

National Health Expenditures, 1929-73

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Preliminary estimates of the Nation's health spending in fiscal year 1973 and data on past trends are presented in this annual article. In fiscal year 1973 health spending reached an estimated \$94.1 billion, averaging \$441 per person; health outlays increased at the lowest rate in several years, 11.0 percent, and remained at their 1972 proportion of the gross national product—7.7 percent; private spending for health rose 10.1 percent—slightly faster than in the previous year; public spending for health was up 12.5 percent—considerably slower than in the previous year; Medicare outlays had their lowest annual increase in the program's history—7.5 percent; third parties paid an estimated 65 percent of the individual's personal health bill, with the government's share 38 percent and that of private health insurance 26 percent; and direct out-of-pocket payments in 1973 amounted to \$132 per person, \$9 more than in the previous year.

HEALTH SPENDING in the Nation reached \$94.1 billion in fiscal year 1973, according to preliminary figures.¹ Thus, the average amount spent per capita for health purposes was \$441—nearly \$41 more than the amount in the previous year (table 1). The 1973 health outlays were 11.0 percent higher than they were a year earlier—the lowest rate of increase in several years. The gross national product (GNP), on the other hand, had its highest growth rate in a number of years—10.9 percent. As a result, for the first time since the 1950's both measures registered similar rates of increase and health expenditures remained the same proportion of GNP as in 1972—7.7 percent (chart 1).

The data reported here for fiscal year 1972 represent a significant change from that reported in the January 1973 BULLETIN article. Expenditures for 1972 now are estimated at \$84.7 billion instead of \$83.4 billion. More up-to-date information shows that expenditures for several categories were underestimated. As a result, fiscal

year 1972 health expenditures amounted to 7.7 percent of GNP instead of the previously reported 7.6 percent.

EXPENDITURES IN FISCAL YEAR 1973

The \$94.1 billion health bill for 1973 is a function of the price of goods and services, use of services, supply of facilities and personnel, and developments in medical technology. Each of these factors changes at a varying rate for each type of expenditure.

Hospital care continues to be the largest item in the Nation's health bill—\$36.2 billion in 1973, or 38 percent of the total (table 2). It is also the most expensive item, since 1 day of care now costs more than \$100 per patient in community hospitals.

In recent years, price has been a major factor responsible for the growth in hospital expenditures. With the establishment of the economic stabilization program on August 15, 1971, wage-price controls were imposed on most sectors of the economy. Halfway through fiscal year 1973, these controls were lifted on all but the food, construction, and health industries. Although fiscal year 1973 prices for hospital care, as measured by the consumer price index (CPI) of the Bureau of Labor Statistics, were held down somewhat, they do not adequately reflect hospital care costs. The only applicable CPI measure that has been consistently available for hospitals is that for semiprivate rooms, which represents charges for room and board only and excludes all ancillary services and supplies.² The index for semiprivate rooms rose 9.4 percent in fiscal year 1972 and only 5.0 percent in fiscal year 1973.

Although hospital charges may have been held down somewhat in 1973, hospital expenses per adjusted patient day, as reported by the American Hospital Association, continued to rise. Since

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¹ For comparable data on a calendar-year basis, see Barbara S. Cooper, Nancy L. Worthington, and Paula A. Piro, *National Health Expenditures, Calendar Years 1929-72* (Research and Statistics Note No. 3, Office of Research and Statistics, 1974).

² Beginning January 1972, the Bureau of Labor Statistics added seven ancillary charges and developed a composite index for hospital service charges. Comparable data are not available for earlier periods.

TABLE 1.—Aggregate and per capita national health expenditures, by source of funds, and percent of gross national product, selected fiscal years, 1928-29 through 1972-73

Fiscal year	Gross national product (in billions)	Health expenditures								
		Total			Private			Public		
		Amount (in millions)	Per capita	Percent of GNP	Amount (in millions)	Per capita	Percent of total	Amount (in millions)	Per capita	Percent of total
1928-29.....	\$101.0	\$3,589	\$29 16	3.6	\$3,112	\$25.28	86.7	\$477	\$3.88	13.3
1934-35.....	68.7	2,846	22.04	4.1	2,303	17.84	80.9	543	4.21	19.1
1939-40.....	95.1	3,863	28.83	4.1	3,081	22.99	79.8	782	5.84	20.2
1949-50.....	263.4	12,028	78.35	4.6	8,962	58.38	74.5	3,065	19.97	25.5
1954-55.....	379.7	17,330	103.76	4.6	12,909	77.29	74.5	4,421	26.46	25.5
1959-60.....	496.6	25,866	141.63	5.2	19,461	106.60	75.3	6,395	35.03	24.7
1964-65.....	655.6	38,892	197.75	5.9	29,357	149.27	75.5	9,535	48.48	24.5
1965-66.....	718.5	42,109	211.56	5.9	31,279	157.15	74.3	10,830	54.41	25.7
1966-67.....	771.4	47,860	237.83	6.2	32,037	159.20	66.9	15,823	78.63	33.1
1967-68.....	827.0	53,563	263.38	6.5	33,523	164.84	62.6	20,040	98.54	37.4
1968-69.....	899.0	59,977	292.08	6.7	37,041	180.38	61.8	22,936	111.70	38.2
1969-70.....	954.8	68,083	328.17	7.1	42,851	206.55	62.9	25,232	121.63	37.1
1970-71.....	1,013.3	75,629	360.94	7.5	47,046	224.52	62.2	28,583	136.41	37.8
1971-72.....	1,100.6	84,710	400.36	7.7	51,319	242.55	60.6	33,392	157.82	39.4
1972-73.....	1,220.1	94,070	441.18	7.7	56,516	265.05	60.1	37,554	176.12	39.9

