

# Age Differences in Health Care Spending, Fiscal Year 1976

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*Of the \$120.4 billion spent by the Nation for personal health care in fiscal year 1976, 29 percent was spent for those aged 65 or older, 15 percent for those under age 19, and the remaining 56 percent for those aged 19-64. The average health bill reached \$1,521 for the aged, \$547 for the intermediate age group, and \$249 for the young. Public funds financed 68 percent of the health expenses of the aged with Medicare and Medicaid together accounting for 59 percent. Private sources paid 74 percent of the health expenses of the young and 70 percent of the expenses of those aged 19-64. Third-party payments met 65 percent of the health expenditures of all those under age 65.*

A PERSON'S AGE has a significant influence on the need for health care and the level of spending necessary to obtain it. Medical expenditures are analyzed in this study therefore by type of health care and sources of payment for persons under age 19, aged 19-64, and aged 65 and over.

Differences in spending levels for these age groups under public programs and from private sources are presented for fiscal years 1974, 1975, and 1976. Trends are examined from the beginning of the Medicare program in fiscal year 1967 to the present. Statistics for 1974 and 1975 have been revised to reflect the more reliable data now available.

## CONCEPTS AND DEFINITIONS

All estimates in this report relate to personal health care expenditures—that portion of the total national health care expense representing health services and supplies received directly by individuals. Together with spending for research and medical facilities construction, identifiable administrative costs of government programs, government public health activities, expenses incurred by philanthropic organizations in raising funds for

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health care, and the net cost of private health insurance (the difference between premiums and benefit payments), they make up the total national expenditures for health.

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, for example, are included with government expenditures although they involve benefits paid by private insurers from premiums collected from private sources.

Funds disbursed by public programs are reported as program expenditures even, for example, when they include significant private contributions made by enrollees, in the supplemental medical insurance (SMI) program under Medicare. The benefit expenditures reported in this series are not adjusted to eliminate the duplication that exists because payments are made by State governments into the Medicare trust fund in the form of SMI premiums for public assistance and supplemental security income (SSI) recipients and reported as a Medicaid expenditure. The amount paid as premiums in 1976 was \$246 million for all enrollees, that portion not retained in the trust fund is duplicated as a Medicare expense. The amount does not noticeably affect the relationships that are reported.

Health expenditures made by State and local governments that involve funds received from the Federal Government under revenue sharing are reported as a State and local expenditure, not as a Federal expenditure. These funds amounted to \$491 million in fiscal year 1975, the latest year for which data are available.<sup>1</sup> No information is available on the use of such funds by specific programs.

Definitions of the various types of health care and descriptions of the public programs are contained in the Social Security Administration

<sup>1</sup> See Sophie R. Dales, "Federal Grants to State and Local Governments, Fiscal Year 1975, A Quarter-Century Review," *Social Security Bulletin*, September 1976, table 3, page 28.

TABLE 1—Estimated personal health care expenditures, by type of expenditure and source of funds, for three age groups, fiscal years 1974-76

[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
1976 <sup>1</sup>												
Total .. . . .	\$120,431	\$72,013	\$48,417	\$17,880	\$13,190	\$4,690	\$67,698	\$47,576	\$20,122	\$34,853	\$11,248	\$23,605
Hospital care . . . . .	55,400	25,004	30,396	6,461	3,750	2,711	33,164	19,828	13,336	15,775	1,425	14,350
Physicians services . . . . .	26,350	19,718	6,632	5,539	4,822	717	14,948	12,509	2,439	5,863	2,387	3,476
Dentists services . . . . .	8,600	8,131	469	2,021	1,813	208	5,837	5,638	218	722	679	43
Other professional services . . . . .	2,400	1,607	793	504	354	150	1,362	1,000	302	534	193	341
Drugs and drug sundries . . . . .	11,168	10,144	1,023	2,129	1,986	143	6,262	5,774	488	2,777	2,385	392
Eyeglasses and appliances . . . . .	1,980	1,866	114	329	310	19	1,219	1,133	86	432	424	8
Nursing home care . . . . .	10,100	4,744	5,356	159	84	75	2,409	929	1,480	8,032	3,731	4,301
Other health services . . . . .	3,933	800	3,133	738	71	667	2,478	705	1,773	717	24	693
1975 <sup>2</sup>												
Total .. . . .	\$105,745	\$63,779	\$41,966	\$16,054	\$11,904	\$4,150	\$59,859	\$42,324	\$17,535	\$29,832	\$9,550	\$20,821
Hospital care . . . . .	48,224	21,690	26,534	5,787	3,381	2,406	28,923	17,222	11,701	13,514	1,087	12,427
Physicians services . . . . .	22,925	17,217	5,708	4,906	4,268	638	13,129	10,990	2,140	4,890	1,900	2,930
Dentists services . . . . .	7,810	7,409	401	1,812	1,647	165	5,358	5,139	198	640	603	37
Other professional services . . . . .	2,190	1,581	609	469	359	110	1,254	1,029	225	467	193	274
Drugs and drug sundries . . . . .	10,269	9,416	853	1,901	1,843	118	5,770	5,359	411	2,538	2,213	325
Eyeglasses and appliances . . . . .	1,785	1,679	106	296	279	18	1,099	1,019	80	389	381	8
Nursing home care . . . . .	9,100	4,086	5,014	136	64	73	2,073	90	1,142	6,891	3,091	3,800
Other health services . . . . .	3,442	700	2,742	687	63	624	2,253	615	1,638	502	21	481
1974 <sup>2</sup>												
Total .. . . .	\$91,315	\$57,259	\$34,056	\$14,741	\$10,875	\$3,866	\$52,396	\$38,132	\$14,264	\$24,179	\$8,252	\$15,927
Hospital care . . . . .	41,020	19,594	21,426	5,131	3,077	2,054	25,319	15,703	9,617	10,570	815	9,756
Physicians services . . . . .	19,742	15,083	4,659	4,404	3,918	536	11,395	9,654	1,741	3,893	1,511	2,382
Dentists services . . . . .	6,870	6,544	326	1,573	1,444	129	4,754	4,588	166	543	512	30
Other professional services . . . . .	1,929	1,497	432	434	350	85	1,114	944	170	381	203	178
Drugs and drug sundries . . . . .	9,416	8,684	732	1,803	1,700	103	5,299	4,943	356	2,315	2,041	273
Eyeglasses and appliances . . . . .	1,674	1,583	91	278	263	15	1,050	961	69	366	359	7
Nursing home care . . . . .	7,450	3,649	3,801	134	66	68	1,617	792	825	5,699	2,791	2,908
Other health services . . . . .	3,214	625	2,589	934	57	876	1,868	548	1,320	412	20	393

