

Age Differences in Medical Care Spending, Fiscal Year 1972

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During fiscal year 1972 the Nation spent about \$72 billion for personal health care. Persons under age 19 accounted for about one-sixth of this amount; those aged 19-64, a little less than three-fifths; and those aged 65 and over, slightly more than one-fourth. The effect of the economic stabilization program was felt as spending for each age group registered its lowest increase in several years. Most medical bills were paid for by third parties—government, private health insurance, philanthropy, and industry. Third parties paid more than 60 percent of medical costs for persons under age 65 and more than 70 percent for those aged 65 and over. Average out-of-pocket payments for those under age 65 amounted to about \$102; for the aged, they reached \$276.

SPENDING FOR MEDICAL CARE—how much, for which type, and who pays—differs by age. This article analyzes these differences for three broad age groups—the young (under age 19), the intermediate group (aged 19-64), and the aged (65 and over). Data are presented for each fiscal year from 1969 to 1972, with revisions of previous estimates through fiscal year 1969.¹ Summary highlights for fiscal year 1972² reveal that:

—the Nation spent \$71.9 billion for personal health care in fiscal year 1972, of which 16 percent was spent for the young, 57 percent for persons aged 19-64, and 27 percent for the aged

—the average medical care bill for an aged person reached nearly \$1,000, compared with \$358 for a person in the intermediate group and \$147 for a youth

—the effect of the economic stabilization program was felt as spending for each age group registered the lowest increase in several years

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¹ For detailed data on fiscal years 1966-68, see Barbara S. Cooper and Nancy L. Worthington, "Medical Care Spending for Three Age Groups," *Social Security Bulletin*, May 1972.

² For a description of developments in fiscal year 1972 for all age groups, see Barbara S. Cooper and Nancy L. Worthington, "National Health Expenditures, 1929-72," *Social Security Bulletin*, January 1973.

—the youth, whose 1972 expenditures increased at only half the rate of the preceding year, experienced a sharp decline in occurrence of respiratory illnesses (their major disease category)

—public funds financed one-fourth of personal health care spending for the two younger age groups and two-thirds for the aged

—the average hospital bill for an aged person was more than 10 times that for a youth and nearly triple that for persons in the intermediate group; for physicians' services, his bill was nearly four times that for a youth and double that for the remaining group

—third parties (government, private health insurance, philanthropy, and industry) paid the major share of an individual's medical bills—more than three-fifths for persons under age 65 and seven-tenths for the aged

—despite the increase in the third-party share, average out-of-pocket payments for aged persons (\$276) were \$10 higher than the 1971 amount

—for persons under age 65, average out-of-pocket payments (\$102) remained the same as in 1971

—Medicare's share of the aged's health bill (42 percent), down slightly from earlier years, was the same as in 1971.

EXPENDITURES IN 1972

Total national spending for personal health care amounted to \$71.9 billion in fiscal year 1972 (table 1). Personal health care expenditures include all expenditures for medical care services and supplies received by individuals. Excluded from this figure are expenditures for medical research; medical-facilities construction, public health activities (disease prevention and control), and some expenses of philanthropic organizations (mainly for fund-raising activities). Also excluded is the net cost of insurance—the difference between health insurance premiums and benefits paid—as well as the administrative cost of several government programs.

Of the \$71.9 billion total in 1972, 16 percent was spent for persons under age 19, 57 percent went for persons aged 19-64, and 27 percent for persons aged 65 and over. These overall proportions con-

TABLE 1.—Estimated personal health care expenditures, by type of expenditure and source of funds for three age groups, fiscal years 1969-72

[In millions]

Type of expenditure	All ages			Under 19			19-64			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public
1969												
Total.....	\$52,057	\$33,346	\$18,711	\$8,397	\$6,287	\$2,110	\$29,825	\$22,681	\$7,144	\$13,838	\$4,380	\$9,437
Hospital care.....	22,356	10,499	11,857	2,045	1,137	908	13,761	8,897	5,064	6,550	665	5,885
Physicians' services.....	11,842	9,160	2,682	2,836	2,567	269	6,519	5,742	777	2,487	851	1,636
Dentists' services.....	3,821	3,589	232	883	790	93	2,644	2,530	114	295	299	26
Other professional services.....	1,292	1,092	200	309	262	47	712	666	66	271	175	96
Drugs and drug sundries.....	6,480	6,133	347	1,274	1,218	56	3,685	3,540	145	1,521	1,375	146
Eyeglasses and appliances.....	1,743	1,692	51	291	279	12	1,078	1,041	37	375	372	3
Nursing-home care.....	2,465	762	1,703	62	34	28	308	72	236	2,035	656	1,439
Other health services.....	2,058	420	1,638	697	-----	697	1,118	403	715	244	17	227
1970												
Total.....	\$59,101	\$38,549	\$20,552	\$9,598	\$7,226	\$2,372	\$33,796	\$25,730	\$8,065	\$15,710	\$5,593	\$10,115
Hospital care.....	25,929	12,997	12,932	2,567	1,506	1,061	15,869	10,210	5,659	7,493	1,281	6,212
Physicians' services.....	13,447	10,324	3,123	3,223	2,929	294	7,400	6,517	883	2,824	878	1,946
Dentists' services.....	4,233	4,029	204	957	878	79	2,970	2,869	101	306	282	24
Other professional services.....	1,386	1,176	210	333	287	46	782	699	63	291	190	101
Drugs and drug sundries.....	7,057	6,613	444	1,378	1,308	68	3,995	3,800	195	1,687	1,505	182
Eyeglasses and appliances.....	1,814	1,755	59	303	290	13	1,122	1,079	43	389	386	3
Nursing-home care.....	2,860	1,195	1,665	72	28	44	358	113	245	2,431	1,054	1,377
Other health services.....	2,375	460	1,916	767	-----	767	1,320	443	877	289	17	272
1971												
Total.....	\$65,670	\$42,455	\$23,215	\$10,755	\$8,040	\$2,714	\$37,218	\$28,078	\$9,136	\$17,609	\$6,334	\$11,366
Hospital care.....	29,357	14,447	14,910	3,149	1,802	1,347	17,548	11,210	6,335	8,660	1,435	7,225
Physicians' services.....	15,038	11,612	3,426	3,605	3,248	357	8,275	7,215	1,060	3,158	1,147	2,011
Dentists' services.....	4,637	4,402	235	1,027	947	80	3,281	3,156	125	330	299	31
Other professional services.....	1,842	1,341	201	370	327	43	848	778	70	324	235	89
Drugs and drug sundries.....	7,506	6,988	518	1,462	1,388	74	4,269	4,035	234	1,776	1,565	211
Eyeglasses and appliances.....	1,922	1,856	66	317	306	11	1,193	1,141	52	412	408	4
Nursing-home care.....	3,282	1,309	1,973	82	22	60	410	63	347	2,790	1,225	1,565
Other health services.....	2,386	500	1,886	743	-----	743	1,394	480	914	249	20	229
1972												
Total.....	\$71,862	\$45,105	\$26,757	\$11,459	\$8,236	\$3,221	\$40,654	\$30,084	\$10,571	\$19,753	\$6,787	\$12,966
Hospital care.....	32,460	15,267	17,193	3,553	1,904	1,649	19,169	11,870	7,300	9,738	1,493	8,245
Physicians' services.....	16,150	12,430	3,720	3,561	3,172	389	9,036	7,873	1,163	3,553	1,385	2,168
Dentists' services.....	5,025	4,771	254	1,110	1,026	84	3,558	3,421	137	358	324	34
Other professional services.....	1,655	1,427	228	364	314	50	927	846	81	364	269	95
Drugs and drug sundries.....	7,909	7,340	569	1,558	1,475	83	4,542	4,285	257	1,811	1,580	231
Eyeglasses and appliances.....	2,037	1,960	77	336	323	13	1,265	1,205	60	436	431	5
Nursing-home care.....	3,500	1,370	2,130	88	22	66	438	64	374	2,975	1,285	1,690
Other health services.....	3,126	540	2,587	889	-----	889	1,719	520	1,199	518	20	498

form to spending patterns established in recent years. As shown in the tabulation below, the 27-percent share spent for the aged far exceeded their share of the population (10 percent) because they have more frequent and costlier illnesses and thus use more medical care services.