¹ Preliminary estimates

most financing is on a cost-reimbursement basis, either under government programs or by insurance companies, hospital expenses per adjusted patient day are a more appropriate determinant of expenditures than charges. In fiscal year 1973, the expense per adjusted patient day in community hospitals rose 9.3 percent, nearly double the CPI figure for semiprivate room charges. This growth rate is, nevertheless, the lowest in many years. Just one year earlier this measure had risen 11.8 percent, and in 1971 it had registered a 13.1 percent gain.

Most of the rise in hospital expenses has been in nonpayroll costs—rent, interest, depreciation, equipment, supplies, etc. In fiscal year 1973, nonpayroll expenses per adjusted patient day rose 12.2 percent, compared with a 7.1-percent increase for payroll expenses.

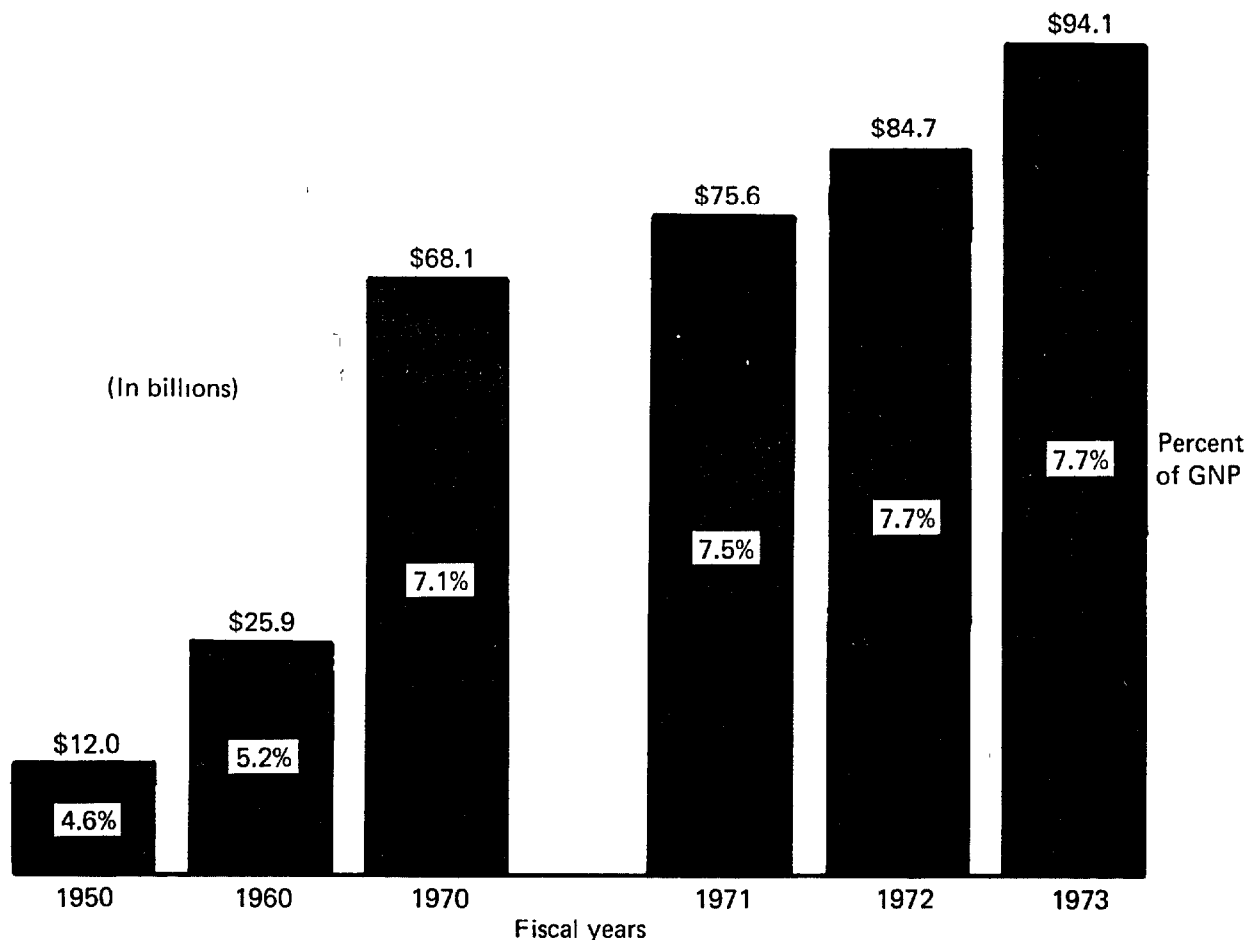
Since community hospital costs rose 9.3 percent overall in fiscal year 1973, it is not surprising that outlays for all hospital care grew 10.7 percent. Spending for hospital care, including mental and long-term care, reached \$36.2 billion, \$3.5 billion more than in the previous year. The rise in costs accompanied by a slight increase in utilization—1.3 percent more patient days in community hospitals—accounted for nearly all the growth. Additional data on hospital utilization and expenses for community hospitals, which account for more than three-fourths of hospital expenditures, are shown in the tabulation in the next column.