<sup>1</sup> Preliminary estimates

<sup>2</sup> Revised estimates

series on national health expenditures<sup>2</sup> It should be noted that hospital care includes all expenditures for care in hospitals—including both inpatient and outpatient—and covers all services and supplies (such as medications) provided

Population estimates used here are selected to correspond to the population covered by expenditure estimates Since national health expenditures cover all spending for or by United States citizens and residents, population estimates include the Armed Forces, both in the United States and overseas, Federal civilian employees overseas, and the civilian population of outlying areas Care must be exercised when comparing these estimates

<sup>2</sup> See Robert M Gibson and Marjorie Smith Mueller, "National Health Expenditures, Fiscal Year 1976," *Social Security Bulletin*, April 1977 For a description of public programs see Barbara S Cooper and Nancy L Worthington, *Personal Health Care Expenditures by State, Volume I, Public Funds 1966 and 1969*, Office of Research and Statistics, 1973

with other sources of information on health care utilization and expenditures

Many interview surveys (such as the Health Interview Survey conducted by the National Center for Health Statistics) are confined to the non-institutionalized portion of the population This difference in scope is especially important in a comparison of data for persons aged 65 and over

The group under age 19 presents some problems in connection with the available demographic information on utilization and expenditures Extensive interpolation is often required to estimate certain types of expenditures for this group Because of the nature of some data sources, expenses for certain persons under age 19 who are part of the labor force are excluded and expenses of dependent children over age 18 are included

Expenditures of State and local governments for school health programs, included as part of this series for a number of years, are omitted beginning with data for 1975 Fiscal year 1974

TABLE 2—Estimated per capita personal health care expenditures, by type of expenditure and source of funds, for three age groups, fiscal years 1974-76

Type of expenditure	All ages			Under 19			19-64			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public
1976 <sup>1</sup>												
Total	\$551 50	\$329 78	\$221 72	\$249 16	\$183 50	\$65 36	\$547 29	\$384 62	\$162 67	\$1,521 36	\$490 98	\$1 030 38
Hospital care	253 70	114 50	139 20	90 03	52 25	37 78	268 11	160 30	107 81	688 59	62 21	626 88
Physicians' services	120 67	90 30	30 37	77 18	67 19	9 99	120 85	101 13	19 72	255 92	104 10	151 73
Dentists' services	39 38	37 23	2 15	28 16	25 26	2 90	47 30	45 58	1 76	31 53	29 66	1 88
Other professional services	10 99	7 36	3 63	7 03	4 93	2 10	11 01	8 57	2 44	23 31	8 42	14 89
Drugs and drug sundries	51 14	46 45	4 69	29 66	27 67	1 99	50 62	46 68	3 95	121 22	104 09	17 13
Eyeglasses and appliances	90 7	8 55	52	4 59	4 32	27	9 85	9 16	69	18 86	18 49	36
Nursing home care	48 54	21 72	26 82	2 22	1 17	1 05	19 47	7 51	11 96	350 61	162 89	187 75
Other health services	18 01	3 66	14 35	10 28	99	9 29	20 03	5 70	14 34	31 31	1 05	30 25
1975 <sup>1</sup>												
Total	\$488 23	\$294 47	\$193 76	\$221 10	\$163 94	\$57 16	\$492 09	\$347 94	\$144 15	\$1,335 72	\$427 62	\$908 10
Hospital care	222 66	100 15	122 51	79 70	46 57	33 13	237 77	141 58	96 19	605 09	48 66	556 44
Physicians' services	105 85	79 49	26 35	67 56	58 78	8 79	107 93	90 34	17 59	218 94	87 74	131 20
Dentists' services	36 06	34 21	1 85	24 95	22 68	2 28	44 04	42 41	1 63	28 67	27 01	1 66
Other professional services	10 11	7 30	2 81	6 45	4 95	1 51	10 31	8 46	1 85	20 92	8 66	12 25
Drugs and drug sundries	47 41	43 47	3 94	27 01	25 39	1 62	47 43	44 06	3 38	113 64	99 11	14 53
Eyeglasses and appliances	8 24	7 75	49	4 08	3 84	24	9 03	8 38	65	17 43	17 07	96
Nursing home care	42 02	18 86	23 15	1 88	88	1 00	17 04	7 65	9 59	308 54	138 41	170 12
Other health services	15 89	3 23	12 66	9 46	87	8 59	18 52	5 06	13 46	22 49	96	21 53
1974 <sup>2</sup>												
Total	\$425 15	\$266 59	\$158 56	\$201 06	\$148 33	\$52 73	\$437 80	\$318 62	\$119 18	\$1,109 54	\$378 69	\$730 85
Hospital care	190 98	91 23	99 76	69 99	41 97	28 02	211 56	131 21	80 36	485 05	37 38	447 67
Physicians' services	91 92	70 22	21 69	60 75	53 44	7 31	95 21	80 67	14 55	178 65	69 35	109 30
Dentists' services	31 99	30 47	1 52	21 46	19 70	1 76	39 72	38 34	1 39	24 91	23 52	1 39
Other professional services	8 98	6 97	2 01	5 92	4 77	1 15	9 31	7 89	1 42	17 47	9 30	8 17
Drugs and drug sundries	43 84	40 43	3 41	24 59	23 19	1 40	44 28	41 90	2 98	106 21	93 67	12 54
Eyeglasses and appliances	7 79	7 37	42	3 79	3 58	20	8 60	8 03	6 89	16 80	16 49	31
Nursing home care	34 69	16 99	17 70	1 83	90	93	13 51	6 61	6 57	291 53	128 07	133 46
Other health services	14 96	2 91	12 05	12 74	78	11 96	15 61	4 58	11 03	18 92	90	18 02

<sup>1</sup> Preliminary estimates

<sup>2</sup> Revised estimates

is the last year for which data on these programs were available as a separate item in the overall educational expenditures listing

### EXPENDITURES IN FISCAL YEAR 1976

From July 1, 1975, through June 30, 1976, a total of \$34.9 billion was spent to meet the health care needs of the 220 million persons in the population who were aged 65 years or older (table 1). Spending for the younger members of the population—those under age 19—accounted for \$17.9 billion of total spending. The remaining \$67.7 billion went for personal health care for persons in the group aged 19-64.