Age	Percentage distribution	
	Health expenditures	Population
All.....	100.0	100.0
Under 19.....	15.9	36.9
19-64.....	58.6	53.6
65 and over.....	27.5	9.5

The average personal health care outlay for the total population was \$340 (table 2). For the average aged person, however, the bill was nearly \$1,000—almost seven times that for a youth and about triple that for a person in the intermediate age group.

Personal health care expenditures increased 9.4 percent in 1972—the lowest annual percentage increase in 6 years. This deceleration was in part a result of the economic stabilization program initiated in August 1971.³ The effect of the economic

³ For a discussion of the effects of the economic stabilization program on health care spending, see Barbara S. Cooper and Nancy L. Worthington, *op. cit.*, January 1973.

control on prices was felt among all age groups, as the rate of increase in spending for each age category was the lowest in several years.

The rise in expenditures was greatest for the aged—11.6 percent—compared with 6.5 percent and 9.2 percent for the young and intermediate age groups, respectively. The unusually low increase for the youngest group does not simply reflect the impact of the economic stabilization program but is also a result of a decrease in utilization discussed later in this article.

Source of Funds

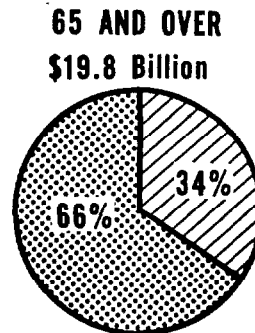
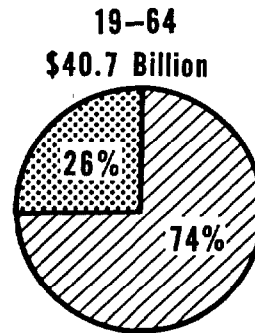
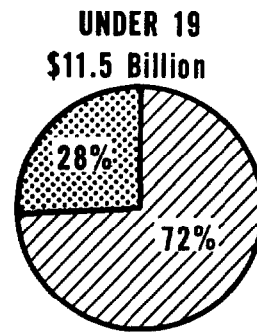
For the population as a whole, the largest part of the personal health care dollar comes from private sources. In fiscal year 1972, private funds financed 63 percent of personal health care outlays; Federal, State, and local governments contributed the remainder. For each of the three age groups, however, the proportion made up by each source varied substantially. For the two younger groups, public funds accounted for slightly more than one-fourth of their 1972 expenditures. In contrast, two-thirds of the health care expenditures of the aged were paid from public funds (chart 1).

Within total government spending, the mix of Federal and State-local funds differed among the age groups served (table 3). The Federal Government was the chief source for all age groups, contributing two-thirds of total public medical care outlays. For the aged, as the tabulation below indicates, four-fifths came from Federal funds—

Age	Percentage distribution		
	Total	Federal funds	State and local funds
All ages.....	100 0	66 3	33 7
Under 19.....	100 0	57 9	42 1
19-64.....	100 0	51 2	48 8
65 and over.....	100 0	80 8	19 2

mainly the Medicare program and the Federal matching contribution under Medicaid (Federal-State medical assistance). For the intermediate group, about half was contributed both by the Federal Government and by State and local governments. For those in the youngest age group, nearly three-fifths came from Federal funds, pri-

CHART 1.—Percentage distribution of expenditures for personal health care, by source of funds and age group, fiscal year 1972



Public



Private

marily Federal payments under Medicaid and expenditures under the military dependents' medical care program of the Department of Defense.

Expenditures for the young.—During 1972, \$11.5 billion was spent for personal health care services and supplies for persons under age 19, with \$8.2 billion (72 percent) from private sources. Public expenditures for young persons accounted for the remaining \$3.2 billion (table 4). Most of these funds came from public assistance payments under Medicaid (40 percent), from the

TABLE 2.—Estimated per capita¹ personal health care expenditures, by type of expenditure and source of funds for three age groups, fiscal years 1969-72

Type of expenditure	All ages			Under 19			19-64			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public
1969												
Total.....	\$253 61	\$162.46	\$91.16	\$111.03	\$83 13	\$27.90	\$270 76	\$205.90	\$64.86	\$710 22	\$224 80	\$485 42
Hospital care.....	108 91	51.15	57.77	27.04	15 03	12.01	124.93	78.95	45.97	336 17	34.13	302.04
Physicians' services.....	57.69	44 63	13.07	37.50	33.94	3 56	59.18	62.13	7.05	127.64	43 68	83.97
Dentists' services.....	18 62	17.48	1.13	11.68	10 45	1.23	24 00	22 97	1.03	15.14	13 81	1.33
Other professional services.....	6.29	5.32	.97	4 08	3 46	.62	6.46	5 96	.51	13.91	8.98	4.93
Drugs and drug sundries.....	31.57	29.88	1.69	16.85	16.10	.74	33.45	32 14	1.32	78 06	70 57	7.49
Eyeglasses and appliances.....	8 49	8.24	.25	3 85	3 69	.16	9.79	9 45	.34	19.25	19.03	.15
Nursing-home care.....	12 01	3 71	8 30	.82	.45	.37	2.80	.65	2.14	107.52	33.67	73.86
Other health services.....	10 03	2 05	7.98	9 22	-----	9.22	10.15	3.66	6.49	12.52	.87	11.65
1970												
Total.....	\$284 98	\$185 88	\$99 10	\$125 61	\$94 56	\$31.04	\$303 60	\$231.14	\$72.45	\$799.25	\$284 54	\$514 60
Hospital care.....	125 03	62 67	62 36	33 59	19 71	13 88	142 56	91.72	50 84	381.21	65 17	316.04
Physicians' services.....	64 84	49.78	15 06	42 18	38 33	3 85	66.48	58 54	7.93	143.67	44 67	99.00
Dentists' services.....	20 41	19.43	.98	12.62	11.49	1.03	26.68	25.77	.91	15 57	14 85	1.22
Other professional services.....	6 68	5 67	1 01	4 36	3 76	.60	6.85	6 28	.57	14.80	9 67	5.14
Drugs and drug sundries.....	34 03	31 89	2 14	18 01	17.12	.89	35.89	34 14	1.75	85.83	76.57	9.26
Eyeglasses and appliances.....	8 75	8 46	.28	3 97	3 80	.17	10 08	9 69	.39	19.79	19.64	.15
Nursing-home care.....	13 79	5 76	8 03	.94	.37	.58	3.22	1.02	2.20	123.68	53 62	70 05
Other health services.....	11 45	2 22	9 24	10 04	-----	10.04	11.86	3 98	7.88	14 70	.86	13.84
1971												
Total.....	\$313 39	\$202 60	\$110 79	\$139 34	\$104 17	\$35 16	\$330 81	\$249 57	\$81.21	\$891.14	\$318 92	\$572 28
Hospital care.....	140 10	68 94	71 15	40 80	23 35	17.45	155.98	99.64	56 31	436 03	72 25	363.78
Physicians' services.....	71 76	55 41	16 35	46 71	42 08	4 63	73.55	64 13	9 42	169.00	57.75	101.25
Dentists' services.....	22 13	21.01	1.12	13 31	12.27	1.04	29.16	28.05	1.11	16 62	15 05	1.66
Other professional services.....	7 36	6 40	.96	4 79	4 24	.56	7.54	6 92	.62	16 31	11.83	4 48
Drugs and drug sundries.....	35 82	33 35	2 47	18 94	17.98	.96	37.95	35 87	2 08	89.42	78 80	10 62
Eyeglasses and appliances.....	9 17	8 86	.31	4 11	3 96	.14	10 60	10 14	.46	20 74	20 54	.20
Nursing-home care.....	15 66	6 25	9 42	1 06	.28	.78	3 64	.56	3 08	140 48	61.68	78 80
Other health services.....	11 39	2 39	9.00	9 63	-----	9.63	12 39	4 27	8.12	12.54	1 01	11.53
1972												
Total.....	\$339 56	\$213 13	\$126 43	\$146 86	\$105 55	\$41.28	\$358.25	\$265 10	\$93 15	\$981.42	\$337.21	\$644 21
Hospital care.....	153 38	72 14	81 24	45.54	24 40	21.13	168 92	104 60	64.33	483 83	74 18	409.65
Physicians' services.....	76 31	58.73	17.58	45.64	40 65	4.98	79.63	69 38	10 25	176.53	68.81	107.72
Dentists' services.....	23 74	22 54	1 20	14 23	13 15	1.08	31 35	30.15	1.21	17.79	16.10	1.69
Other professional services.....	7 82	6 74	1.08	4 67	4 02	.64	8 17	7 46	.71	18.03	13 37	4 72
Drugs and drug sundries.....	37 37	34.68	2 69	19 97	18 90	1.06	40 02	37.76	2.26	89.98	78.50	11.48
Eyeglasses and appliances.....	9 62	9 26	.36	4 31	4.14	.17	11.15	10 62	.53	21 66	21 41	.25
Nursing-home care.....	16 54	6 47	10 06	1 13	.28	.85	3 86	.56	3 30	147.81	63 84	83 97
Other health services.....	14 77	2 55	12.22	11 39	-----	11.39	15.15	4 58	10.57	25.74	.99	24 74

