less in 1975 than in 1976, and nursing-home expenditures grew at a greater rate.

Approximately \$58.8 billion, or 42 percent of the total spent for health care in 1976, was financed by Federal, State, and local governments through the mechanisms of the various public programs. This share has been increasing steadily since the government first became substantially involved in the financing of medical care with the beginning of Medicare and Medicaid in fiscal year 1967. In 1966 the government share was slightly less than 26 percent.

Public spending includes the cost of the direct provision of services by government agencies—the Public Health Service and the Veterans Administration, for example—and the expenditure of government funds to finance health services for certain beneficiaries such as those eligible for Medicaid and Medicare. Premiums for the supplementary medical insurance portion of Medicare are financed by the enrollees and through general revenues.

In 1976, public program outlays increased at a rate three-fourths as large as that of 1975, while private expenditures went up at a slightly greater rate than they had in 1975. Consequently, although public expenditures continued their trend of faster growth, the difference in growth rates between the two financing sources diminished, as the percentages that follow show

<i>Fiscal year</i>	<i>Private</i>	<i>Public</i>
1975 -----	10 1	22 5
1976 -----	12 8	15 6

Third-Party Financing of Health Care

One of the most significant aspects of the financing of health care in the Nation is the proportion of personal health care services paid by third parties—private health insurance organizations and public agencies acting as insurers or providers of service

Table 3 shows that in 1976, slightly above two-thirds (68 percent) of personal health care expenditures were paid through third-party payors—26 percent by private health insurance, 40 percent by Government programs, and a little over 1 percent by philanthropic organizations and private industry. The consumers of health services were left with direct payments of 32 percent of total expenditures. These “out-of-pocket” payments represent illness-related costs, such as deductible and coinsurance amounts, and the costs of care not covered by insurance. They are the costs incurred by individuals in addition to health insurance premiums and the portion of the individual’s social security tax that goes into Medicare’s hospital insurance trust fund. On a per capita basis, personal health care expenditures in 1976 were \$552—in direct payments, \$179. Nearly \$47 of the direct payments went for physicians’ services, \$43 for drugs and drug sundries.

The unequal coverage of different types of services by private insurance and public programs is seen clearly in the distribution of these third-party payments by type of care (chart 2). About 91 percent of hospital care was paid by third parties, with 55 percent of this amount financed through public programs and 35 percent through private health insurance. Third-party payments covered only 61 percent of expenditures for phy-

sicians’ services, however, with 39 percent of this amount paid directly by consumers of health services. For dental care and drug and drug sundries expenditures, a different pattern is seen, with direct payments amounting to 81 percent and 84 percent, respectively, of the total amounts spent for these items.

Public Programs

All expenditures for health care that are channeled through any program established by public law are treated as a public expenditure in these estimates. Expenditures under workers’ compensation programs may, for example, involve benefits paid by private insurers from premiums collected from private sources. Table 4 contains estimates of outlays of the public programs for health services and supplies by major program areas and types of care. In 1976, public program expenditures amounted to \$53.3 billion—\$36.2 billion from Federal funds or programs and \$17.1 billion from funds or programs of State and local governments.⁴ Total outlays increased by 15 percent in 1976, down appreciably from the 22-percent rise in 1975. In both years, Federal outlays went up at a greater rate than State and local outlays, as the following tabulation shows.

Expenditures	1974-75		1975-76	
	Amount (in millions)	Percentage increase	Amount (in millions)	Percentage increase
Total	8,446	22 4	7,128	15 5
Federal	6 119	24 5	5 200	16 8
State and local....	2,327	18 2	1 908	12 6

The two major government programs for health care, Medicare and Medicaid, began operations in fiscal year 1967. In their tenth year of operation, fiscal year 1976, the two programs accounted for 62 percent of public expenditures, reaching \$17.8 billion through Medicare and \$15.3 billion through Medicaid. In 1976, general hospital and medical care programs supplied an

⁴ For an analysis of government outlays for health in the context of overall national spending for social welfare, see Alfred M. Skolnik and Sophie R. Dales, “Social Welfare Expenditures, Fiscal Year 1976,” *Social Security Bulletin*, January 1977.

additional 13 percent of public expenditures and the military-related programs—those of the Department of Defense and the Veterans Adminis-

tration—another 13 percent Of every dollar financed by public programs in 1976, 57 cents went toward hospital care, 12 cents for physi-

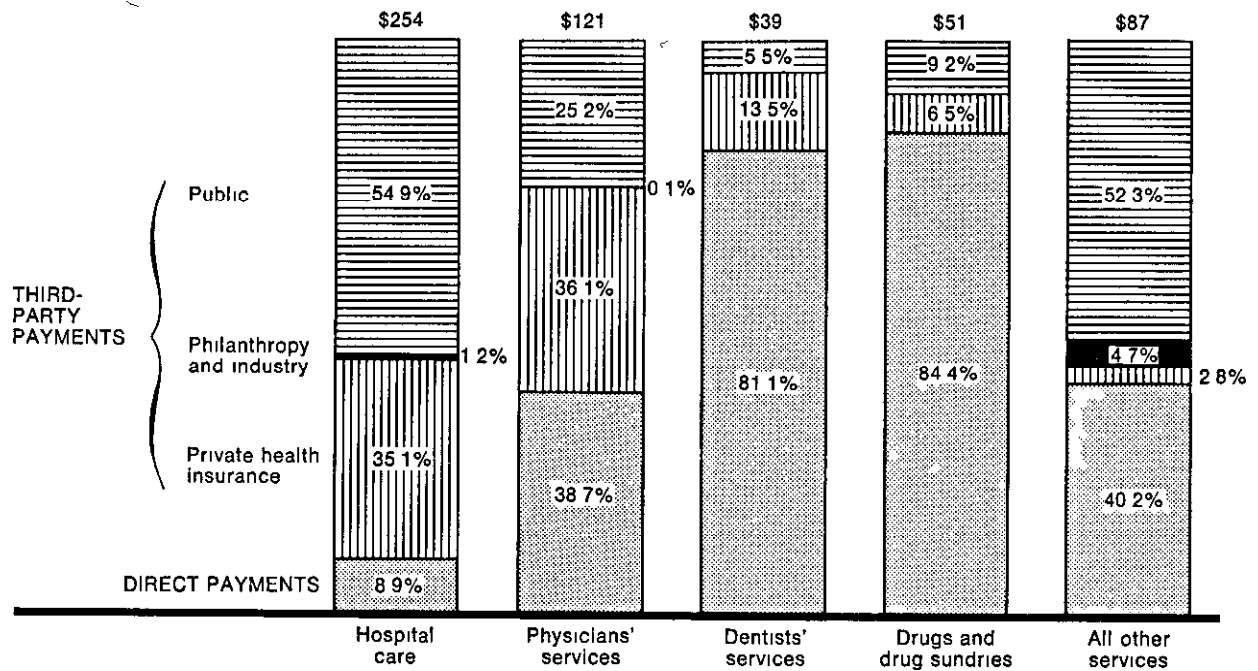
TABLE 3—Amount and per capita amount of personal health care expenditures met by third parties, by type of expenditure, fiscal years 1974-76