The age differences in health care spending are reflected in per capita personal health care expenditures. For persons under age 19, \$249 per person was spent, more than twice that amount (\$547) was spent for each person aged 19-64 (table 2). Expenditures for each aged person were

\$1,521—nearly three times the amount for those in the intermediate age group.

The variations in per capita expenditures for the three age groups provide a very different pattern of total expenditures from the distribution of the population, as the following figures show.

Age	Population		Personal health care expenditures	
	Number (in millions)	Percentage distribution	Amount (in billions)	Percentage distribution
All ages	218.4	100.0	\$120.4	100.0
Under 19	71.8	32.9	17.9	14.9
19-64	123.7	56.6	67.7	56.2
65 and over	22.9	10.5	34.9	28.9

The group under age 19—one-third of the total population—accounted for only 15 percent of all personal health expenditures, but persons aged 65 and older, who comprise slightly more than a tenth of the population, spent twice that share.

TABLE 3—Estimated personal health care expenditures under public programs, by program and source of funds, for three age groups, fiscal years 1974-76

[In millions]

Program	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
1976 <sup>1</sup>												
Total	\$43,417	\$33,683	\$14,735	\$4,690	\$2,863	\$1,828	\$20,122	\$11,763	\$8,359	\$23,605	\$19,057	\$4,548
Medicare (health insurance for the aged and disabled) <sup>2</sup>	16,942	16,942	—	35	35	—	1,955	1,955	—	14,953	14,953	—
Temporary disability insurance (medical benefits) <sup>3</sup>	74	—	74	—	—	—	74	—	74	—	—	—
Workers' compensation (medical benefits) <sup>4</sup>	2,125	60	2,059	—	—	—	2,061	64	1,997	64	2	62
Medicaid (public assistance vendor medical payments) <sup>4</sup>	14,593	7,959	6,634	2,511	1,369	1,141	6,493	3,541	2,952	5,489	3,048	2,540
General hospital and medical care	6,802	1,265	5,636	795	361	434	4,089	831	3,258	2,018	73	1,945
Defense Department hospital and medical care <sup>5</sup>	3,207	3,207	—	806	806	—	2,310	2,310	—	91	91	—
Maternal and child health services	588	801	287	498	255	243	90	46	44	—	—	—
Veterans hospital and medical care	3,759	3,759	—	46	—	—	2,871	2,873	—	886	886	—
Medical vocational rehabilitation	229	183	46	46	37	9	179	143	36	5	4	1
School health <sup>6</sup>	—	—	—	—	—	—	—	—	—	—	—	—
1975 <sup>7</sup>												
Total	\$41,966	\$28,866	\$13,100	\$4,150	\$2,516	\$1,634	\$17,535	\$10,119	\$7,415	\$20,281	\$16,231	\$4,051
Medicare (health insurance for the aged and disabled) <sup>2</sup>	14,121	14,121	—	23	23	—	1,374	1,374	—	12,723	12,723	—
Temporary disability insurance (medical benefits) <sup>3</sup>	73	—	73	—	—	—	73	—	73	—	—	—
Workers' compensation (medical benefits) <sup>4</sup>	1,800	50	1,810	—	—	—	1,803	49	1,754	57	2	55
Medicaid (public assistance vendor medical payments) <sup>4</sup>	12,435	6,740	5,695	2,160	1,161	999	5,504	3,004	2,500	4,771	2,574	2,197
General hospital and medical care	6,405	1,195	5,210	724	323	401	3,813	802	3,011	1,868	71	1,797
Defense Department hospital and medical care <sup>5</sup>	3,063	3,063	—	745	745	—	2,226	2,226	—	92	92	—
Maternal and child health services	541	272	269	454	228	226	87	43	43	—	—	—
Veterans hospital and medical care	3,250	3,250	—	44	—	—	2,485	2,485	—	765	765	—
Medical vocational rehabilitation	218	174	44	44	35	9	170	136	34	4	3	1
School health <sup>6</sup>	—	—	—	—	—	—	—	—	—	—	—	—
1974 <sup>7</sup>												
Total	\$34,056	\$22,974	\$11,082	\$3,866	\$2,224	\$1,642	\$14,264	\$8,048	\$6,215	\$15,927	\$12,702	\$3,225
Medicare (health insurance for the aged and disabled) <sup>2</sup>	10,680	10,680	—	14	14	—	808	808	—	9,858	9,858	—
Temporary disability insurance (medical benefits) <sup>3</sup>	71	—	71	—	—	—	71	—	71	—	—	—
Workers' compensation (medical benefits) <sup>4</sup>	1,600	36	1,564	—	—	—	1,550	35	1,515	50	1	49
Medicaid (public assistance vendor medical payments) <sup>4</sup>	9,938	5,563	4,375	1,771	1,008	763	4,459	2,484	1,975	3,708	2,071	1,637
General hospital and medical care	5,293	836	4,457	564	221	343	3,150	574	2,576	1,579	41	1,538
Defense Department hospital and medical care <sup>5</sup>	2,719	2,719	—	768	768	—	1,876	1,876	—	75	75	—
Maternal and child health services	489	250	259	386	182	204	103	48	54	—	—	—
Veterans hospital and medical care	2,756	2,756	—	37	—	—	2,103	2,103	—	653	653	—
Medical vocational rehabilitation	185	154	31	37	31	6	144	120	24	4	3	1
School health <sup>6</sup>	325	—	325	325	—	325	—	—	—	—	—	—

<sup>1</sup> Preliminary estimates

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

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

<sup>4</sup> Includes funds paid into Medicare trust funds by States under "buy-in

agreements to cover premiums for public assistance and supplemental security income recipients and for persons who are medically indigent.

<sup>5</sup> 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.

<sup>6</sup> Beginning in 1975, data no longer available.

<sup>7</sup> Revised estimates.

The remaining 56 percent of the outlays was spent on care for those aged 19-64.

### Sources of Funds

Private spending sources—primarily health insurance payments and direct consumer pay-

ments—continued to be the major source of funding for health services received by the younger age groups. For the aged, public funds met more than two-thirds of their total expenses but more than a fourth of their expenses were met by out-of-pocket payments.