¹ Based on January 1 data from the Bureau of the Census for total U.S. population (including Armed Forces and Federal civilian employees over-

seas and the civilian population of outlying areas).

military dependents' medical care program (24 percent), and from the general hospital and medical care programs (13 percent). The remaining public outlays came from maternal and child health care programs, school health, medical vocational rehabilitation, and Office of Economic Opportunity programs (mainly neighborhood health centers).

Of the total public spending for the young, \$1.9 billion (58 percent) was spent by the Federal Government and the remaining \$1.4 billion by State and local sources. Almost half the State and local expenditures came from the Medicaid program.

Expenditures for the intermediate age group.—Total personal health care expenditures for persons aged 19-64 amounted to \$10.7 billion in fiscal year 1972. Private sources contributed 74 percent; public sources paid 26 percent. Again, the largest share of public funds came from Medicaid—31 percent of the \$10.6 billion total. Payments under general hospital and medical care programs—primarily in State and local mental hospitals—followed with 24 percent, the Veterans Administration with 16 percent, and the Department of Defense with 13 percent.

Public funds were almost equally divided be-

tween Federal and other government sources. The two largest Federal programs for the intermediate age group are those of the Veterans Administration and the Department of Defense (including the care of military dependents). These programs together accounted for 57 percent of the total Federal share.

Close to half of State and local government expenditures was for hospital care provided for their residents through the operation and maintenance of government-owned facilities and through payments to private facilities. The majority of these outlays is spent for psychiatric hospital care,

a function traditionally assumed by State and local governments.

Expenditures for the aged.—The health care financing of the aged differs significantly from that of both younger groups. Public funds constituted 66 percent of the \$19.8 billion spent in behalf of the 20 million elderly in fiscal year 1972. Since the implementation of the Medicare and Medicaid programs in the mid-1960's, government has become the primary purchaser of medical care services for the aged population. Expenditures under Medicare and more than one-third of those

TABLE 3.—Estimated public personal health care expenditures, by type of expenditure and source of funds, for three age groups, fiscal years 1969–72

[In millions]

Type of expenditure	All ages			Under 19			19-64			65 and over		
	Total	Federal	State and local	Total	Federal	State and local	Total	Federal	State and local	Total	Federal	State and local
1969												
Total.....	\$18,711	\$12,290	\$6,421	\$2,110	\$1,264	\$847	\$7,144	\$3,437	\$3,707	\$9,457	\$7,590	\$1,868
Hospital care.....	11,857	7,702	4,156	908	641	268	5,034	2,291	2,773	5,885	4,770	1,115
Physicians' services.....	2,682	2,014	669	289	177	92	777	266	511	1,636	1,571	65
Dentists' services.....	232	124	108	93	50	43	114	23	53	28	14	12
Other professional services.....	200	150	50	47	37	10	66	67	34	96	90	6
Drugs and drug sundries.....	347	173	174	56	33	24	145	67	78	146	72	73
Eyeglasses and appliances.....	51	26	25	12	7	4	37	17	20	3	2	1
Nursing-home care.....	1,703	1,055	648	28	14	14	230	123	113	1,439	917	521
Other health services.....	1,638	1,047	592	697	305	392	715	689	126	227	153	74
1970												
Total.....	\$20,552	\$13,410	\$7,142	\$2,372	\$1,362	\$1,009	\$8,065	\$3,921	\$4,144	\$10,115	\$8,127	\$1,988
Hospital care.....	12,932	8,283	4,648	1,061	691	370	5,659	2,577	3,082	6,212	5,015	1,197
Physicians' services.....	3,123	2,378	745	294	192	102	883	305	578	1,946	1,881	65
Dentists' services.....	204	114	89	79	42	37	101	59	42	24	13	10
Other professional services.....	210	155	55	40	36	10	63	24	38	101	94	6
Drugs and drug sundries.....	444	221	224	68	38	29	195	92	105	182	91	91
Eyeglasses and appliances.....	59	31	28	13	8	5	43	21	22	3	2	1
Nursing-home care.....	1,665	1,061	664	44	22	22	245	129	116	1,377	860	527
Other health services.....	1,916	1,228	688	767	333	434	877	714	164	272	181	91
1971												
Total.....	\$23,215	\$15,412	\$7,803	\$2,714	\$1,578	\$1,136	\$9,136	\$4,592	\$4,544	\$11,366	\$9,242	\$2,124
Hospital care.....	14,910	9,739	5,171	1,347	860	487	6,335	2,949	3,386	7,225	5,930	1,295
Physicians' services.....	3,426	2,586	840	357	241	116	1,060	408	652	2,011	1,937	74
Dentists' services.....	235	148	87	80	45	35	125	83	42	31	21	10
Other professional services.....	201	148	63	43	34	9	70	30	40	89	85	4
Drugs and drug sundries.....	518	276	242	74	44	30	234	119	115	211	113	98
Eyeglasses and appliances.....	66	35	31	11	6	5	62	26	26	4	3	1
Nursing-home care.....	1,973	1,196	777	60	32	28	347	196	151	1,565	968	597
Other health services.....	1,886	1,283	603	743	316	427	914	783	131	229	184	45
1972												
Total.....	\$26,757	\$17,746	\$9,012	\$3,221	\$1,804	\$1,357	\$10,571	\$5,408	\$5,163	\$12,966	\$10,475	\$2,491
Hospital care.....	17,193	11,220	5,973	1,649	1,015	634	7,300	3,451	3,849	8,245	6,755	1,490
Physicians' services.....	3,720	2,803	916	389	263	126	1,163	451	712	2,168	2,030	78
Dentists' services.....	254	165	90	84	48	36	137	94	43	34	23	11
Other professional services.....	228	166	62	50	39	11	81	36	45	95	90	5
Drugs and drug sundries.....	569	303	266	83	48	35	257	131	126	231	124	107
Eyeglasses and appliances.....	77	44	34	13	8	5	60	32	28	5	4	1
Nursing-home care.....	2,130	1,282	848	66	35	31	374	203	165	1,690	1,038	652
Other health services.....	2,587	1,763	824	889	407	482	1,199	1,005	194	498	351	147