Type of expenditure	Total	Direct payments	Third party payments			
			Total	Private health insurance	Government	Philanthropy and industry
1976 ¹						
Total amount (in millions)	\$120 431	\$39 099	\$81 332	\$31 359	\$48,417	\$1 556
Hospital care ..	55,400	4 909	50 491	19 443	30,396	652
Physicians' services ..	26 300	10 198	16 152	9 502	6,632	18
Dentists' services ..	8 600	6 970	1,630	1,160	469	-
Other professional services ..	2 400	1 151	1 249	408	793	48
Drugs and drug sundries ..	11 168	9,423	1 745	721	1 023	-
Eyeglasses and appliances ..	1 980	1 835	145	31	114	-
Nursing home care ..	10,600	4 612	5 988	94	5,856	38
Other health services ..	3 933	-	3 933	-	3 133	800
Total per capita amount...	551 50	179 05	372 46	143 61	221 72	7 13
Hospital care ..	253 70	22 48	231 22	89 04	139 20	2 98
Physicians' services ..	120 67	46 70	73 97	43 51	30 87	08
Dentists' services ..	39 38	31 92	7 46	5 31	2 15	-
Other professional services ..	10 99	5 27	5 72	1 87	3 63	22
Drugs and drug sundries ..	11 14	43 15	7 99	3 30	4 69	-
Eyeglasses and appliances ..	9 07	8 40	66	14	52	-
Nursing home care ..	48 54	21 12	27 42	43	26 82	18
Other health services ..	18 01	-	18 01	-	14 30	3 66
1975 ¹						
Total amount (in millions)	\$105 745	\$35 553	\$70,192	\$26 894	\$41,966	\$1 331
Hospital care ..	48 224	4 741	43 484	16 406	26 534	544
Physicians' services ..	22 925	8 946	13 979	8 257	5,708	15
Dentists' services ..	7 810	6,468	1 342	941	401	-
Other professional services ..	2 190	977	1 213	560	609	40
Drugs and drug sundries ..	10 269	8 797	1,471	619	803	-
Eyeglasses and appliances ..	1,785	1 652	132	27	106	-
Nursing home care ..	9 100	3,973	5,127	81	5,014	32
Other health services ..	3,442	-	3 442	-	2,742	700
Total per capita amount...	488 23	164 15	324 08	124 17	193 76	6 15
Hospital care ..	222 66	21 89	200 77	75 75	122 61	2 51
Physicians' services ..	105 85	41 30	64 54	38 12	26 30	07
Dentists' services ..	36 06	29 86	6 20	4 35	1 80	-
Other professional services ..	10 11	4 51	5 60	2 61	2 81	18
Drugs and drug sundries ..	47 41	40 62	6 79	2 86	3 94	-
Eyeglasses and appliances ..	8 24	7 63	61	12	49	-
Nursing home care ..	42 02	18 34	23 67	37	23 15	10
Other health services ..	15 89	-	15 89	-	12 66	3 23
1974 ²						
Total amount (in millions)	\$91 315	\$32,989	\$58,327	\$23 000	\$34 056	\$1,220
Hospital care ..	41 020	4 997	36 023	14 084	21 426	513
Physicians' services ..	19 742	7,877	11,865	7 192	4,609	14
Dentists' services ..	6 870	5,899	971	645	320	-
Other professional services ..	1 929	902	977	507	432	38
Drugs and drug sundries ..	9 416	8,131	1,285	503	732	-
Eyeglasses and appliances ..	1 674	1 560	114	23	91	-
Nursing home care ..	7,400	3 573	3 877	46	3 801	30
Other health services ..	3,214	-	3 214	-	2 589	625
Total per capita amount	425 15	153 59	271 56	107 32	158 56	5 68
Hospital care ..	190 98	23 27	167 72	60 57	99 76	2 39
Physicians' services ..	91 92	36 68	55 24	33 48	21 69	07
Dentists' services ..	31 99	27 46	4 52	3 00	1 52	-
Other professional services ..	8 98	4 43	4 55	2 36	2 01	18
Drugs and drug sundries ..	43 84	37 86	5 98	2 58	3 41	-
Eyeglasses and appliances ..	7 79	7 26	53	11	42	-
Nursing home care ..	34 69	16 63	18 05	21	17 70	14
Other health services ..	14 96	-	14 96	-	12 05	2 91

¹ Preliminary estimates

² Revised estimates

CHART 2—Percentage distribution of per capita personal health care expenditures, by type of expenditure and source of funds, fiscal year 1976



Physicians' services, 11 cents for nursing-home care, and just less than 20 cents for all other health services and supplies

According to the tabulation that follows, for public payments for hospital care, the Medicare

Public program	All care	Hospital services	Physicians services	Nursing-home care
All programs...	100.0	100.0	100.0	100.0
Medicare	33.4	42.1	53.5	5.2
Medicaid	28.7	16.1	26.7	91.6
General hospital and medical care	12.9	22.3	3	0
Department of Defense	6.1	6.7	2.4	0
Veterans Administration	7.1	8.4	6	3.2
All other...	11.8	4.4	16.5	0

program financed 42 percent, Medicaid 16 percent, and funds for general hospital and medical care nearly 13 percent. Medicare and Medicaid had even more of an impact on public spending for physicians' services, covering 54 and 27 percent, respectively. Medicaid paid nearly all (almost 92 percent) of the public expenditures for nursing homes.

The growth in hospital care expenditures during 1976 was only three-fifths as great as it was in 1975. The rate of increase shown below for

Type of health care	Percentage increase	
	1974-75	1975-76
Health services and supplies		
All programs	22.4	15.4
Medicare	30.2	20.3
Medicaid	25.2	18.0
General hospital and medical care	21.0	7.8
Hospital care		
All programs	23.8	14.6
Medicare	33.1	20.1
Medicaid	20.1	15.6
General hospital and medical care	20.7	7.8
Physicians services		
All programs	22.5	16.2
Medicare	27.5	20.3
Medicaid	17.6	14.9
Nursing home care		
All programs	31.9	16.8
Medicaid	32.3	17.2

Medicare expenditures declined by one-third and that for Medicaid expenditures by one-fourth.

Accounting changes in the Medicare program, in addition to the reductions in inflationary pressures that occurred in medical prices following the ESP were important factors here. Certain administrative actions were taken in fiscal year 1974 that recovered some \$300 million in current financing payments that had been advanced (or, in effect, loaned) to providers of hospital and nursing-home care during the previous years of the program's operation. These funds were intended to supply the providers with operating

TABLE 4 — Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years 1974-76

[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	Administration	Other health services
1976 ¹											
Total	\$53 300	\$30 396	\$6 632	\$469	\$793	\$1 023	\$114	\$5 856	\$3 205	\$1 627	\$3 133
Medicare (health insurance for the aged and disabled) ²	17,777	12 809	3,548		284			302		835	
Temporary disability insurance (medical benefits) ³	74	53	18		1	1	1				
Workers' compensation (medical benefits) ³	2 125	1 072	902		66	43	43				
Medicaid (public assistance vendor medical payments) ⁴	15 320	4 888	1 774	390	397	944		5 365		728	835
General hospital and medical care	6 902	6 786	19	4		2					91
Defense Department hospital and medical care ⁵	3 232	2 050	161	6		11				25	977
Maternal and child health services	593	90	57	14	46	13	18			5	350
Government public health activities ⁶	3,255								3 255		
Veterans' hospital and medical care	3 793	2 555	39	55		9	31	189		34	881
Medical vocational rehabilitation	229	93	114				22				
School health ⁷											
Federal	36 247	21,394	4 884	288	540	500	61	3 417	1,243	1 322	2 548
Medicare (health insurance for the aged and disabled) ²	17 777	12 809	3,548		284			302		835	
Workers' compensation (medical benefits) ³	66	43	17		4	1	1				
Medicaid (public assistance vendor medical payments) ⁴	8,381	2 666	968	213	216	515		2,926		422	405
General hospital and medical care	1 265	1 149	19	4		2					91
Defense Department hospital and medical care ⁵	3 232	2 050	161	6		11				25	977
Maternal and child health services	306	47	42	10	36	11	11			5	144
Government public health activities ⁶	1 243								1,243		
Veterans' hospital and medical care	3 793	2 555	39	55		9	31	189		34	881
Medical vocational rehabilitation	183	74	92				17				
State and local	17 053	9,002	1 748	181	254	474	53	2 439	2 012	306	585
Temporary disability insurance	74	53	18		1	1	1				
Workers' compensation (medical benefits) ³	2 059	1 029	885		62	41	41				
Medicaid (public assistance vendor medical payments) ⁴	6 939	2,222	806	177	180	429		2 439		306	379
General hospital and medical care	5 636	5,636									
Maternal and child health services	287	43	10	4	10	3	6				205
Government public health activities ⁶	2 012								2 012		
Medical vocational rehabilitation	46	19	23			1	4				
School health ⁷											

See footnotes at end of table

funds while they waited for payment through the Medicare reimbursement process. In 1974, program outlays from the hospital insurance trust fund understated the level of reimbursement, as the money that had been advanced in earlier years was deducted from the program payments.