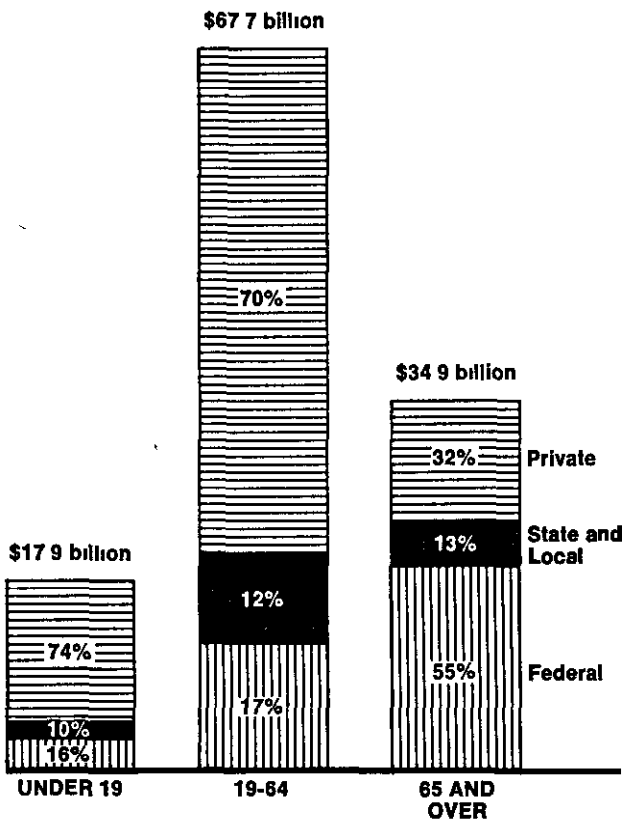
Spending for personal health care that was

financed in some way by government programs amounted to \$48.4 billion in fiscal year 1976, or 40 percent of all personal health spending in that year. The two most significant public programs, Medicare and Medicaid, together paid out \$31.5 billion in benefits in 1976 (table 3), accounting for 65 percent of all public spending and for 26 percent of all spending for personal health care.

Medicare benefits are primarily for the aged, and 38 percent of Medicaid payments are for that group. As a result, 68 percent or \$23.6 billion of the personal health care expenses of persons aged 65 and older was financed by public programs (chart 1). Public expenditures were only 30 percent of total spending for the group aged 19-64 and 26 percent of expenses for those under age 19.

Federal spending for the three age groups was greatest for persons aged 65 and over (\$19.0 billion)—55 percent of all spending for the elderly (table 4). State and local expenditures for this group were 13 percent of the total. The largest amount of State and local expenditures, \$8.3

CHART 1—Percentage distribution of expenditures for personal health care, by source of funds and age group, fiscal year 1976



billion out of a total of \$14.7 billion, went for those aged 19-64 and constituted 12 percent of their health care expenses.

Private health insurance has a prominent role in the financing of health care for those under age 65. In 1976, private health insurance benefits amounted to \$29.5 billion or 35 percent of total personal health care expenditures of persons under age 65 (table 5). Government payments for this group were only 29 percent of the total. Since most of the insurance for the aged is limited to supplements to Medicare, private insurance paid for only 5 percent of their expenditures.

Total spending for personal health care increased at an annual rate of 12.7 percent from 1966 to 1976. During this period, government spending rose on an average annual basis by an average of 19.9 percent per year. For persons aged 65 and over, spending went up at an annual rate of 15.5 percent in the 11-year period, with government spending increasing approximately 25.3 percent per year.

*Expenditures for those under age 19*—Expenditures for persons under age 19 were \$17.9 billion in fiscal year 1976, or 15 percent of all personal health care expenditures. For this group, spending per capita was substantially less than half the rate for all persons—\$249, compared with \$552.

Private spending accounted for 74 percent of expenditures for this group in 1976. Sufficient information is not available to estimate the portion of private spending for those under age 19 that is financed by private health insurance. (Some inferences may be drawn from a later discussion of spending for all persons under age 65 in which the group under age 19 is included with those aged 19-64.)

Over half (53.9 percent) of all public spending for this group was through Medicaid, with payments of \$2.5 billion. The program for maternal and child health services under title V of the Social Security Act spent approximately \$500 million, substantially less than the \$800 million spent by the Department of Defense for minor dependents of active and retired military personnel. Expenditures of other programs included under "general hospital and medical care" provided another \$795 million.

Data have become available for estimating the effect of the extension of Medicare to disabled

TABLE 4—Estimated personal health care expenditures under public programs, by type of expenditure and source of funds, for three age groups, fiscal years 1974-76

[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
1976 <sup>1</sup>												
Total	\$48,417	\$33,683	\$14,735	\$4,690	\$2,863	\$1,828	\$20,122	\$11,763	\$8,359	\$23,605	\$19,057	\$4,548
Hospital care	30,396	21,394	9,002	2,711	1,639	1,072	13,336	7,619	5,716	14,350	12,136	2,214
Physicians' services	6,632	4,884	1,748	717	431	286	2,439	1,102	1,337	3,476	3,351	125
Dentists' services	469	288	181	208	117	91	218	142	76	43	29	14
Other professional services	793	540	254	150	91	59	302	143	159	341	305	36
Drugs and drug sundries	1,023	650	474	143	82	60	488	253	236	392	215	178
Eyeglasses and appliances	114	61	53	19	13	6	86	41	45	8	7	1
Nursing home care	5,856	3,417	2,439	75	41	34	1,480	841	639	4,201	2,535	1,766
Other health services	3,133	2,548	585	667	448	219	1,773	1,623	151	693	478	215
1975 <sup>1</sup>												
Total	\$41,966	\$28,866	\$13,100	\$4,150	\$2,516	\$1,634	\$17,535	\$10,119	\$7,415	\$20,281	\$16,231	\$4,051
Hospital care	26,534	18,371	8,163	2,406	1,446	960	11,701	6,530	5,171	12,427	10,395	2,033
Physicians' services	5,708	4,170	1,538	638	387	252	2,140	963	1,177	2,930	2,821	110
Dentists' services	401	249	152	165	96	67	198	125	73	37	25	12
Other professional services	609	416	193	110	69	40	225	104	121	274	242	31
Drugs and drug sundries	853	454	399	118	68	49	411	208	202	325	177	147
Eyeglasses and appliances	106	59	47	18	12	6	80	40	40	8	7	1
Nursing home care	5,014	2,917	2,097	73	35	38	1,142	719	424	3,800	2,164	1,636
Other health services	2,742	2,231	511	624	400	223	1,638	1,430	207	481	400	81
1974 <sup>2</sup>												
Total	\$34,056	\$22,974	\$11,082	\$3,866	\$2,224	\$1,624	\$14,264	\$8,048	\$6,215	\$15,927	\$12,702	\$3,225
Hospital care	21,426	14,534	6,893	2,054	1,279	775	9,617	5,232	4,385	9,758	8,022	1,733
Physicians' services	4,659	3,363	1,296	536	338	198	1,741	735	1,006	2,382	2,290	92
Dentists' services	326	211	115	129	79	51	166	111	55	30	21	9
Other professional services	432	284	148	80	54	30	170	74	95	178	155	23
Drugs and drug sundries	732	400	331	103	62	41	356	187	169	273	151	122
Eyeglasses and appliances	91	50	41	15	10	5	69	34	34	7	6	1
Nursing home care	3,801	2,277	1,524	68	41	27	825	517	308	2,908	1,720	1,189
Other health services	2,589	1,805	734	876	362	515	1,320	1,157	162	393	336	57