TABLE 4.—Estimated personal health care expenditures under public programs, by program, for three age groups, fiscal years 1969-72

(In millions)

Program	Total				Federal				State and local			
	All ages	Under 19	19-64	65 and over	All ages	Under 19	19-64	65 and over	All ages	Under 19	19-64	65 and over
1969												
Total.....	\$18,711	\$2,110	\$7,144	\$9,457	\$12,290	\$1,284	\$3,437	\$7,590	\$6,421	\$847	\$3,707	\$1,868
Health insurance for the aged.....	6,299	-----	-----	6,299	6,299	-----	-----	6,299	-----	-----	-----	-----
Temporary disability insurance.....	58	-----	58	-----	-----	-----	-----	-----	58	-----	58	-----
Workmen's compensation (medical benefits).....	875	-----	841	34	17	-----	17	-----	858	-----	821	34
Public assistance (vendor medical payments).....	4,423	694	1,858	1,871	2,208	347	927	934	2,215	348	930	937
General hospital and medical care.....	3,010	144	1,944	922	193	56	111	26	2,817	87	1,834	896
Defense Department hospital and medical care (including military dependents).....	1,750	612	1,085	52	1,750	612	1,085	52	-----	-----	-----	-----
Maternal and child health services.....	412	340	72	-----	192	159	34	-----	219	181	38	-----
School health.....	225	225	-----	-----	-----	-----	-----	-----	225	225	-----	-----
Veterans' hospital and medical care.....	1,416	-----	1,147	269	1,416	-----	1,147	269	-----	-----	-----	-----
Medical vocational rehabilitation.....	118	24	92	2	89	18	69	2	30	6	23	1
Office of Economic Opportunity.....	126	72	47	7	126	72	47	7	-----	-----	-----	-----
1970												
Total.....	\$20,552	\$2,372	\$8,005	\$10,115	\$13,410	\$1,362	\$3,921	\$8,127	\$7,142	\$1,007	\$4,144	\$1,988
Health insurance for the aged.....	6,784	-----	-----	6,784	6,784	-----	-----	6,784	-----	-----	-----	-----
Temporary disability insurance.....	63	-----	63	-----	-----	-----	-----	-----	63	-----	63	-----
Workmen's compensation (medical benefits).....	985	-----	949	36	21	-----	21	-----	964	-----	929	36
Public assistance (vendor medical payments).....	5,003	856	2,208	1,942	2,499	427	1,102	970	2,507	423	1,103	973
General hospital and medical care.....	3,382	213	2,149	1,020	283	74	169	40	3,039	140	1,980	979
Defense Department hospital and medical care (including military dependents).....	1,760	616	1,001	53	1,760	616	1,001	53	-----	-----	-----	-----
Maternal and child health services.....	431	347	84	-----	196	158	38	-----	235	183	46	-----
School health.....	247	247	-----	-----	-----	-----	-----	-----	247	247	-----	-----
Veterans' hospital and medical care.....	1,634	-----	1,366	268	1,634	-----	1,366	268	-----	-----	-----	-----
Medical vocational rehabilitation.....	134	27	104	3	107	21	84	2	27	5	21	1
Office of Economic Opportunity.....	127	66	50	11	127	66	50	11	-----	-----	-----	-----
1971												
Total.....	\$23,215	\$2,714	\$9,136	\$11,366	\$15,412	\$1,578	\$4,592	\$9,242	\$7,803	\$1,136	\$4,544	\$2,124
Health insurance for the aged.....	7,478	-----	-----	7,478	7,478	-----	-----	7,478	-----	-----	-----	-----
Temporary disability insurance.....	68	-----	68	-----	-----	-----	-----	-----	68	-----	68	-----
Workmen's compensation (medical benefits).....	1,100	-----	1,058	42	25	-----	25	-----	1,075	-----	1,033	42
Public assistance (vendor medical payments).....	5,997	1,049	2,723	2,225	3,222	564	1,463	1,195	2,775	485	1,280	1,030
General hospital and medical care.....	3,738	311	2,316	1,111	411	111	240	60	3,327	200	2,076	1,051
Defense Department hospital and medical care (including military dependents).....	1,957	685	1,213	59	1,957	685	1,213	59	-----	-----	-----	-----
Maternal and child health services.....	403	275	128	-----	148	101	47	-----	255	174	81	-----
School health.....	270	270	-----	-----	-----	-----	-----	-----	270	270	-----	-----
Veterans' hospital and medical care.....	1,854	-----	1,421	433	1,854	-----	1,421	433	-----	-----	-----	-----
Medical vocational rehabilitation.....	163	33	127	4	130	26	101	3	33	7	26	1
Office of Economic Opportunity.....	187	91	82	14	187	91	82	14	-----	-----	-----	-----
1972												
Total.....	\$26,757	\$3,221	\$10,571	\$12,966	\$17,745	\$1,861	\$5,408	\$10,475	\$9,012	\$1,357	\$5,163	\$2,491
Health insurance for the aged.....	8,364	-----	-----	8,364	8,364	-----	-----	8,364	-----	-----	-----	-----
Temporary disability insurance.....	74	-----	74	-----	-----	-----	-----	-----	74	-----	74	-----
Workmen's compensation (medical benefits).....	1,200	-----	1,157	43	30	-----	30	-----	1,170	-----	1,127	43
Public assistance (vendor medical payments).....	7,312	1,280	3,320	2,713	3,930	688	1,784	1,458	3,883	592	1,536	1,255
General hospital and medical care.....	4,235	423	2,578	1,234	446	140	264	42	3,789	283	2,314	1,192
Defense Department hospital and medical care (including military dependents).....	2,188	766	1,357	60	2,188	766	1,357	60	-----	-----	-----	-----
Maternal and child health services.....	499	340	159	-----	235	160	75	-----	264	180	84	-----
School health.....	295	295	-----	-----	-----	-----	-----	-----	295	295	-----	-----
Veterans' hospital and medical care.....	2,233	-----	1,703	530	2,233	-----	1,703	530	-----	-----	-----	-----
Medical vocational rehabilitation.....	179	36	140	3	143	29	112	2	36	7	28	1
Office of Economic Opportunity.....	177	81	83	13	177	81	83	13	-----	-----	-----	-----

under Medicaid were for aged persons. Together these programs were responsible for more than 85 percent of the \$13.0 billion expended for the aged out of public funds in 1972.

All Medicare benefit payments are classified here as public expenditures, even though enrollees

must pay monthly premiums (matched by contributions from general revenues) to obtain medical insurance coverage. In fiscal year 1972, persons enrolled under the supplementary medical insurance program paid a monthly premium of \$5.60. Total premium payments for that year, excluding

those paid by Medicaid in behalf of indigent enrollees, amounted to \$1.2 billion. If these payments were classified as private outlays, the public share of the aged's health expenditures would be reduced from 66 percent to 60 percent.

Type of Expenditure

In fiscal 1972, hospital care was the largest item of expenditure, representing 45 percent of all personal health care outlays. This item continues to be one of the fastest-growing categories. The second largest item was physicians' services, accounting for 23 percent of the total. Following were drugs and sundries (11 percent), other professional services (9 percent), nursing-home care (5 percent), and all other services (7 percent).