The second largest expense category is physicians' services. Growing rapidly in recent years, outlays for the services of physicians are estimated to have increased 8.5 percent in fiscal year 1973 to reach \$18 billion. Current data on gross receipts of physicians in private practice are not yet available from the Internal Revenue Service. Expenditure estimates for fiscal year 1973 were based on price and utilization changes. The price of physicians' services, as measured by the CPI, rose 2.6 percent. Utilization also increased because of a flu epidemic. In addition, there is some evidence that physicians now tend

Fiscal year	Admissions (in thousands)	Inpatient days (in thousands)	Average length of stay (in days)	Occupancy rate (percent)	Outpatient visits (in thousands)	Total expenses (in millions)	Expense per adjusted patient day ¹
Number or amount in year							
1966.....	26,831	203,647	7.6	76.4	94,063	\$9,721	\$43.58
1967.....	27,048	214,454	7.9	78.0	100,301	11,510	49.22
1968.....	27,465	221,891	8.1	78.2	108,150	13,697	56.24
1969.....	28,027	227,633	8.1	78.5	113,921	15,965	68.66
1970.....	29,238	231,633	7.9	77.4	126,639	18,669	73.14
1971.....	30,312	234,413	7.7	77.1	142,582	21,418	82.70
1972.....	30,706	232,592	7.6	75.1	152,010	23,925	92.48
1973.....	31,483	235,983	7.5	75.0	163,482	26,689	101.05
Percentage change from preceding year							
1967.....	.8	5.3	3.9	2.1	6.6	18.4	12.9
1968.....	1.5	3.5	2.5	.3	7.8	19.0	14.3
1969.....	2.0	2.64	5.3	16.6	13.2
1970.....	4.3	1.8	-2.4	-1.4	11.2	16.9	14.9
1971.....	3.6	1.2	-2.5	-.4	12.6	14.7	13.1
1972.....	1.3	-6	-1.3	-2.6	7.0	11.7	11.8
1973.....	2.5	1.3	-1.3	-1.3	7.1	11.1	9.3

¹ Adjusted to account for the volume of outpatient visits
Source "Hospital Indicators," *Hospitals*, midmonth issues, and unpublished data from the American Hospital Association.

CHART 1.—National health expenditures and percent of gross national product, selected fiscal years 1950–73



to charge for their telephone visits—a service previously considered free. The \$18 billion estimate may be conservative, however, in light of the fact that private insurance payments to physicians jumped 12 percent in calendar year 1972.

“Expenses for prepayment” is the fastest growing category of expenditure, although it is relatively small. This category represents the difference between premium income and benefit expenditures of private health insurance organizations. Calendar-year data for 1972 (the latest available) show that such expenses increased 47 percent, the second largest rise ever recorded. Premium income rose 14 percent, but benefit payments went up only 10 percent.³

³ For more information on private health insurance, see Marjorie Smith Mueller, “Private Health Insurance in 1972: Health Care Services, Enrollment, and Finances,” pages 20–40 in this issue of the *Bulletin*.

Source of Funds

Although the private share of the health care bill has always been larger than the public share, the latter had been increasing steadily since fiscal year 1966. In 1973, however, the respective shares remained unchanged: three-fifths private, two-fifths public. Spending from private sources increased 10.1 percent, compared with 12.5 percent from public funds. In fiscal year 1972, the private growth rate had been somewhat slower (9.1 percent) while the public growth rate at 16.8 percent was considerably faster.