<sup>1</sup> Preliminary estimates

<sup>2</sup> Revised estimates

beneficiaries and to persons with end-stage renal disease. In 1976, the Medicare program paid approximately \$35 million in benefits for persons under age 19. These benefits were paid on behalf of about 1,900 enrollees, almost all of whom had end-stage renal disease. Medicare coverage was extended to this group because of the catastrophically high medical expenses associated with their condition.

*Expenditures for persons aged 19-64*—A little more than half the population (57 percent) is aged 19-64. In fiscal year 1976, the health expenditures of this group were almost exactly the same proportion of total personal health care expenditures (56 percent), totaling \$67.7 billion. This amount averaged \$547 per person, \$4 below the per capita expenditure for the population as a whole.

Private health insurance is the most significant factor in the financing of health care for the

employed population. Most insurance plans for workers also cover their dependents, but the data are insufficient to make separate estimates for the two younger age groups. For all persons under age 65, private insurance financed nearly 35 percent of total personal health expenditures in 1976. Direct or "out-of-pocket" expenditures constituted another 35 percent of the total, and government spending comprised 29 percent for this combined age group. It should be pointed out that the data for direct payments do not include premiums for individual policies or the employee share of premiums in employment-related group policies.

Public funds paid some 30 percent of the medical expenses of the intermediate age group in fiscal year 1976. Medicaid provided the largest share—accounting for \$6.5 billion or 32 percent of the public money spent for this group. Expenditures under "general hospital and medical care" accounted for an additional 20 percent, including

TABLE 5—Amount, per capita amount, and percentage distribution of personal health care expenditures met by third parties, for two age groups, selected fiscal years, 1966-76

Source of payment	Total amount (In millions)				Per capita amount				Percentage distribution			
	1966	1974	1975	1976	1966	1974	1975	1976	1966	1974	1975	1976
All ages												
Total . . . . .	\$36 216	\$91,315	\$105,745	\$120 431	\$181 96	\$425 15	\$488 23	\$551 50	100 0	100 0	100 0	100 0
Direct payments . . . . .	18 668	32 989	35,553	39 099	93 79	153 59	164 15	179 05	51 5	36 1	33 6	32 5
Third party payments . . . . .	17,548	58 327	70 192	81,332	88 17	271 56	324 08	372 46	48 5	63 9	66 4	67 5
Private health insurance . . . . .	8 936	23 0.0	26 894	31 359	44 90	107 32	124 17	143 61	24 7	25 2	25 4	26 0
Government . . . . .	7 892	34 056	41,966	48,417	39 60	158 56	193 76	221 72	21 8	37 3	39 7	40 2
Philanthropy and industry . . . . .	720	1 220	1 331	1,556	3 62	5 68	6 15	7 13	2 0	1 3	1 3	1 3
Under age 65												
Total . . . . .	\$27,974	\$67,136	\$75,913	\$85,578	\$154 96	\$347 87	\$390 79	\$437 83	100 0	100 0	100 0	100 0
Direct payments . . . . .	14 286	26,217	27,719	29,854	79 13	130 84	142 70	152 74	51 1	39 0	36 5	34 9
Third party payments . . . . .	13,688	40 920	48 194	55 724	75 82	212 03	248 10	285 09	48 9	61 0	63 5	65 1
Private health insurance . . . . .	7,627	21 679	25 294	29 493	42 25	112 33	130 21	150 89	27 3	32 3	33 3	34 5
Government . . . . .	5,432	18 130	21 680	24 813	30 09	93 94	111 63	126 94	19 4	27 0	28 6	29 0
Philanthropy and industry . . . . .	629	1,111	1,215	1,418	3 48	5 76	6 25	7 26	2 2	1 7	1 6	1 7
Aged 65 and over												
Total . . . . .	\$8 242	\$24 179	\$29 832	\$34,853	\$445 25	\$1,109 54	\$1,335 72	\$1,521 36	100 0	100 0	100 0	100 0
Direct payments . . . . .	4,382	6,772	7 834	9 244	236 72	310 75	350 77	403 53	53 2	28 0	26 3	26 5
Third party payments . . . . .	3 860	17,407	21,998	25,608	208 52	798 78	984 94	1,117 83	46 8	72 0	73 7	73 5
Private health insurance . . . . .	1 309	1 371	1 600	1 866	70 71	62 94	71 65	81 45	15 9	5 7	5 4	5 4
Government . . . . .	2 400	15 927	20,281	23,600	132 89	730 85	908 10	1 030 38	29 8	65 9	68 0	67 7
Philanthropy and industry . . . . .	91	109	116	138	4 92	5 00	5 20	6 00	1 1	5	4	4

substantial spending by the Alcoholism, Drug Abuse and Mental Health Administration. Spending in State and local mental hospitals represented the largest proportion of these expenditures. The Veterans Administration, in its various programs, provided 14 percent, the Department of Defense 12 percent, and workers' compensation, 10 percent. Medicare benefits for the disabled in this age group amounted to almost \$2 billion, nearly 10 percent of all public expenditures for them.