The proportion of total health outlays spent for each type of service varies according to age. For the two older age groups, hospital care is overwhelmingly the largest item of expenditure, accounting for nearly half of the total. For young persons, almost identical amounts were spent for hospital care and physicians' services, each representing one-third of the total.

For young persons, expenditures for physicians' services have clearly represented the largest share of the total in recent years. In 1972, however, the aggregate amount spent for this purpose declined 1.2 percent; on a per capita basis, the drop was even greater—2.3 percent. These decreases followed a dropping off in the total number of physician visits by young persons for services under the major illness category for that age group—respiratory ailments (such as colds or bronchitis). Data from the National Disease and Therapeutic Index indicate that visits to physicians by young persons for respiratory-related illnesses declined from 73.1 million in fiscal year 1971 to 68.4 million in fiscal 1972. This decrease, together with the slowdown in physicians' fee increases brought about by the economic stabilization program, led to the drop in expenditures for these services. Both factors also contributed greatly to the relatively low 1971-72 rise in total expenditures (6.5 percent) for the youngest age group.

For the aged, expenditures for physicians' services was the second largest category, with 18 percent of their health bill going for this purpose in fiscal year 1972. Nursing-home care followed

closely with 15 percent. The latter represents only about 1 percent of the outlays for persons in the two younger age groups. In contrast, spending for other professional services accounted for 13 percent of health spending for the youngest group but only 4 percent for the aged, as shown below.

Type of expenditure	Age			
	All ages	Under 19	19-64	65 and over
Total.....	100.0	100.0	100.0	100.0
Hospital care.....	45.1	31.0	47.2	49.3
Physicians' services.....	22.5	31.1	22.2	18.0
Other professional services.....	9.3	12.8	11.0	3.6
Drugs and drug sundries.....	11.0	13.6	11.2	9.2
Nursing-home care.....	4.9	.8	1.1	15.1
Other health services.....	7.2	10.7	7.3	4.8

In fiscal year 1972, expenditures for a new category of care—services in intermediate care facilities (ICF)—were added to the Medicaid program and to the personal health care total.⁴ Classified as "other health services," spending for this purpose affected mainly the aged.

The different types of expenditures are financed in various ways. More than half the expenditures for hospital care, for example, was publicly financed in 1972. For young persons, the public share was 46 percent; for persons in the intermediate age group, 38 percent; and for the aged, 85 percent. The high proportion for the aged was chiefly a result of the \$6.0 billion that was spent for hospital care through Medicare funds (72 percent of all Medicare expenditures).

Public financing of physicians' services amounted to nearly one-fourth of the total. For the two younger groups, slightly more than 10 percent of the physician's bill was met by public funds; for the aged, government contributed over 60 percent.

For all other types of expenditures, the public share of the total for all persons was also one-fourth. For the young it was 27 percent; it was 17 percent for the intermediate ages and 40 percent for the oldest group.

The average amount spent per person for each type of expenditure varies widely with age. The hospital care bill for a person aged 19-64 was

⁴ With the assumption of ICF payments by Medicaid in January 1972, outlays for this purpose have been included with health expenditures. Previously, ICF expenditures were excluded since they were then financed through cash assistance programs.

more than three and one-half times that for a youth; his average amount for physicians' services was about one and one-half times that spent for a youth. Average hospital care expenditures for the aged were more than ten times those for the young and close to three times those for the intermediate group. For physicians' services, the average outlay for an aged person was nearly four times that for a youth and more than double that for a person aged 19-64, as shown below.

Age	Per capita expenditures			
	Total	Hospital care	Physicians' services	All other
All ages.....	\$340	\$153	\$76	\$111
Under 19.....	145	46	46	53
19-64.....	358	169	80	109
65 and over.....	981	484	177	320

TRENDS

In the 6 years since Medicare and Medicaid began operations, spending for personal health care has nearly doubled. This growth, however, differs significantly from year to year and from age group to age group. Changes in the use of health services, improvements in medical technology, population increases, and public spending policies help determine the growth rates of health spending. These factors vary for each age group. In addition, increases in prices for medical care have a significant impact on overall annual growth rates and may also affect the age groups differently.

In 1972, personal health care expenditures rose 9.4 percent, the lowest annual increase in 6 years. For all of the age groups, the growth rate was the lowest in several years, but the extent of this deceleration varied. For the youth, health spending rose 6.5 percent—about one-half the rate of the previous year. Part of this decline in the rate of increase was due to the impact of the economic stabilization program on medical care prices, but in large part the rate simply reflected the fact that the young had a healthier year. As discussed earlier, the decrease in the respiratory illness category was substantial for this age group.

For the intermediate and oldest age groups, the growth rates in health care spending dropped just slightly from the previous year—from 10.1

to 9.2 percent for those aged 19-64 and from 12.7 to 11.6 percent for the aged. Annual rates of increase in expenditures are shown, by age, in the following tabulation.

Fiscal year	Annual percentage increase				
	Total	Under age 65			Aged 65 and over
		Total	Under 19	19-64	
1967.....	14.1	12.0	(¹)	(¹)	21.2
1968.....	12.1	9.2	9.8	9.1	21.1
1969.....	12.4	10.1	9.6	12.3	14.3
1970.....	13.5	13.5	14.3	13.3	13.5
1971.....	11.1	10.6	12.1	10.1	12.7
1972.....	9.4	8.6	6.5	9.2	11.6

¹ Data not available.

Source of Funds

The most significant trend in recent years has been the shift in the source of medical care funds. With the implementation of Medicare and Medicaid, the government's share of personal health care has risen considerably—from 22 percent in 1966 to 37 percent in 1972.

Nearly all of the shift from private to government spending since 1966 has been in the financing of health care for the aged. Medicare assumed a significant portion of the expenditures formerly made by the private sector. As a result, the private share dropped from 70 percent in 1966 to 34 percent in 1972. The fact that by itself Medicare spent more in 1972 than the total amount of the health bill of the aged in 1966 is a measure of its impact. Medicaid, too, spends substantial amounts on the aged. In 1972, this program spent more than \$2.7 billion on the aged poor by financing their Medicare health insurance premiums and paying other health bills not met by Medicare.

Despite Medicare's large outlays, its portion of the health bill for the aged dropped in recent years—from 46 percent in 1969 to 42 percent in 1971 and 1972 (table 5). This decline in Medicare's share is the result of a variety of factors. The most significant drop in Medicare payments has been for extended-care facilities, which are included here in the nursing-home category. Beginning in fiscal year 1970, controls on the use of extended-care facilities were tightened and payments for extended care declined in 1971 and 1972. In 1969, Medicare spent \$367 million for extended

TABLE 5.—Estimated amount and percentage distribution of personal health care expenditures for the aged, by type of expenditure and source of funds, fiscal years 1969-72