During 1975, administrative changes were made that, in effect, shortened by several weeks the average length of time between submission of a bill by a provider and the receipt of reimbursement. This change added the equivalent of several weeks of program reimbursements to program outlays for 1975.⁵ The understatement of reimburse-

ment levels in 1976—coupled with the overstatement of the 1975 levels and the full utilization of the Medicare program by disability beneficiaries who became entitled in 1974—further inflated the Medicare expenditures occurring after the ESP ended. As a result, Medicare program outlays showed a 30-percent increase in 1975 and a 20-percent increase in 1976.

Hospital expenditures for general hospital and medical care rose by only 8 percent in 1976, following an estimated 21-percent rise in 1975. A significant part of this change resulted from the large increase in outlays of the Alcohol, Drug Abuse and Mental Health Administration in 1975 that was not repeated in 1976.

Public spending for physicians' services also

⁵ For additional information on this subject, see the 1976 Annual Reports to the Congress of the Boards of Trustees of the two Medicare trust funds.

TABLE 4—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years 1974-76—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	Administration	Other health services
1975 ^a											
Total	\$46,192	\$26,534	\$5,708	\$401	\$609	\$853	\$106	\$5,014	\$2,903	\$1,273	\$2,742
Medicare (health insurance for the aged and disabled) ²	14,781	10,668	2,900	-	230	-	-	273	-	661	-
Temporary disability insurance (medical benefits) ³	73	53	17	-	1	1	1	-	-	-	-
Workers' compensation (medical benefits) ³	1,860	938	791	-	57	37	37	-	-	-	-
Medicaid (public assistance vendor medical payments) ⁴	12,984	4,229	1,544	324	278	785	-	4,579	-	549	696
General hospital and medical care	6,400	6,296	14	3	-	2	-	-	-	-	91
Defense Department hospital and medical care ⁵	3,080	1,934	200	10	-	9	-	-	-	22	910
Maternal and child health services	540	83	52	13	42	12	16	-	-	5	323
Government public health activities ⁶	2,903	-	-	-	-	-	-	2,903	-	-	-
Veterans hospital and medical care	3,287	2,240	32	51	-	8	31	162	-	37	722
Medical vocational rehabilitation	218	88	109	-	-	-	21	-	-	-	-
School health ⁷	-	-	-	-	-	-	-	-	-	-	-
Federal	31,047	18,371	4,170	249	416	454	59	2,917	1,141	1,040	2,231
Medicare (health insurance for the aged and disabled) ²	14,781	10,668	2,900	-	230	-	-	273	-	661	-
Workers' compensation (medical benefits) ³	50	33	13	-	3	1	1	-	-	-	-
Medicaid (public assistance vendor medical payments) ⁴	7,006	2,292	837	175	151	420	-	2,482	-	317	377
General hospital and medical care	1,190	1,086	14	3	-	2	-	-	-	-	91
Defense Department hospital and medical care ⁵	3,080	1,934	200	10	-	9	-	-	-	22	910
Maternal and child health services	276	43	38	9	32	10	10	-	-	5	130
Government public health activities ⁶	1,141	-	-	-	-	-	-	1,141	-	-	-
Veterans hospital and medical care	3,287	2,240	32	51	-	8	31	162	-	37	722
Medical vocational rehabilitation	174	71	87	-	-	-	17	-	-	-	-
State and local	15,145	8,163	1,538	152	193	399	47	2,097	1,812	233	511
Temporary disability insurance (medical benefits) ³	73	53	17	-	1	1	1	-	-	-	-
Workers' compensation (medical benefits) ³	1,810	905	778	-	54	36	36	-	-	-	-
Medicaid (public assistance vendor medical payments) ⁴	5,928	1,937	707	148	127	359	-	2,097	-	233	319
General hospital and medical care	5,210	5,210	-	-	-	-	-	-	-	-	-
Maternal and child health services	269	40	14	4	10	3	6	-	-	-	192
Government public health activities ⁶	1,812	-	-	-	-	-	-	1,812	-	-	-
Medical vocational rehabilitation	44	18	22	-	-	-	4	-	-	-	-
School health ⁷	-	-	-	-	-	-	-	-	-	-	-

See footnotes at end of table

increased significantly less in 1976 than in 1975, also largely as a result of the changes in Medicare and Medicaid patterns for levels of outlays for these services. Nursing-home expenditures followed almost exactly the changes in Medicaid levels of spending.

All outlays of the Medicare program trust funds, including funds derived from voluntary premium payments by or on behalf of enrollees are treated as public expenditures, as in the Social Security Administration's social welfare expenditure series.⁶ The private share of overall expenditures is thus slightly understated. Amounts paid into the Medicare trust funds for

both hospital insurance and medical insurance in fiscal years 1974-76, by source of funds, are shown in the tabulation at the top of page 14.

TRENDS IN HEALTH EXPENDITURES

Health expenditures for Americans have increased by an average of 12 percent a year since 1965 (table 5). The 1976 expenditure of \$139.3 billion is over three and one-half times the \$38.9 billion spent 11 years earlier. In this period, hospital care expenditures have quadrupled and expenditures for physicians' services have tripled. On a per capita basis, \$254 was spent for hospital

^a Alfred M. Skolnik and Sophie R. Dales, *op cit*

TABLE 4 —Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years 1974-76—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	Administration	Other health services
1974 ¹											
Total	\$37 746	\$21,426	\$4 659	\$326	\$432	\$732	\$91	\$3 801	\$2,531	\$1 158	\$2,589
Medicare (health insurance for the aged and disabled) ²	11,348	8,013	2,314	-	139	-	-	214	-	667	-
Temporary disability insurance (medical benefits) ³	71	52	16	-	1	1	1	-	-	-	-
Workers compensation (medical benefits) ⁴	1,600	800	681	-	49	32	32	-	-	-	-
Medicaid (public assistance vendor medical payments) ⁴	10 372	3 522	1 313	253	206	674	-	3,462	-	434	508
General hospital and medical care	5 293	5,216	12	4	-	2	-	-	-	-	60
Defense Department hospital and medical care ⁵	2,741	1 709	108	13	-	7	-	-	-	22	832
Maternal and child health services	493	75	45	11	37	11	14	-	-	4	296
Government public health activities ⁶	2 531	-	-	-	-	-	-	-	2,531	-	-
Veterans hospital and medical care	2 787	1,959	26	45	-	6	26	125	-	31	569
Medical vocational rehabilitation	185	74	93	-	-	-	18	-	-	-	-
School health ⁷	325	-	-	-	-	-	-	-	-	-	325
Federal	24 928	14 534	3 363	211	281	400	50	2 277	900	995	1 805
Medicare (health insurance for the aged and disabled) ²	11,348	8 013	2,314	-	139	-	-	214	-	667	-
Workers compensation (medical benefits) ³	36	23	9	-	2	1	1	-	-	-	-
Medicaid (public assistance vendor medical payments) ⁴	5 833	1 971	735	142	115	378	-	1 938	-	270	284
General hospital and medical care	836	759	12	4	-	2	-	-	-	-	60
Defense Department hospital and medical care ⁵	2 741	1 709	108	13	-	7	-	-	-	22	832
Maternal and child health services	235	36	32	8	27	8	9	-	-	4	111
Government public health activities ⁶	959	-	-	-	-	-	-	-	959	-	-
Veterans hospital and medical care	2,787	1 909	26	45	-	6	26	125	-	31	569
Medical vocational rehabilitation	154	62	78	-	-	-	15	-	-	-	-
State and local	12 818	6,893	1 296	115	148	331	41	1 524	1 572	164	734
Temporary disability insurance (medical benefits) ³	71	52	16	-	1	1	1	-	-	-	-
Workers' compensation (medical benefits) ⁴	1 564	782	672	-	47	31	31	-	-	-	-
Medicaid (public assistance vendor medical payments) ⁴	4 539	1 550	578	111	91	297	-	1 524	-	164	223
General hospital and medical care	4 457	4,407	-	-	-	-	-	-	-	-	-
Maternal and child health services	259	39	14	4	9	3	6	-	-	-	185
Government public health activities ⁶	1,572	-	-	-	-	-	-	-	1 572	-	-
Medical vocational rehabilitation	31	12	16	-	-	-	3	-	-	-	-
School health ⁷	325	-	-	-	-	-	-	-	-	-	325