The most important developments in public spending for the intermediate age group revolve around those persons who are permanently and totally disabled. Two events figure prominently here. In July 1973, disabled workers and certain other disabled persons eligible for OASDHI benefits and persons suffering from end-stage renal disease, became eligible for Medicare benefits. In January 1974, the public assistance program for the permanently and totally disabled was abolished and the new Federal supplemental security income (SSI) program for the aged, blind, and disabled began operations. In 35 States, these persons are also eligible for Medicaid, the remaining States make separate determinations for Medicaid.

The population affected by these programs has been growing dramatically in recent years. The number of disabled-worker beneficiaries increased 51 percent from December 1971 to December 1975, the number of disabled persons receiving SSI payments rose 51 percent from January 1974 to December 1975. Consequently, the number of OASDHI disabled beneficiaries under Medicare increased 25 percent from July 1973 to July 1975, reaching 2.2 million persons. The average monthly SSI caseload of disabled persons receiving Medicaid benefits increased from 996,000 in fiscal year 1974 to 1,296,000 in fiscal year 1976, a 30-percent growth. The combined expenditures of the Medicare and Medicaid programs rose in 2 years, from \$5.3 billion in fiscal year 1974 to \$8.5 billion in fiscal year 1976.

The interaction of the growth in the disabled beneficiary population, the SSI program, and the Medicare and Medicaid programs is difficult to assess, but it does provide an area for future study.

*Expenditures for the aged*—In fiscal year 1976, spending for the health care of the elderly was 17 percent higher than it was in the previous

year, reaching \$34.8 billion. The per capita expenditure—\$1,521—increased only 14 percent from 1975. The current figures represent a moderation of the rate of growth—from 23 percent for total expenditures and 20 percent of outlays per capita in the preceding year. A reduction in the rapid price inflation that followed the lifting of price controls appears to be the most significant factor here.

The Medicare program, designed to assure that the elderly would have access to basic medical care, financed only \$15.0 billion of their medical care bill in 1976. The program does not attempt to provide total coverage for the cost of medical care for the aged. It is patterned after private health insurance coverage, with emphasis on coverage of hospital care and physicians' services. Benefit coverage in other areas is severely limited. Nursing-home care is covered only if it is re-

quired as an extension of a hospital stay and if skilled-nursing care is provided. Coverage for routine physical examination, dental care, and vision care is excluded.

Enrollees are required to pay a portion of the cost of supplementary medical insurance (SMI) in the form of premiums. All services covered by SMI are subject to a deductible and to coinsurance payments. To receive hospital insurance benefits, the elderly must first pay a deductible and may also have to pay a coinsurance amount after being hospitalized for a given number of days. Thus, in 1976, Medicare benefits paid only 43 percent of all the health expenses of the aged (table 6). If the premium payments are deducted, the Medicare benefit share drops to 38 percent.

Health care expenditures of the aged that were not covered by Medicare benefits were paid from a number of other sources. For a small number

TABLE 6—Estimated amount and percentage distribution of personal health care expenditures for the aged, by type of expenditure and source of funds, fiscal years 1974-76

Type of expenditure	Amount (in millions)						Percentage distribution					
	Total	Private	Public				Total	Private	Public			
			Total	Medicare	Medicaid	Other			Total	Medicare	Medicaid	Other
1976 <sup>1</sup>												
Total .....	\$34,853	\$11,248	\$23,605	\$14,953	\$5,589	\$3,063	100.0	32.3	67.7	42.9	16.0	8.8
Hospital care .....	15,775	1,425	14,350	11,179	523	2,648	100.0	9.0	91.0	70.9	3.3	16.8
Physicians services .....	5,863	2,387	3,476	3,218	214	44	100.0	40.7	59.3	54.9	3.7	7.7
Dentists services .....	722	679	43	---	31	12	100.0	94.1	5.9	---	4.3	1.7
Other professional services .....	534	193	341	265	74	2	100.0	26.1	63.9	49.6	13.9	4.4
Drugs and drug sundries .....	2,777	2,385	392	---	389	4	100.0	85.9	14.1	---	14.0	1.1
Eyeglasses and appliances .....	432	424	8	---	---	8	100.0	98.1	1.9	---	---	1.9
Nursing-home care .....	8,032	3,731	4,301	291	3,885	125	100.0	46.4	53.6	3.6	48.4	1.6
Other health services .....	717	24	693	---	472	221	100.0	3.4	96.6	---	65.9	30.8
1975 <sup>2</sup>												
Total .....	\$29,832	\$9,550	\$20,281	\$12,723	\$4,771	\$2,787	100.0	32.0	68.0	42.6	16.0	9.3
Hospital care .....	13,514	1,087	12,427	9,547	453	2,428	100.0	8.0	92.0	70.6	3.3	18.0
Physicians services .....	4,890	1,960	2,930	2,703	187	40	100.0	40.1	59.9	55.3	3.8	8.8
Dentists services .....	640	603	37	---	26	11	100.0	94.2	5.8	---	4.0	1.8
Other professional services .....	467	193	274	214	58	2	100.0	41.4	58.6	45.8	12.4	4.4
Drugs and drug sundries .....	1,588	2,213	325	---	321	3	100.0	87.2	12.8	---	12.7	1.1
Eyeglasses and appliances .....	389	381	8	---	---	8	100.0	97.9	2.1	---	---	2.1
Nursing home care .....	6,891	3,091	3,800	259	3,433	108	100.0	44.9	55.1	3.8	49.8	1.6
Other health services .....	502	21	481	---	294	187	100.0	4.3	95.7	---	58.6	37.1
1974 <sup>2</sup>												
Total .....	\$24,179	\$8,252	\$15,927	\$9,858	\$3,708	\$2,361	100.0	34.1	65.9	40.8	15.3	9.8
Hospital care .....	10,570	815	9,756	7,322	368	2,066	100.0	7.7	92.3	69.3	3.5	19.5
Physicians services .....	3,893	1,511	2,382	2,190	158	34	100.0	38.8	61.2	56.3	4.1	9.8
Dentists services .....	543	512	30	---	20	10	100.0	94.4	5.6	---	3.7	1.6
Other professional services .....	381	203	178	134	42	2	100.0	53.3	46.7	35.2	11.1	4.4
Drugs and drug sundries .....	2,315	2,041	273	---	271	3	100.0	88.2	11.8	---	11.7	1.1
Eyeglasses and appliances .....	366	359	7	---	---	7	100.0	98.1	1.9	---	---	1.9
Nursing home care .....	5,699	2,791	2,098	212	2,603	93	100.0	49.0	51.0	3.7	45.7	1.6
Other health services .....	412	20	393	---	246	147	100.0	4.8	95.2	---	59.6	35.6

<sup>1</sup> Preliminary estimates

<sup>2</sup> Revised estimates



of the aged—those eligible for care provided to veterans and their dependents by the Veterans Administration or to retired military persons and dependents—\$1 billion was spent by these Federal sources. Others received care in mental hospitals financed by State funds. Together, these sources accounted for nearly 9 percent of expenditures for the aged.