Type of expenditure	Amount (in millions)					Percentage distribution				
	Total	Private	Public			Total	Private	Public		
			Total	Medicare ¹	Other			Total	Medicare ¹	Other
1969										
Total.....	\$13,838	\$4,380	\$9,457	\$6,299	\$3,158	100.0	31.7	68.3	45.5	22.8
Hospital care.....	6,550	665	5,885	4,308	1,577	100.0	10.2	89.9	65.8	24.1
Physicians' services.....	2,487	851	1,636	1,512	124	100.0	34.2	65.8	60.8	5.0
Dentists' services.....	295	269	26	-----	26	100.0	81.2	8.8	-----	8.8
Other professional services.....	271	175	96	83	13	100.0	64.6	35.4	30.6	4.8
Drugs and drug sundries.....	1,521	1,375	146	-----	146	100.0	90.4	9.6	-----	9.6
Eyeglasses and appliances.....	375	372	3	-----	3	100.0	99.2	.8	-----	.8
Nursing-home care.....	2,095	656	1,439	367	1,072	100.0	31.3	68.7	17.5	51.2
Other health services.....	244	17	227	29	198	100.0	7.0	93.0	11.9	81.1
1970										
Total.....	\$15,710	\$5,593	\$10,115	\$6,784	\$3,331	100.0	35.6	64.4	43.2	21.2
Hospital care.....	7,493	1,281	6,212	4,555	1,657	100.0	17.1	82.9	60.8	22.1
Physicians' services.....	2,824	878	1,946	1,820	126	100.0	31.1	68.9	64.4	4.8
Dentists' services.....	303	282	24	-----	24	100.0	92.2	7.8	-----	7.8
Other professional services.....	291	190	101	87	14	100.0	65.3	34.7	29.9	4.8
Drugs and drug sundries.....	1,687	1,505	182	-----	182	100.0	89.2	10.8	-----	10.8
Eyeglasses and appliances.....	389	386	3	-----	3	100.0	99.2	.8	-----	.8
Nursing-home care.....	2,431	1,054	1,377	290	1,087	100.0	43.4	56.6	11.9	44.7
Other health services.....	289	17	272	31	241	100.0	5.9	94.1	10.7	83.4
1971										
Total.....	\$17,699	\$6,334	\$11,366	\$7,478	\$3,888	100.0	35.8	64.2	42.3	22.0
Hospital care.....	8,660	1,435	7,225	5,290	1,935	100.0	16.6	83.4	61.1	22.3
Physicians' services.....	3,158	1,147	2,011	1,859	152	100.0	36.3	63.7	58.9	4.8
Dentists' services.....	330	299	31	-----	31	100.0	90.6	9.4	-----	9.4
Other professional services.....	324	235	89	78	11	100.0	72.5	27.5	24.1	3.4
Drugs and drug sundries.....	1,776	1,565	211	-----	211	100.0	88.1	11.9	-----	11.9
Eyeglasses and appliances.....	412	408	4	-----	4	100.0	99.0	1.0	-----	1.0
Nursing-home care.....	2,790	1,225	1,565	223	1,342	100.0	43.9	56.1	8.0	48.1
Other health services.....	249	20	229	28	201	100.0	8.0	92.0	11.2	80.7
1972										
Total.....	\$19,753	\$6,787	\$12,966	\$8,364	\$4,602	100.0	34.4	65.6	42.3	23.3
Hospital care.....	9,738	1,493	8,245	6,017	2,228	100.0	15.3	84.7	61.8	22.9
Physicians' services.....	3,553	1,385	2,168	2,003	162	100.0	39.0	61.0	66.5	4.6
Dentists' services.....	358	324	34	-----	34	100.0	90.5	9.5	-----	9.5
Other professional services.....	364	269	95	82	13	100.0	73.9	26.1	22.5	3.6
Drugs and drug sundries.....	1,811	1,680	231	-----	231	100.0	87.2	12.8	-----	12.8
Eyeglasses and appliances.....	436	431	5	-----	5	100.0	98.9	1.1	-----	1.1
Nursing-home care.....	2,975	1,285	1,690	216	1,474	100.0	43.2	56.8	7.3	49.5
Other health services.....	518	20	498	43	455	100.0	3.9	96.1	8.3	87.8

¹ Includes premium payments under the supplementary medical insurance program.

care—nearly 18 percent of the nursing-home bill for those aged 65 and over. By 1972, the Medicare outlay was \$216 million and its share of the bill had dropped to only 7 percent.

Medicare's share of expenditures for physicians' services for the aged has also declined. In 1969, Medicare's contribution was 61 percent; in 1972, it was 56 percent. Part of the reduction is the result of tighter regulations for reimbursement of charges for physicians' services. Another factor is the decrease in the proportion of claims for which physicians have accepted assignment.

When a physician accepts assignment, he ac-

cepts Medicare's determination of a reasonable charge and the patient is only billed for the unmet part of the annual \$50 deductible plus 20 percent of the remaining amount. If he does not accept assignment, he can charge more than Medicare's "reasonable charge" and the patient must make up the difference. In fiscal year 1969, the net assignment rate (exclusive of hospital-based physicians) was 61.0 percent. In 1971, it had dropped slightly to 60.0 percent, but by 1972 the net assignment rate was only 56.4 percent.

Another contributing factor in Medicare's decreasing share of the total health bill for the aged

TABLE 6.—Community hospital utilization and expenses, by age group, fiscal years 1969–72

Item	Fiscal year amounts				Percentage change from preceding year		
	1969	1970	1971	1972	1970	1971	1972
Number of admissions (in thousands).....	28,027	29,247	30,312	30,703	4.4	3.6	1.3
Under age 65.....	22,122	23,110	23,966	24,071	4.5	3.7	0.4
Aged 65 and over.....	5,904	6,137	6,346	6,635	3.9	3.4	4.6
Number of patient days (in thousands).....	227,633	231,643	234,413	232,892	1.8	1.2	-0.6
Under age 65.....	149,585	153,070	155,475	153,587	2.3	1.6	-1.2
Aged 65 and over.....	78,048	78,573	78,938	79,305	0.7	0.5	0.5
Average length of stay (days).....	8.12	7.92	7.73	7.58	-2.4	-2.4	-2.0
Under age 65.....	6.76	6.62	6.49	6.38	-2.1	-2.0	-1.7
Aged 65 and over.....	13.22	12.80	12.44	11.95	-3.2	-2.8	-3.9
Total expenses (in millions).....	\$15,965	\$18,693	\$21,418	\$23,925	17.1	14.6	11.7
Expenses per patient day.....	\$70.13	\$80.70	\$91.37	\$102.73	15.1	13.2	12.4

Source: "Hospital Indicators," *Hospitals*, midmonth issues.

in recent years relates to hospital care. The hospital bill for this group includes outlays for care not covered or partially covered by Medicare. Medicare, for example, has a lifetime limit of just 190 days of coverage in a mental hospital. In fiscal year 1969, Medicare paid 66 percent of the hospital bill for those aged 65 and over. In 1970 and 1971, this proportion had dropped to 61 percent and although it increased slightly in 1972 (to 62 percent), it did not reach the 1969 level. One factor affecting the decrease in Medicare's share of the hospital bill is the drop in the average length of stay for aged persons.

In 1969, the average length of stay for the aged in community hospitals was 13.22 days. By 1972, it had dropped to 11.95 days, a decline of nearly 10 percent. Since the aged individual is responsible for a hospital deductible roughly equivalent to 1 day of care, his proportion of the bill goes up as the average length of stay goes down.

Third-Party Payments

Not all private payments come directly out of the consumer's pocket. Private health insurance, philanthropy, and industry (through industrial in-plant services) help reduce these direct payments. Together with government, these third-party payers finance a substantial share of health expenditures in the Nation. Included in third-party payments are the premium payments made under private health insurance or under the supplementary medical insurance part of Medicare.