¹ Preliminary estimates

² Represents total expenditures from trust funds for benefits and administrative costs. Trust fund income includes premium payments paid by or on behalf of enrollees.

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

⁴ Includes funds paid into Medicare trust funds by States under "buy in" agreements to cover premiums for public assistance recipients and for persons who are medically indigent.

⁵ Includes care for retirees and military dependents.

Payments for services other than hospital care and other health services represent only those made under contract medical programs.

⁶ Includes expenditures before 1974 reported under the Office of Economic Opportunity.

⁷ Beginning in 1975, data no longer available.

* Revised estimates.

care in 1976, 10 times the amount spent in 1950. Expenditures per person for physicians' services rose sevenfold while dental expenditures rose more than 600 percent.

A similar trend was experienced in nursing-home care expenditures. The 1976 figure of \$10.6 billion was more than eight times the level of spending in 1965. Two factors in addition to price increases have had some impact on this category of expenditures: (1) An emphasis on the substitution of nursing-home care for the more expensive hospital care and (2) the extension in 1972 of Medicaid reimbursement to care in intermediate-care facilities.

A multitude of factors have contributed to these increases in health care spending. These include changes in the prices of medical services and goods, in the size and age distribution of the population, and in the composition of the services and goods provided (as well as the rate at which they are utilized).

Population changes are normally easy to measure and can be documented through data provided by the Bureau of the Census, and the CPI pro-

Source of funds	1974	1975	1976
Total Medicare receipts	100 0	100 0	100 0
Percent from—			
Payroll tax	69 4	67 6	65 6
Premium payments by enrollees	9 9	9 9	9 2
Premium payments by Medicaid	1 1	1 3	1 3
General revenues	16 4	16 9	19 4
Interest	3 1	4 3	4 4
Hospital insurance receipts	100 0	100 0	100 0
Percent from—			
Payroll tax	92 2	90 9	89 8
General revenues	4 3	4 2	4 8
Interest	3 5	4 9	5 3
Supplementary medical insurance receipts	100 0	100 0	100 0
Percent from—			
Premium payments by enrollees	40 3	38 7	34 2
Premium payments by Medicaid	4 5	4 9	4 9
General revenues	53 3	53 9	58 8
Interest	2 0	2 4	2 1

¹ Includes small amounts paid in HI premiums by persons previously uninsured

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

vides a convenient, if imperfect, measure of price changes. Changes in the other factors responsible for inflation in health care expenditures are, however, difficult both to conceptualize and to measure.

Changes in medical technology and treatment modalities alter the mix and frequency of services utilized. Changes in access to medical care, either by removing financial barriers or by increasing the supply of services, affect utilization rates. Increases in the number and settlement amounts of malpractice suits may engender greater utilization of services such as laboratory tests and X-rays. That, in turn, may lead to further price increases. Since the effect of all of these factors is difficult to identify separately, they can only be grouped together and labeled as "changes in the health care system."

As chart 3 and the tabulation below indicate the influence of these factors on increases in

Source of increase	1950-65	1965-71	1971-74	1974-76
Amount of increase (in billions)				
Total	\$23 1	\$33 7	\$24 1	\$29 1
Price	10 1	16 8	10 4	22 8
Population	4 9	3 0	1 9	1 7
Changes in health care system	8 1	13 9	11 8	4 6
Percentage distribution				
Total	100 0	100 0	100 0	100 0
Price	43 8	49 0	43 1	78 3
Population	21 0	8 9	7 9	5 7
Changes in health care system	35 2	41 2	49 0	15 9

personal health care expenditures has varied substantially during different periods in the last quarter-century.

During the period from 1950 to 1965, population increases accounted for an estimated 21 percent of the \$23.1 billion increase in personal health care expenditures. Price changes accounted for 44 percent.

From 1965 through 1971—a period that saw the introduction of Medicare and Medicaid near the beginning and substantial inflation near the end—price increases were responsible for an estimated 50 percent of the \$33.7 billion increase as the population effect dropped to 9 percent. Changes in the system accounted for the remaining 41 percent.

The period from fiscal year 1971 through fiscal year 1974 closely corresponds to the time when economic controls were in effect for the health industry. The estimated 43 percent of the increase that is attributed to price inflation was held to nearly the same level as during 1950-65, while changes in the health care system accounted for almost 50 percent. The share of population growth declined to 8 percent.

In the period 1974-76, since the removal of economic controls, health care expenditures increased by \$29.1 billion. Substantial price inflation accounted for an estimated 78 percent of the increase. The significance of population changes has continued to decline, reaching 6 percent. Changes in the system provided only 16 percent of the increase.

TRENDS IN THIRD-PARTY PAYMENTS

The upward trend in third-party payments that began with the advent of Medicare and Medicaid in fiscal year 1967 has continued steadily with the rapid expansion of those programs and the slow but steady growth of private insurance benefits (table 6). In 1967, third-party payments represented more than half of all personal health care expenditures for the first time. By 1970, government and private health insurance, with a small contribution from philanthropy and private industry, paid three-fifths of these outlays, and by 1976 they paid two-thirds. As a result, the direct share of expenditures has inched downward from 45 percent in 1967 to 32 percent in 1976. The absolute level of direct expenditures

TABLE 5—Aggregate and per capita national health expenditures, by type of expenditure, selected fiscal years 1929–76