A large number of the aged have income low enough to qualify them for SSI payments. Others have medical bills so large in relation to their income that they are considered “medically indigent.” An estimated 3.9 million aged persons received \$5.6 billion in Medicaid benefits in 1976—or 16 percent of all health care expenditures for the aged. The States paid the SMI premiums under Medicare for about 2.3 million persons under the “buy-in” provisions of that program. It is estimated that approximately \$2.1 billion in Medicare benefits were received by this group.

Private health insurance covered some portion of the Medicare deductible and coinsurance amounts and paid at least part of the costs of some services not covered by the Medicare program. These benefits paid for only a little more than 5 percent of the health bill for the aged, however.

The aged themselves or their families paid the remaining 27 percent of their medical expenses. This expense was \$404 per person in 1976, not including private health insurance premiums or Medicare premiums.

#### TYPE OF CARE

The health needs of individuals—reflected in the level of spending for different types of health services—change with advancing age, as the following tabulation shows.

Type of expenditure	Age			
	All ages	Under 19	19-64	65 and over
Total .. . . . . .	100	100	100	100
Hospital care . . . . .	46	36	49	45
Physicians' services . . . . .	22	31	22	17
Dentists' services . . . . .	7	11	9	2
Other professional services . . . . .	2	3	2	2
Drugs and drug sundries . . . . .	9	12	9	8
Eyeglasses and appliances . . . . .	2	2	2	1
Nursing home care . . . . .	9	1	4	23
Other . . . . .	3	4	4	2

Persons under age 19 have nearly as much spent in their behalf for physicians' services (31 percent) as for hospital care (36 percent). Spending for drugs and drug sundries represented 12 percent of total expenses for this age group; dental spending, 11 percent.

Medical conditions requiring in-hospital care rather than ambulatory care become more significant for the intermediate age group. The result is a noticeable shift in the pattern of spending for services. Half the personal medical care expenses for this group was for hospital care. The share for physicians' services was a little more than a fifth. Spending for medications and drug sundries and for dentists' services each accounted for nearly a tenth of their health care expenditures.

For those aged 65 and older the shift towards institutional care in 1976 is even more pronounced. Hospital expenditures equaled 45 percent of their total bill, with an additional 25 percent directed to nursing-home care. Physicians' services dropped to 17 percent of the total, the share for drugs was 8 percent, and spending for dental services amounted to only 2 percent. This distribution emphasizes the fact that the aged require substantially greater amounts of care not obtainable on an ambulatory basis than do younger age groups.

#### PUBLIC EXPENDITURES FOR AGED

The public contribution to the aged's health bill is substantial. Medicare, Medicaid, and other public programs combined provide 91 percent of the financing of hospital expenditures for the aged, and hospital care represents 45 percent of all personal health care expenditures for the aged. Medicare covered only 55 percent of total expenses for physicians' services, and all other public programs accounted for only 4 percent. The remaining 41 percent was paid directly or through private health insurance. A substantial amount (48 percent) of nursing-home care was financed by Medicaid, but 46 percent of this expense had to be met from private sources.

Of the \$1,521 health care bill for each aged person, the Medicare and Medicaid programs fi-

nanced \$653 and \$244, respectively (chart 2). The Medicare payment included \$488 for hospital care and \$140 for physicians' services. The Medi-

caid payments were nearly all for other health services, principally for nursing-home care.

Changes in Medicare and Medicaid payment

CHART 2—Per capita personal health care expenditures for the aged, by source of funds and type of care, fiscal year 1976