In 1972, third parties financed 65 percent of personal health care outlays, a sizable increase from 1966 when their share was 48 percent (table

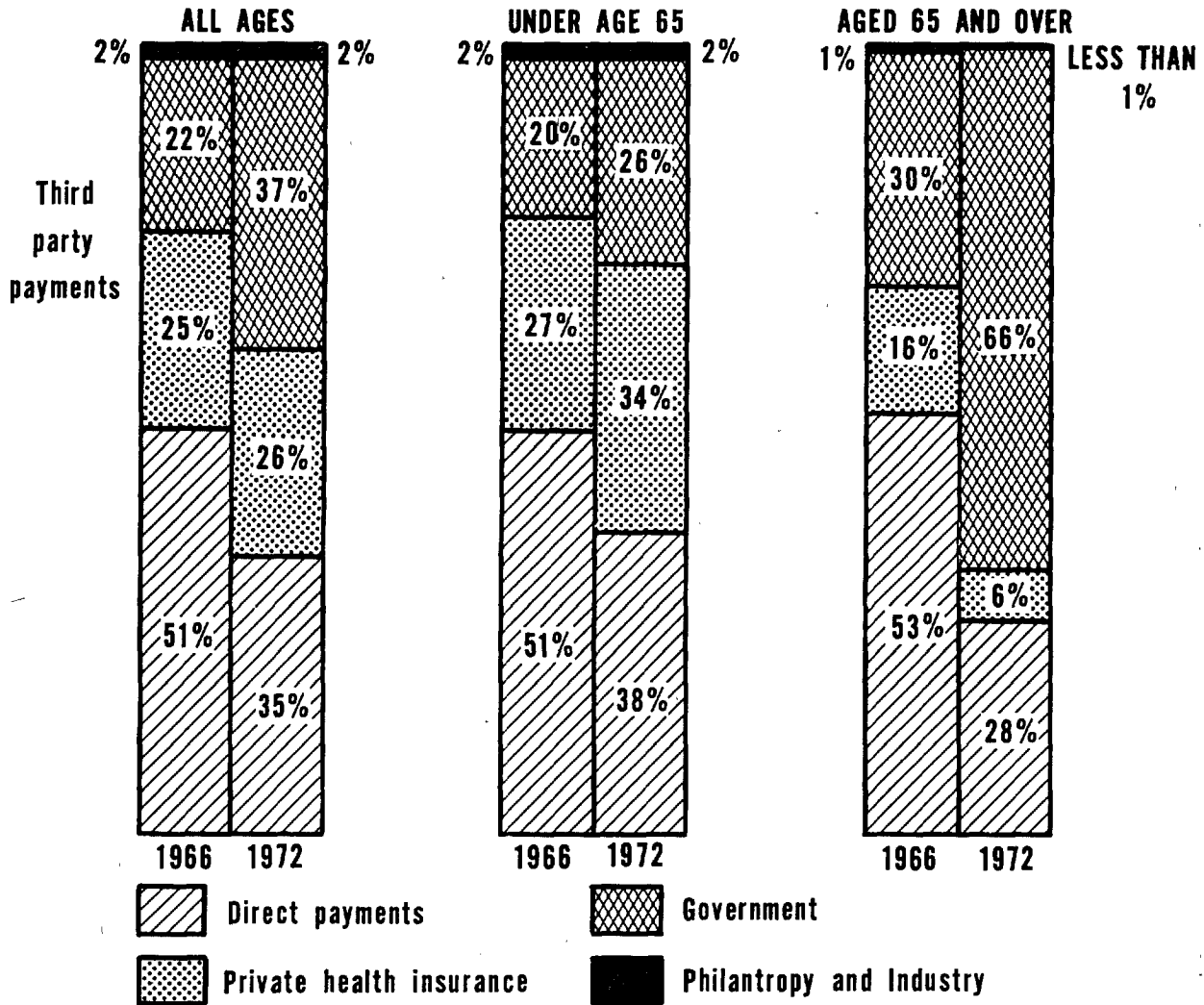
6 and chart 2). Most of the recent growth in third-party payments is due to Medicare and Medicaid, especially in the financing of health care for the aged.

In 1966—the year before Medicare and Medicaid began—third parties paid less than half of the health bill for those aged 65 and over. Six years later their share was more than seven-tenths. Most of this increase was in the public share, which rose from three-tenths to two-thirds. The private health insurance share, both in absolute and relative terms, has declined. In 1966, it was \$1.3 billion, or 16 percent of the total; in 1972, it was \$1.1 billion, or 6 percent.

In per capita terms, third-party payments for aged persons have more than tripled in 6 years—from \$206 to \$706 (chart 3). Nevertheless, the average out-of-pocket payment for the aged person has grown, from \$234 to \$276. Increased use of services and improvements in the quality of care, as well as spiraling medical care prices have affected total outlays to the extent that the 28-percent direct-payment share of the average 1972 bill is \$42 more than the 53-percent direct-payment share of the bill in 1966.

For persons under age 65, third parties play a lesser role, financing about three-fifths of the personal health care expenditures. Private health insurance is the major third party, paying more than one-third of the total bill. Government's share is about one-fourth. The roles of both private health insurance and government (mainly because of Medicaid) have been increasing since 1966, when third parties contributed only about one-half the health bill of the nonaged population. In 1972, total outlays for this group went up, but

CHART 2.—Percentage distribution of expenditures for personal health care, by source of funds and age group, fiscal years 1966 and 1972



as a result of the increased third-party share, the average out-of-pocket payments (\$102) did not change from the previous year.

Type of Expenditure

Hospital care continues to play an increasingly large role in the overall health bill. From 1969 to 1972, hospital care increased as a proportion of total expenditures for each age group. The increase was especially marked for the youth, where it registered a rise of 6 percentage points.

The greater share of the health bill taken by hospital care is not surprising in view of the substantial rise in hospital costs in recent years. As

table 7 shows, expenses per patient day in community hospitals rose from \$70.13 in 1969 to \$102.73 in 1972. Although the annual growth was stemmed slightly during 1971, the yearly increase for the past 3 years still averaged 13.6 percent.