Type of expenditure	1929	1935	1940	1950	1955	1960	1965	1970	1974 ¹	1975 ¹	1976 ²
Aggregate amount (in millions)											
Total	\$3 589	\$2,846	\$3,883	\$12 027	\$17 330	\$25 856	\$38 892	\$69 201	\$106 321	\$122,231	\$139 312
Health services and supplies	3,382	2 788	3 729	11,181	16 392	24 162	35 664	64 065	99 330	114 652	131,022
Personal health care expense	3 165	2,585	3 414	10 400	15 231	22 729	33 498	60 113	91 315	105 745	120 431
Hospital care.....	651	731	969	3,698	5 689	8 499	13 152	25,879	41 020	48 224	55 400
Physicians' services	994	744	946	2,689	3 632	5 580	8 405	13 443	19 742	22 925	26 350
Dentists' services	476	298	402	940	1 457	1 944	2 728	4 473	6 870	7,810	8,600
Other professional services	248	150	173	384	552	848	989	1 385	1 929	2 190	2,400
Drugs and drug sundries	601	471	621	1,642	2 282	3 591	4 647	7 114	9 416	10 269	11 168
Eyeglasses and appliances	131	128	180	475	605	750	1,151	1 776	1 674	1 785	1,980
Nursing home care	-	-	28	178	291	480	1,271	3,818	7,450	9 100	10,600
Other health services	64	63	95	394	770	1,037	1,155	2,225	3,214	3,442	3,933
Expense for prepayment and administration	128	91	160	430	730	1,012	1,495	2,515	5,483	5 954	7,336
Government public health activities	89	112	155	351	384	401	671	1,495	2,531	2,953	3 255
Research and medical facilities construction	207	58	134	847	938	1,694	3 228	5 137	6,991	7,579	8 290
Research	-	-	3	110	194	562	1 391	1 846	2 527	2 942	3 327
Construction	207	58	131	737	744	1,102	1,837	3 291	4 464	4 637	4,963
Per capita amount ³											
Total	\$29 16	\$22 04	\$28 82	\$78 35	\$103 76	\$141 63	\$197 75	\$333 57	\$495 01	\$564 35	\$637 97
Health services and supplies	27 48	21 59	27 83	72 83	98 14	132 35	181 34	308 81	462 46	529 36	600 01
Personal health care expense	25 72	20 02	25 47	67 75	91 47	124 50	170 32	289 76	425 15	498 23	551 50
Hospital care.....	5 29	5 66	7 23	24 09	34 06	46 56	66 87	124 74	190 98	222 60	253 70
Physicians' services	8 08	5 76	7 06	17 52	21 75	30 57	42 74	64 80	91 92	105 85	120 67
Dentists' services	3 87	2 31	3 00	6 12	8 72	10 65	13 87	21 56	31 99	36 06	39 38
Other professional services	2 01	1 16	1 29	2 50	3 30	4 65	5 03	6 68	8 98	10 11	10 99
Drugs and drug sundries	4 88	3 65	4 66	10 70	13 66	19 67	23 63	34 29	43 84	47 41	51 14
Eyeglasses and appliances	1 06	99	1 34	3 09	3 62	4 11	5 85	8 56	7 79	8 24	9 07
Nursing home care	-	-	21	1 16	1 74	2 63	6 46	18 40	34 69	42 02	48 54
Other health services	53	49	68	2 57	4 65	5 66	5 87	10 73	14 96	15 89	18 01
Expenses for prepayment and administration	1 04	70	1 20	2 79	4 37	5 66	7 61	12 12	25 53	27 49	33 59
Government public health activities	72	87	1 16	2 29	2 30	2 19	3 41	6 93	11 79	13 63	14 91
Research and medical facilities construction	1 68	45	1 00	5 52	5 62	9 28	16 41	24 76	32 55	34 99	37 96
Research	-	-	02	72	1 16	3 21	7 07	8 90	11 77	13 58	15 24
Construction	1 68	45	98	4 80	4 45	6 04	9 34	15 86	20 78	21 41	22 73

¹ Revised estimates

² Preliminary estimates

³ Based on January 1 data from the Bureau of the Census for total U S,

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

has more than tripled since 1950, however, due to inflationary pressures, changes in technology, and other factors, and they were more than 50 percent greater in 1976 than in 1970

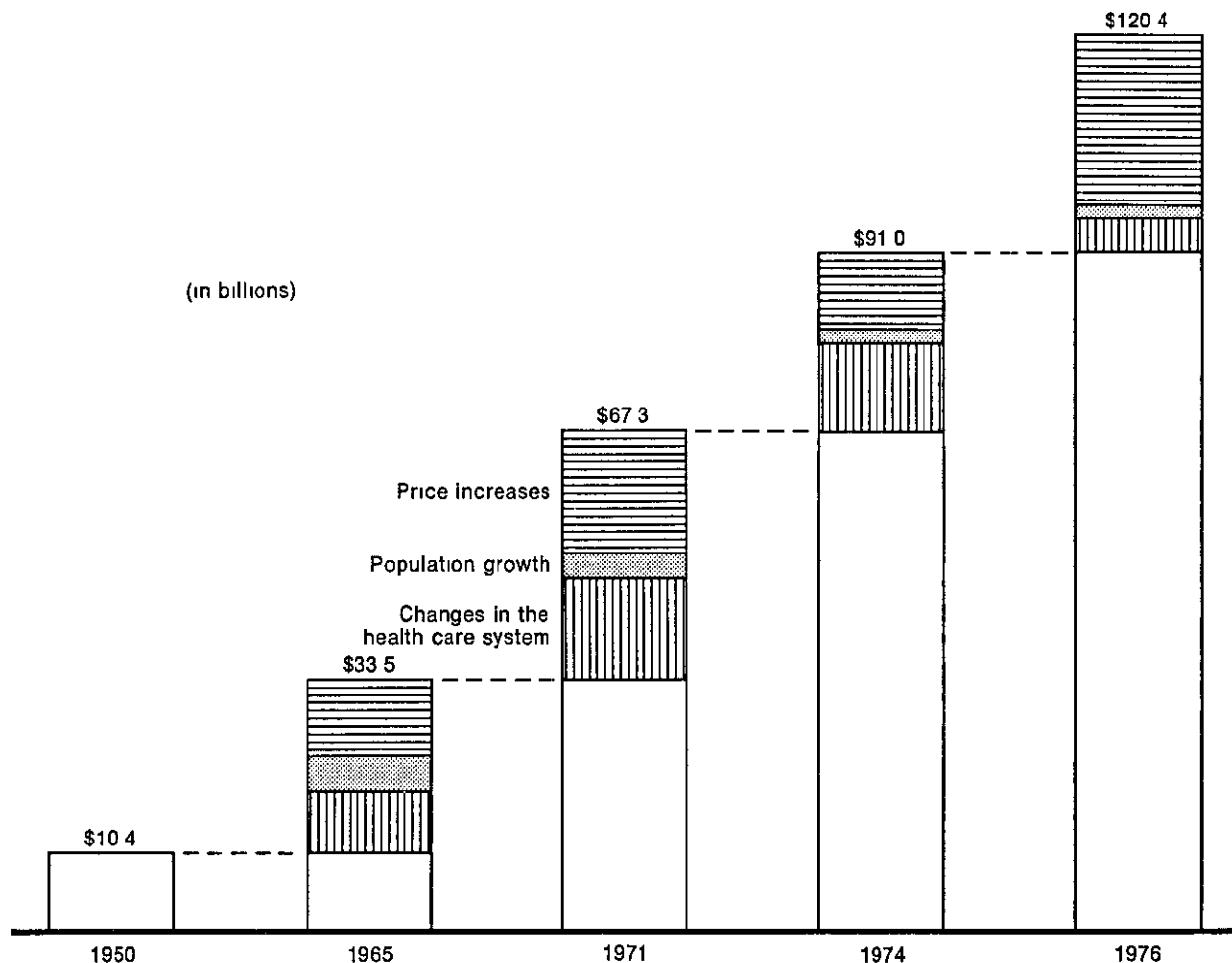
The relative shares paid by the various third parties have been fairly stable since the early years of Medicare and Medicaid. In 1950, before private health insurance had seen any real growth, consumers were paying almost 70 percent of their health bills directly, with third parties picking up less than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

The health insurance industry grew rapidly between 1950 and 1965, and by the latter year insurance payments were meeting 25 percent of health care costs, public spending 21 percent, and direct payments by consumers only 52 percent. After Medicare and Medicaid began opera-

tions, public spending surged upward, reducing out-of-pocket expenditures, the share paid by private insurance dropped only slightly. By 1976 the government expenditures comprised almost 40 percent of all personal health care expenditures and private insurance had leveled off at 26 percent, leaving consumer direct payments at only a third of total outlays.

Third-party payments have their greatest impact on hospital care expenditures (table 7). In 1950, consumers' direct payments accounted for slightly more than a third of all hospital expenditures. With the growth of the private health insurance industry, direct payments represented only 18 percent of hospital expenditures by 1965 and private insurance paid 42 percent of these costs. After Medicare and Medicaid were in full operation, the private insurance share dropped to about 35 percent, government spending for hospital care rose to more than 50 percent, and

CHART 3—Factors affecting increases in personal health care expenditures, selected fiscal years 1950-76



consumer payments fell to 10 percent. In 1976, public funds accounted for 55 percent of hospital care expenditures and insurance benefits paid for 35 percent, leaving the consumer to finance directly only 9 percent of hospital care outlays.