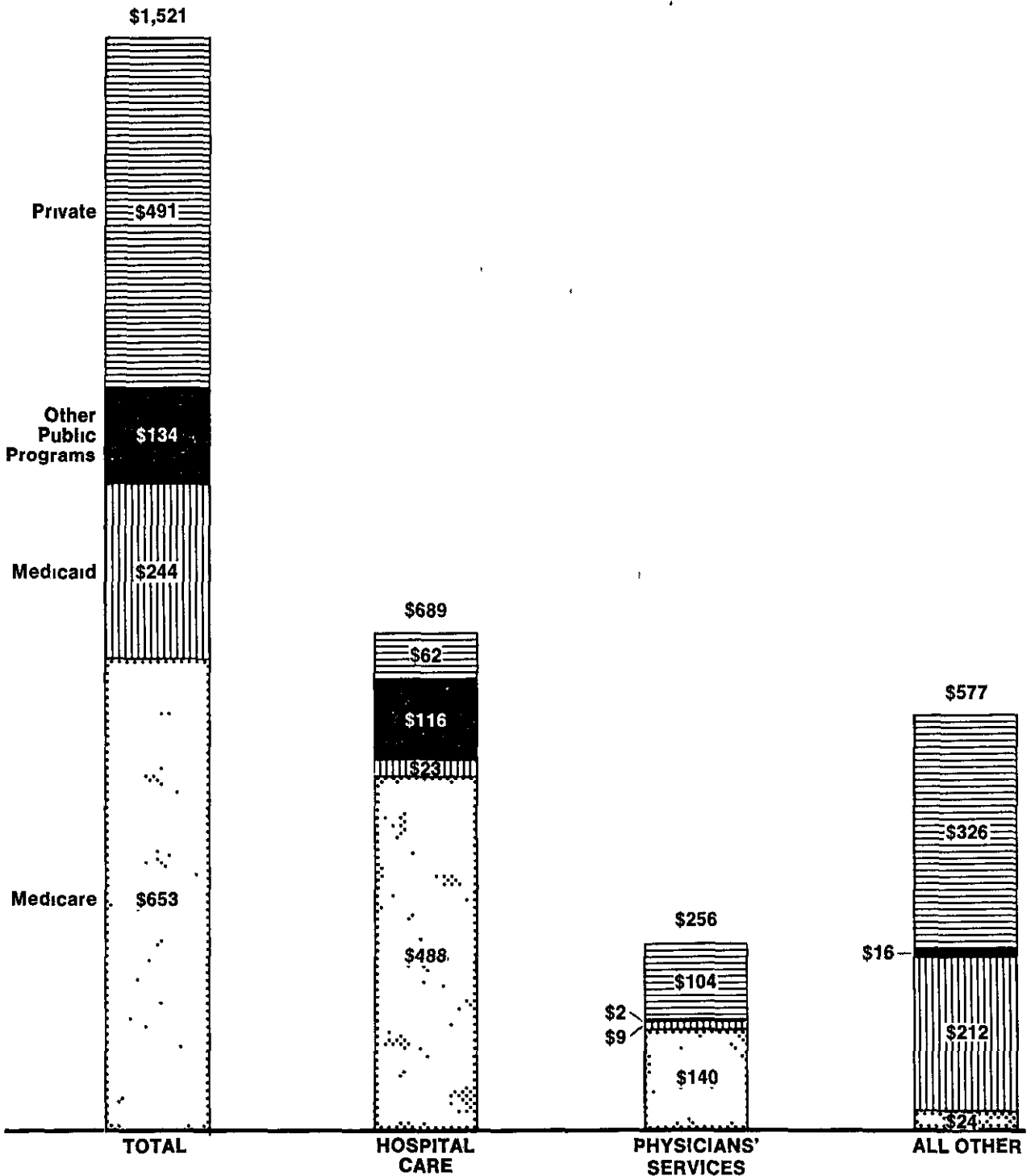


TABLE 7—Hospital care expenditures for the aged Amounts covered and not covered by Medicare, fiscal years 1967–76

[In millions]

Hospital care covered and not covered by Medicare	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Total .....	\$3,709	\$4 936	\$6 115	\$6 782	\$7 768	\$8 733	\$9 643	\$10 570	\$13 514	\$15,775
Covered hospital care .....	2 605	2 682	4,692	5,212	6 025	6,789	7,404	8 029	10,413	12,192
Medicare payments .....	2,411	3,404	4,308	4,779	5,556	6,208	6,757	7,322	9,540	11,179
Beneficiary payments for deductibles and coinsurance .....	194	278	384	433	469	581	647	707	868	1 013
Noncovered hospital care .....										
Short-stay .....	45	50	73	111	154	223	325	486	772	956
Long stay .....	835	946	1 051	1,114	1 246	1,300	1,395	1,527	1 715	1,954
Other .....	224	258	299	315	343	421	469	519	614	673

levels necessarily affect overall spending levels for the aged Total spending for both programs increased 29 percent in fiscal year 1975, following the April 1974 elimination of price controls Spending for the aged increased 23 percent in the same period In fiscal year 1976, when each of the programs increased about 17 percent, total expenditures also rose 17 percent

Revisions in the data series on expenditures have been made necessary because of changes in the method of estimating the expenditures for each age group, as well as the availability of new and more current information—such as unpublished data from the Current Medicare Survey Revised historical estimates for expenditures for hospital care and physicians' services for the aged have been essentially completed and are included with this report Complete revisions to the historical data series on expenditures will be published in a forthcoming research report

The proportion of hospital expenditures for the aged that was paid with Medicare funds decreased during the period 1971–74 from 72 percent to 69 percent and increased from 69 percent to 71 percent in the period 1974–76 (table 7) Three factors contributed to these trends

First, a long-term decrease has occurred in the proportion of total hospital expenditures attributed to psychiatric hospitals, reflecting a declining overall inpatient psychiatric population The proportion of aged persons in this population has been declining at the same time Since most inpatient psychiatric care costs are not covered by Medicare, this portion of noncovered costs is being reduced and Medicare's share of total expenses is growing A similar decline in the overall share of hospital expenditures for long-term care, much of it not covered by Medicare, has the same type of effect

Second, the relative amount of noncovered short-stay care increased from 2 percent in 1971 to 6 percent in fiscal year 1976 More vigorous utilization review activity in recent years no doubt has had an effect The amount of beneficiary liability due to deductible and coinsurance amounts for short-stay hospital care covered by Medicare has hovered around 8 percent since 1971

The third factor is the share of expenditures for physicians' services paid by the Medicare program, which declined from 58 percent in 1970 to 55 percent in 1976 (table 8) One notable reason for this decline was the greater beneficiary lia-

TABLE 8—Physicians' expenditures for the aged Amounts covered and not covered by Medicare, fiscal years 1967–76<sup>1</sup>

[In millions]

Physicians' services covered and not covered by Medicare	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Total .....	\$2 045	\$2,259	\$2,563	\$2 773	\$3 001	\$3,303	\$3,570	\$3,893	\$4,888	\$5 863
Covered physicians services .....	( <sup>2</sup> )	2 117	2 403	2,599	2 814	3 098	3 333	3 608	4 520	5 427
Medicare payments .....	641	1 316	1 488	1,610	1,723	1 895	2 005	2,190	2,703	3,218
Beneficiary payments for—										
Deductibles .....	( <sup>2</sup> )	427	468	467	501	555	622	614	741	871
Coinsurance .....	( <sup>2</sup> )	324	366	396	424	466	492	535	661	786
Beneficiary liabilities for reasonable charge reductions for unassigned claims .....	( <sup>2</sup> )	50	81	126	166	182	214	269	415	562
Noncovered physicians services .....	( <sup>2</sup> )	142	160	174	187	205	237	285	368	437

<sup>1</sup> Preliminary estimates

<sup>2</sup> Data not available

bility resulting from the reduction of the billed charges for covered services to "reasonable charges" on claims for which the physician did not accept assignment. This share of the beneficiaries' liability for services increased from about 4.5 percent of total expenditures in 1970 to 9.6 percent in fiscal year 1976.

### THE CHANGING POPULATION

The age composition of the population has shifted substantially during the last 10 years. As the figures below show, the declining postwar

Age	1976	1967
All ages . . . . .	100.0	100.0
Under 19 . . . . .	32.9	37.6
19-64 . . . . .	56.6	53.0
65 and over . . . . .	10.5	9.3

birth rate resulted in a drop in the proportion of those under age 19 from 38 percent of the population in 1967 to 33 percent in 1976.

At the same time, the proportion of persons aged 65 and over has increased from 9 percent to well above 10 percent. Even in the absence of changes in the health care system, these population changes would have a noticeable impact on the distribution of expenditures according to age.