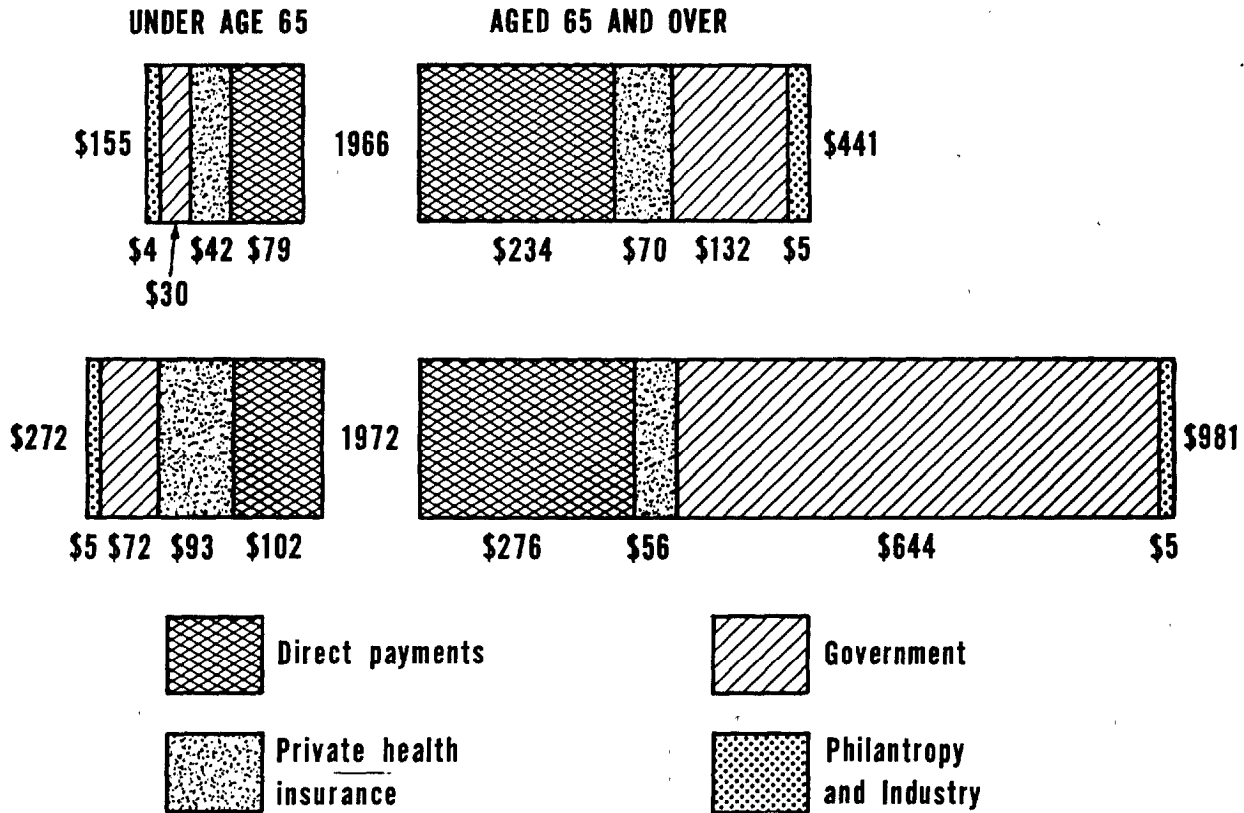
Per Capita Amounts

The recent rise in personal health care expenditures is the result of several factors: population growth, increased prices, increased per capita use of services, and improved and more costly treatment methods. By examining expenditures in terms of per capita amounts, the population-growth factor can be eliminated. For each of the

TABLE 7.—Amount and percent of expenditures for personal health care met by third parties, for two age groups, fiscal years 1966-72

Fiscal year	Total	Direct payments	Third-party payments			
			Total	Private health insurance	Government	Philanthropy and industry
All ages						
Total amount (in millions):						
1966	\$36,216	\$18,668	\$17,548	\$8,936	\$7,892	\$720
1967	41,324	18,786	22,558	9,344	12,451	753
1968	46,323	18,899	27,424	10,444	16,205	775
1969	52,057	20,316	31,741	12,205	18,711	824
1970	59,101	23,253	35,848	14,403	20,552	890
1971	65,670	24,674	40,996	16,817	23,215	964
1972	71,862	25,070	46,792	19,000	26,757	1,035
Amount per capita:						
1966	\$182.02	\$93.82	\$88.20	\$44.91	\$39.66	\$3.62
1967	205.43	93.29	112.14	46.45	61.95	3.74
1968	227.87	92.97	134.91	51.38	79.72	3.81
1969	253.61	98.98	154.64	59.47	91.16	4.01
1970	284.98	112.12	172.86	69.46	99.10	4.29
1971	313.39	117.75	195.64	80.25	110.79	4.60
1972	339.56	118.46	221.10	83.78	126.43	4.89
Percentage distribution:						
1966	100.0	51.5	48.5	24.7	21.8	2.0
1967	100.0	45.4	54.6	22.6	30.2	1.8
1968	100.0	40.8	59.2	22.5	35.0	1.7
1969	100.0	39.0	61.0	23.4	35.9	1.6
1970	100.0	39.3	60.7	24.4	34.8	1.5
1971	100.0	37.6	62.4	25.6	35.4	1.5
1972	100.0	34.9	65.1	26.4	37.2	1.4
Under age 65						
Total amount (in millions):						
1966	\$27,974	\$14,286	\$13,688	\$7,627	\$5,432	\$629
1967	31,332	15,085	16,247	8,755	6,815	677
1968	34,222	15,711	18,511	9,786	8,024	701
1969	38,222	16,785	21,437	11,437	9,254	748
1970	43,394	18,635	24,759	13,513	10,437	809
1971	47,973	19,441	28,532	15,805	11,850	874
1972	52,113	19,520	32,593	17,880	13,792	941
Amount per capita:						
1966	\$155.18	\$79.25	\$75.93	\$42.31	\$30.13	\$3.49
1967	171.92	82.77	89.15	48.01	37.39	3.71
1968	183.02	85.40	100.62	53.19	43.62	3.81
1969	205.74	90.35	115.39	61.56	49.81	4.02
1970	231.15	99.23	131.93	71.98	55.60	4.31
1971	252.91	102.49	150.42	83.34	62.47	4.61
1972	272.12	101.93	170.19	93.26	72.02	4.91
Percentage distribution:						
1966	100.0	51.1	48.9	27.3	19.4	2.2
1967	100.0	48.1	51.9	27.9	21.8	2.2
1968	100.0	45.9	54.1	28.6	23.4	2.0
1969	100.0	43.9	56.1	29.9	24.2	2.0
1970	100.0	42.9	57.1	31.1	24.1	1.9
1971	100.0	40.5	59.5	33.0	24.7	1.8
1972	100.0	37.5	62.5	34.3	26.4	1.8
Aged 65 and over						
Total amount (in millions):						
1966	\$8,242	\$4,382	\$3,860	\$1,303	\$2,460	\$91
1967	9,990	3,681	6,309	589	5,644	76
1968	12,102	3,191	8,911	658	8,179	74
1969	13,838	3,533	10,304	789	9,457	78
1970	15,710	4,621	11,089	893	10,115	81
1971	17,699	5,234	12,465	1,001	11,363	90
1972	19,753	5,553	14,200	1,140	12,968	94
Amount per capita:						
1966	\$440.68	\$234.29	\$203.38	\$69.98	\$131.53	\$4.87
1967	528.35	194.68	333.67	31.15	298.50	4.02
1968	626.66	185.23	441.42	34.07	423.52	3.83
1969	710.22	181.33	528.89	33.47	485.42	4.00
1970	799.25	235.03	564.15	45.43	514.60	4.12
1971	891.14	283.53	627.61	50.80	572.28	4.53
1972	981.42	275.90	705.52	56.64	644.21	4.67
Percentage distribution:						
1966	100.0	53.2	46.8	15.9	29.8	1.1
1967	100.0	36.8	63.2	5.9	56.5	.8
1968	100.0	26.4	73.6	5.4	67.6	.6
1969	100.0	25.5	74.5	5.6	68.3	.6
1970	100.0	29.4	70.6	5.7	61.4	.5
1971	100.0	29.6	70.4	5.7	64.2	.5
1972	100.0	28.1	71.9	5.8	65.6	.5

CHART 3.—Per capita expenditures for personal health care, by source of funds and age group, fiscal years 1966 and 1972



three age groups, per capita expenditures for personal health care still showed a sizable growth between 1969 and 1972, as table 2 indicates. In that period, the increase in per capita expenditures for persons in the two younger age groups averaged 9.8 percent a year; for persons aged 65 and over, it was 11.4 percent yearly.

In past years, this series presented per capita outlays adjusted for price change to determine the "real" increase in expenditures that resulted from greater utilization and improved techniques. The medical care component of the Consumer Price Index (CPI) was used to measure prices, with hospital care having by far the largest weight of all the components in this measure. Cost increase rather than price rise is a more appropriate measure for hospital care (hospital reimburse-

ment is often on a cost-reimbursement basis), but in past years costs and prices rose at similar rates. In fiscal year 1972, however, prices grew at a significantly lower rate than costs.

Since hospital care, as a proportion of total expenditures, varies by age group, the use of the CPI so heavily weighted by the inappropriate hospital measure would have skewed the effects. If, for example, the growth rates for the age groups were equal, the aged—for whom hospital outlays represent nearly half the total—would show a larger "real" increase than the youth, whose hospital outlays are only about three-tenths of the total. As a result, it is misleading to calculate constant dollars by age for fiscal year 1972 using the medical care component of the CPI as a price deflator.