The impact of third parties on expenditures for physicians' services has been less dramatic, though substantial. Before its swift growth, private insurance paid only about 10 percent of doctor bills. The consumer paid directly 85 percent of all expenditures for physicians' services, and government picked up the remaining 5 percent. By 1965, insurance paid 30 percent of physicians' bills and the consumer direct payments were reduced to 63 percent. When Medicare and Medicaid became firmly established in 1968, however, the government share had risen to about 22 percent, with consumer direct payments down

to less than 50 percent. In 1976, direct payments met nearly two-fifths of expenditures for physicians' services, insurance met 36 percent, and government 25 percent.

Despite these increases in third-party financing of hospital and physicians' services, the consumer still pays directly a large share of the outlays for all other health services, including dentists' and other professional services, drugs and drug sundries, eyeglasses and appliances, and nursing-home care. As of 1976, relatively little private insurance had been written to cover such services and consequently private insurance paid only 6 percent of these costs. Government spending (mostly through Medicaid) accounted for 29 percent, leaving the consumer to make direct payments for slightly more than three-fifths of these bills.

DEFINITIONS, METHODOLOGY, AND SOURCES OF DATA

Estimates of national health expenditures are compiled by type of expenditure and channel of financing. For 1975 and 1976, the data for the public sector represent the outlays of 10 categories of government health programs.⁷ In previous years, 12 such categories were shown, but for two of these categories—school health programs and the programs started under the Office of Economic Opportunity—data are no longer shown separately. For several Federal health programs, the data are taken from the Office of Management and Budget special analysis of health programs.⁸ For the remainder, the data are supplied by the various agencies.

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

Hospital Care

The estimates of expenditures for hospital care are derived chiefly from American Hospital Association data on hospital finances, increased slightly to allow for osteopathic hospitals. Independent estimates of expenditures in federally

operated hospitals are made from the data used to estimate public program expenditures. Expenditures for the education and training of physicians and other health personnel are included only where they are not separable from the costs of hospital operations.

Expenditures by the Veterans Administration and the Department of Defense for physicians' services (except under contract medical care programs) are included as part of hospital care expenditures. Services of salaried physicians in psychiatric, tuberculosis, and general hospitals—whether public or private—are part of hospital care, but self-employed physicians' services in hospitals are not counted as hospital expenditures. The costs of drugs used in hospitals are also included with hospital care. Anesthesia and X-ray services are sometimes classified as hospital care expenditures and sometimes as expenditures for physicians' services, depending on billing practices.

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

Services of Physicians, Dentists and Other Health Professionals

Estimated expenditures for the services of physicians and dentists in private practice are based on the gross income from self-employment practice reported by physicians and dentists to the Internal Revenue Service (and shown in its report, *Statistics of Income—Business Income Tax Returns*). Gross receipts are totaled for practitioners in sole proprietorships and partnerships. The total also includes the estimated gross income of corporate offices, that portion of gross receipts of medical laboratories estimated to represent patient payments, and the estimated expenses of group-practice prepayment plans in providing physicians' services (to the extent that these are

⁷ For a description of the programs, see Barbara S. Cooper and Nancy L. Worthington, *Personal Health Care Expenditures, by State Vol 1 Public Funds, 1966 and 1969*, Office of Research and Statistics, 1973.

⁸ See "Special Analysis K Federal Health Programs," *Special Analyses, Budget of the United States Government, Fiscal Year 1978*, Office of Management and Budget, January 1977.

not included in physicians' income from self-employment), as well as those of group-practice dental clinics. Estimated receipts of physicians for life insurance examinations are deducted.

The gross receipts of physicians and dentists

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

TABLE 6—Amount and percentage distribution of personal health care expenditures,¹ by source of funds, selected fiscal years 1929-76

Fiscal year	Total	Source of funds						
		Private				Public		
		Total	Direct payments	Insurance benefits	Other	Total	Federal	State and local
Aggregate amount (in millions)								
1929	\$3,165	\$2,882	\$2,800		\$83	\$282	\$85	\$197
1935	2,585	2,204	2,134		70	382	89	293
1940	3,414	2,891	2,799		92	523	133	389
1950	10,400	8,298	7,107	\$879	312	2,102	979	1,124
1955	15,231	11,762	8,992	2,358	412	3,469	1,583	1,886
1960	22,729	17,799	12,576	4,698	525	4,930	2,102	2,828
1965	33,498	26,540	17,577	8,280	683	6,958	2,840	4,118
1966	36,216	28,324	18,668	8,936	720	7,892	3,349	4,542
1967	41,343	28,883	18,786	9,344	753	12,461	7,471	4,991
1968	46,521	30,322	19,098	10,444	780	16,200	10,401	5,797
1969	52,690	33,987	20,957	12,206	824	18,705	12,283	6,421
1970	60,113	39,568	24,272	14,406	890	20,545	13,403	7,142
1971	67,228	43,999	26,307	16,728	964	23,229	15,401	7,827
1972	74,828	47,796	28,141	18,620	1,035	27,032	18,126	8,906
1973	82,490	52,428	30,348	20,955	1,125	30,062	20,178	9,884
1974 ²	91,315	57,259	32,989	23,050	1,220	34,056	22,974	11,082
1975 ²	105,745	63,779	35,553	26,894	1,331	41,966	28,866	13,100
1976 ⁴	140,431	72,013	39,099	31,359	1,556	48,417	33,683	14,735
Per capita amount								
1929	\$25.72	\$23.42	\$22.75		\$0.67	\$2.29	\$0.69	\$1.60
1935	20.02	17.07	16.53		.54	2.96	.69	2.27
1940	25.47	21.57	20.89		.69	3.90	.99	2.90
1950	67.75	54.05	46.30	\$5.73	2.03	13.69	6.38	7.32
1955	91.19	70.42	53.84	14.12	2.47	20.77	9.48	11.28
1960	124.50	97.50	68.89	25.73	2.88	27.00	11.51	15.49
1965	170.32	134.95	89.37	42.10	3.47	35.38	14.44	20.94
1966	181.96	142.30	93.79	44.90	3.62	39.65	16.83	22.82
1967	205.45	143.53	93.35	46.43	3.74	61.92	37.13	24.80
1968	228.75	149.10	93.91	51.35	3.84	79.66	51.14	28.50
1969	256.59	165.51	102.06	59.44	4.01	91.09	59.82	31.27
1970	289.76	190.73	117.00	69.44	4.29	99.03	64.61	34.43
1971	320.84	209.98	125.55	79.83	4.60	110.86	73.50	37.35
1972	353.66	225.90	133.00	88.00	4.89	127.76	85.67	42.09
1973	386.84	245.87	142.32	98.27	5.28	140.98	94.63	46.35
1974 ²	425.15	266.59	153.59	107.32	5.68	158.56	106.97	51.60
1975 ²	488.23	294.47	164.15	124.17	6.15	193.76	133.28	60.49
1976 ⁴	551.50	329.78	179.05	143.61	7.13	221.72	154.25	67.48
Percentage distribution								
1929	100.0	91.1	88.5		2.6	8.9	2.7	6.2
1935	100.0	85.3	82.6		2.7	14.8	3.4	11.3
1940	100.0	84.7	82.0		2.7	15.3	3.9	11.4
1950	100.0	79.8	68.3	8.5	3.0	20.2	9.4	10.8
1955	100.0	77.2	59.0	15.5	2.7	22.8	10.4	12.4
1960	100.0	78.3	55.3	20.7	2.3	21.7	9.2	12.4
1965	100.0	79.2	52.5	24.7	2.0	20.8	8.5	12.3
1966	100.0	78.2	51.5	24.7	2.0	21.8	9.2	12.5
1967	100.0	69.9	45.4	22.6	1.8	30.1	18.1	12.1
1968	100.0	65.2	41.1	22.5	1.7	34.8	22.4	12.5
1969	100.0	64.5	39.8	23.2	1.6	35.5	23.3	12.2
1970	100.0	65.8	40.4	24.0	1.5	34.2	22.3	11.9
1971	100.0	65.4	39.1	24.9	1.4	34.6	22.9	11.6
1972	100.0	63.9	37.6	24.9	1.4	36.1	24.2	11.9
1973	100.0	63.6	36.8	25.4	1.4	36.4	24.5	12.0
1974 ²	100.0	62.7	36.1	25.2	1.3	37.3	25.2	12.1
1975 ²	100.0	60.3	33.6	25.4	1.3	39.7	27.3	12.4
1976 ⁴	100.0	59.8	32.5	26.0	1.3	40.2	28.0	12.2

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

² Includes any insurance benefits and expenses for prepayment (insurance

premiums less insurance benefits)

³ Revised estimates

⁴ Preliminary estimates

The salaries of physicians and dentists on the staffs of hospitals and hospital outpatient facilities are considered a component of hospital care. The salaries of physicians and dentists serving in field services of the Armed Forces are included in "other health services." Where they can be separated, expenditures for the education and training of medical personnel are considered as

TABLE 7—Amount and percentage distribution of personal health care expenditures, by type of expenditure and source of funds, selected fiscal years 1950-76

Type of expenditure and fiscal year	Total	Source of funds				Public
		Private				
		Total	Direct pay ments	Insur ance benefits	Other	
Aggregate amount (in millions)						
Hospital care						
1950	\$3 698	\$2 008	\$1,265	\$610	\$133	\$1 690
1955	5 689	3 075	1 344	1 560	171	2 614
1960	8 499	4 931	1 583	3 124	224	3 508
1965	13 152	8 222	2 434	5,488	300	4 930
1966	14 245	8 840	2 628	5 892	320	5 405
1967	16 921	8 484	2 084	6 063	337	8 437
1968	19 384	9 080	2 009	6 731	340	10 004
1969	22 356	10 003	2 313	7 842	348	11 853
1970	25 879	12 727	3 174	9 182	371	13 152
1971	29 133	14 006	2 962	10 644	400	15 127
1972	32 720	15 087	2 892	11 768	427	17 633
1973	36 155	17 113	3 608	13 094	471	19 042
1974 ¹	41 020	19 094	4 997	14 084	513	21 426
1975 ¹	48 224	21 690	4 741	16 406	544	26 334
1976 ²	55 400	25 004	4 909	19 443	652	30 396
Per capita amount						
Hospital care						
1950	\$24 09	\$13 08	\$8 24	\$3 97	\$0 87	\$11 01
1955	34 06	18 41	8 05	9 34	1 02	15 65
1960	46 56	27 01	8 67	17 11	1 23	19 54
1965	66 89	41 82	12 38	27 90	1 53	25 08
1966	71 59	44 43	13 20	29 60	1 61	27 17
1967	84 09	42 16	10 36	30 13	1 67	41 93
1968	95 31	44 65	9 88	33 10	1 67	50 67
1969	108 87	51 15	11 26	38 19	1 69	57 72
1970	124 74	61 35	15 20	44 26	1 79	63 40
1971	139 03	66 84	14 14	50 80	1 91	72 19
1972	154 64	71 31	13 67	55 62	2 02	83 34
1973	169 55	80 25	16 92	61 12	2 21	89 20
1974 ¹	190 98	91 23	23 27	65 57	2 39	99 76
1975 ¹	222 66	100 15	21 89	75 75	2 51	122 51
1976 ²	253 70	114 50	22 48	89 04	2 98	139 20
Percentage distribution						
Hospital care						
1950	100 0	54 3	34 2	16 5	3 6	45 7
1955	100 0	54 1	23 6	27 4	3 0	45 9
1960	100 0	58 0	18 6	36 8	2 6	42 0
1965	100 0	62 5	18 1	4 7	2 3	37 5
1966	100 0	62 1	18 4	41 4	2 2	37 9
1967	100 0	50 1	12 3	35 8	2 0	49 9
1968	100 0	46 8	10 4	34 7	1 8	53 2
1969	100 0	47 0	10 4	35 1	1 6	53 0
1970	100 0	49 2	12 3	35 5	1 4	50 8
1971	100 0	48 1	10 2	36 5	1 4	51 9
1972	100 0	46 1	8 8	36 0	1 3	53 9
1973	100 0	47 3	10 0	36 1	1 3	52 7
1974 ¹	100 0	47 8	12 2	34 3	1 3	52 2
1975 ¹	100 0	45 0	9 8	34 0	1 1	55 0
1976 ²	100 0	45 1	8 9	35 1	1 2	54 9

See footnotes at end of table

TABLE 7—Amount and percentage distribution of personal health care expenditures, by type of expenditure and source of funds, selected fiscal years 1950-76—Continued

Type of expenditure and fiscal year	Total	Source of funds				Public
		Private				
		Total	Direct pay ments	Insur ance benefits	Other	
Aggregate amount (in millions)						
Physicians services						
1950	\$2 689	\$2 566	\$2 279	\$270	\$7	\$133
1955	3 632	3 392	2 887	797	8	240
1960	5 580	5 218	3 685	1 524	9	362
1965	8,405	7,878	5 315	2 554	9	527
1966	8 865	8 267	5 502	2 756	9	598
1967	9 738	8 323	5 415	2 898	10	1 415
1968	10 734	8 378	5 148	3 220	10	2 356
1969	11 842	9 170	5 407	3 753	10	2 672
1970	13 443	10 512	6 034	4 468	10	2 931
1971	15 098	11 800	6 620	5 169	11	3 298
1972	16 227	12 878	7 113	5 754	11	3 649
1973	17 995	13 861	7 290	6 559	12	4 134
1974 ¹	19 742	15 083	7 877	7 192	14	4 659
1975 ¹	22 925	17 217	8 946	8 257	15	5 708
1976 ²	26,300	19 718	10 198	9 502	18	6,632
Per capita amount						
Physicians services						
1950	\$17 52	\$16 65	\$14 85	\$1 76	\$0 05	\$0 87
1955	21 75	20 31	15 49	4 77	0 05	1 44
1960	30 57	28 58	20 18	8 35	0 05	1 98
1965	42 75	40 06	27 02	12 99	0 05	2 68
1966	44 56	41 55	27 64	13 85	0 05	3 01
1967	48 39	41 36	26 91	14 40	0 05	7 03
1968	52 78	41 20	25 31	15 83	0 05	11 58
1969	57 67	44 66	26 33	18 28	0 05	13 01
1970	64 80	50 67	29 08	21 54	0 05	14 13
1971	72 05	56 31	31 59	24 67	0 05	15 74
1972	78 11	60 87	33 62	27 20	0 05	17 25
1973	84 39	65 00	34 19	30 75	0 05	19 39
1974 ¹	91 92	70 22	36 68	33 48	0 07	21 69
1975 ¹	105 85	79 49	41 20	38 12	0 07	25 35
1976 ²	120 67	90 30	46 70	43 51	0 08	30 37
Percentage distribution						
Physicians' services						
1950	100 0	95 1	84 8	10 0	0 3	4 9
1955	100 0	93 4	71 2	21 9	2	6 6
1960	100 0	93 2	66 0	27 3	2	6 5
1965	100 0	93 7	63 2	30 4	1	6 3
1966	100 0	93 3	62 1	31 1	1	6 7
1967	100 0	85 2	55 6	29 8	1	14 5
1968	100 0	78 1	48 0	30 0	1	21 9
1969	100 0	77 4	45 7	31 7	1	22 6
1970	100 0	78 2	44 9	33 2	1	21 8
1971	100 0	78 2	43 8	34 2	1	21 8
1972	100 0	77 9	43 0	34 8	1	22 1
1973	100 0	77 0	40 2	36 4	1	23 0
1974 ¹	100 0	76 4	39 9	36 4	1	23 6
1975 ¹	100 0	75 1	39 0	36 0	1	25 2
1976 ²	100 0	74 8	38 7	36 1	1	25 2

See footnotes at end of table

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. These include private-duty nurses, chiropractors, and optometrists, as well

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

Drugs, Drug Sundries, Eyeglasses, and Orthopedic Appliances

Expenditures in these categories include only the spending for outpatient drugs and appliances and exclude those provided to hospital inpatients, nursing-home patients, and through physicians' offices 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 and product accounts in the *Survey of Current Business* To estimate the consumer portion, workers' compensation payments are subtracted The Department of Commerce counts this expenditure as a consumer expenditure, but the Office of Research and Statistics considers it an expenditure of government Total expenditures for drugs and for appliances represent the sum of these consumer expenditure estimates and the expenditures by all public programs for these products

TABLE 7—Amount and percentage distribution of personal health care expenditures, by type of expenditure and source of funds, selected fiscal years 1950-76—Continued

Type of expenditure and fiscal year	Total	Source of funds				Public
		Private				
		Total	Direct payments	Insurance benefits	Other	
Aggregate amount (in millions)						
All other services ¹						
1950	\$4 013	\$3 734	\$3 562	(4)	\$172	\$279
1955	5 910	5 295	5 062	(4)	233	615
1960	8 650	7 650	7 308	50	294	1 000
1965	11 941	10,440	9 828	238	374	1 501
1966	13 106	11 217	10 538	288	391	1 889
1967	14 684	12 076	11 178	492	406	2 909
1968	16 403	12 864	11 823	611	430	3 540
1969	18 492	14 314	13,092	706	466	4 180
1970	20 791	16 329	14 904	916	509	4 462
1971	22 997	18,193	16 544	1 096	553	4 804
1972	25,581	19 831	18,136	1 098	597	5,700
1973	28 340	21 454	19 450	1 362	642	6 886
1974 ¹	30 553	22,582	20 114	1,775	693	7 971
1975 ¹	34 590	24 871	21,867	2 232	772	9 724
1976 ²	38 681	27 292	23,991	2 415	886	11,389
Per capita amount						
All other services ¹						
1950	\$26 14	\$24 32	\$23 20	-	\$1 12	\$1 82
1955	35 38	31 70	30 31	-	1 40	3 68
1960	47 38	41 90	40 03	\$0 27	1 60	5 48
1965	60 72	53 08	49 97	1 21	1 90	7 63
1966	65 85	56 36	52 92	1 45	1 96	9 49
1967	72 97	60 01	55 55	2 44	2 02	12 96
1968	80 66	63 25	58 14	3 00	2 11	17 41
1969	90 05	69 71	63 76	3 68	2 27	20 36
1970	100 22	78 71	71 84	4 42	2 45	21 51
1971	109 75	86 82	78 95	5 23	2 64	22 93
1972	120 90	93 73	85 72	5 19	2 82	27 18
1973	132 90	100 61	91 21	6 39	3 01	32 29
1974 ¹	142 25	105 14	93 65	8 26	3 23	37 11
1975 ¹	159 73	114 83	100 96	10 31	3 55	44 90
1976 ²	177 14	124 98	109 87	11 06	4 06	52 15
Percentage distribution						
All other services ¹						
1950	100 0	93 0	88 8	-	4 3	7 0
1955	100 0	89 6	85 7	-	3 9	10 4
1960	100 0	88 4	84 5	0 6	3 4	11 6
1965	100 0	87 4	82 3	2 0	3 1	12 6
1966	100 0	85 6	80 4	2 2	3 0	14 4
1967	100 0	82 2	76 1	3 4	2 8	17 8
1968	100 0	78 4	72 1	3 7	2 6	21 6
1969	100 0	77 4	70 8	4 1	2 5	22 6
1970	100 0	78 5	71 7	4 4	2 4	21 5
1971	100 0	79 1	71 9	4 8	2 4	20 9
1972	100 0	77 5	70 9	4 3	2 3	22 5
1973	100 0	75 7	68 6	4 8	2 3	24 3
1974 ¹	100 0	73 9	65 8	5 8	2 3	26 1
1975 ¹	100 0	71 9	63 2	6 5	2 2	28 1
1976 ²	100 0	70 6	62 0	6 2	2 3	29 4

¹ Revised estimates

² Preliminary estimates

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

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

Nursing-Home Care

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

Expenditure estimates utilize data collected in periodic surveys of nursing homes conducted by the National Center for Health Statistics of the Department of Health, Education, and Welfare The estimates for total expenditures are derived from survey data on utilization and charges for a total universe of nursing-care homes and personal-care homes with nursing, as defined by the Center⁹ Estimates for intervening years (for which no data are available) are based on available economic and other indicators

Consumer expenditures in nursing homes represent the difference between total nursing-home

⁹ For a complete definition, see National Center for Health Statistics, "Selected Operating and Financial Characteristics of Nursing Homes," *Vital and Health Statistics* (Series 13, No 22)

expenditures and expenditures from philanthropic and government sources for services in skilled-nursing facilities and intermediate-care facilities

Expenses for Prepayment and Administration

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

Data on the financial experience of health insurance organizations are reported annually by the Office of Research and Statistics in an article on private health insurance Data for 1975 will appear in the June 1977 BULLETIN

The administration component includes expenditures for private voluntary health agencies that remain after amounts for hospital care, physicians' services, etc, have been distributed (amounts spent for health education, lobbying, fund-raising, etc) In addition, it includes administrative expenses (where they are reported) of federally financed health programs Such data were available for Medicare and Medicaid and for the Veterans Administration and Department of Defense contract medical care programs

Government Public Health Activities

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

The State and local portion represents expenditures of all State and local health departments

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

Other Health Services

Items of expenditure that could not be classified elsewhere are brought together in the category "other health services" It includes, for each public program, the residual amount of expenditures not classified as a specific type of medical service In addition, it includes the following (1) Industrial in-plant services, (2) for years before 1975, school health services and (3) medical activities in Federal units other than hospitals

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

Until 1975, expenditures for school health were estimated by the Office of Education and reported as a separate item in the social welfare expenditure series Separate estimates for this item are no longer available and, although expenditures for this purpose continue to be included in the social welfare expenditure series as part of total expenditures for education, school health is no longer included as a health expenditure

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

Medical Research

Expenditures for medical research include all such spending by private organizations and public 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 De-

partment of Defense or the National Aeronautics and Space Administration Research expenditures of drug and medical supply companies are excluded, since they are included in the cost of the product The Federal amounts represent those reported as medical research in the Special Analyses of the Budget The amounts shown for State and local governments and private expenditures are based on published estimates that have been prepared by the National Institutes of Health—primarily in the annual publication, *Basic Data Relating to the National Institutes of Health*

Construction of Medical Facilities

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

Population Estimates

The estimates of population used as the basis for calculating per capita expenditures for health care, based on data from the Bureau of the Census, are as follows

<i>January 1</i>	<i>Total U S population</i>
1929 -----	123,077
1935 -----	129,118
1940 -----	134,012
1950 -----	153,513
1955 -----	167,022
1960 -----	182,557
1965 -----	196,671
1966 -----	199,038
1967 -----	201,234
1968 -----	203,369
1969 -----	205,345
1970 -----	207,457
1971 -----	209,539
1972 -----	211,583
1973 -----	213,238
1974 -----	214,783
1975 -----	216,587
1976 -----	218,368

These figures represent the entire population, including the Armed Forces and Federal civilian employees overseas and the civilian population of outlying areas