The government contribution to the Nation’s health bill is financed by Federal funds and by funds from State and local governments. Before 1967, both sources spent about the same amount. In the past few years, however, the addition of Medicare funds and expansion of other federally

financed programs have raised the Federal share to about two-thirds of the public total. In fiscal year 1973, Federal spending grew 12 percent while State and local spending increased somewhat faster (14 percent), as shown below:

Fiscal year	Annual percent increase			Percentage distribution		
	Total public funds	Federal	State and local	Total public funds	Federal	State and local
1966.....	13.6	16.3	11.0	100.0	49.7	50.3
1967.....	46.1	82.7	9.9	100.0	62.1	37.9
1968.....	26.6	32.9	16.4	100.0	65.2	34.8
1969.....	14.5	16.5	10.6	100.0	66.4	33.6
1970.....	10.0	9.0	12.0	100.0	65.8	34.2
1971.....	13.3	13.0	13.7	100.0	65.7	34.3
1972.....	16.8	17.3	15.4	100.0	66.1	33.9
1973.....	12.5	11.6	14.2	100.0	65.6	34.4

Private expenditures for health represent, for the most part, payments made by private consumers or by private insurers in their behalf. These consumer outlays amounted to \$51.9 billion in 1973, about \$5 billion more than the total in 1972.

Included in the remaining private expenditures are philanthropy, amounts spent by industry for maintenance of in-plant health services (classified under "other health services"), expenditures made from capital funds for expansion, renovation, or new construction of medical facilities, and outlays for research by private foundations. These expenditures totaled \$4.6 billion in fiscal year 1973.

The type of service purchased differs with the source of funds. About three-tenths of the private health money was for hospital care; more than half the public funds went for hospital care. Similarly, nursing-home care accounted for less than 3 percent of private expenditures but represented almost 5.9 percent of the public outlays. The proportion spent for medical research was also smaller in the private sector—0.4 percent, compared with 5.5 percent in the nonprivate sector.

In contrast, only 2 percent of the public medical care dollar was spent for drugs, compared with 14 percent of the private dollar. About 36 percent of the private health dollar purchased services of health professionals—doctors, dentists, nurses, and other medical personnel; only 12 percent of public funds were spent for these services.

The above analysis of expenditures by source

of funds classifies all of the Medicare outlays, including premium payments by individuals, as public expenditures. This classification conforms with that of social insurance in the Social Security Administration social welfare expenditure series, where all outlays under various government programs, including those financed through employee contributions, are treated as public outlays.⁴

Critics of this classification system claim that it understates the private share. In fiscal year 1973, premium payments by individuals (excluding those paid by Medicaid) accounted for 11.7 percent of the \$9.5 billion Medicare total. If these premium payments were classified as private expenditures, it would raise the private share of national health expenditures from 60.1 percent to 61.3 percent.

The estimated source of funds for Medicare outlays in fiscal years 1971-73 is shown below for both hospital insurance and medical insurance.

Source of funds ¹	1971	1972	1973
Total Medicare expenditures (in millions).....	\$7,875.0	\$8,819.2	\$9,478.0
Percent from—			
Payroll tax.....	59.2	61.6	70.0
Premiums paid by enrollees.....	13.6	14.2	11.7
Premiums paid by Medicaid.....	1.6	1.6	1.4
General revenues.....	25.6	22.6	17.0
Hospital insurance expenditures (in millions).....	\$5,592.4	\$6,275.5	\$6,841.1
Percent from—			
Payroll tax.....	84.9	90.5	94.7
General revenues.....	15.1	9.5	5.3
Medical insurance expenditures (in millions).....	\$2,282.6	\$2,543.7	\$2,636.9
Percent from—			
Premiums paid by enrollees.....	44.9	44.4	44.7
Premiums paid by Medicaid.....	5.3	5.1	5.2
General revenues.....	49.8	50.5	50.1

¹ Excludes small amounts transferred from the railroad retirement account and from interest on investments

Expenditures Under Public Programs

The government at all levels spent \$34.0 billion for health services and supplies in fiscal year 1973. More than \$22 billion or 65 percent came from Federal sources; the remainder came from State and local sources.

Each government program is listed in table 3,

⁴ See Alfred M. Skolnik and Sophie R. Dales, "Social Welfare Expenditures, 1972-73," *Social Security Bulletin*, January 1974.

along with the amounts spent in fiscal years 1971-73 for the various types of health services and supplies. The Federal and the State and local sources of funds are distributed separately to distinguish between those programs financed solely by Federal funds, those by State and local

funds, and those by both. (These programs and their outlays are the same as those currently reported in the annual social welfare expenditures article of the BULLETIN.)⁵

⁵ Alfred M. Skolnik and Sophie R. Dales, *op. cit.*

TABLE 2.—National health expenditures, by type of expenditure and source of funds, fiscal years 1970-71 through 1972-73

[In millions]

Type of expenditure	Total	Source of funds					
		Private			Public		
		Total	Consumers	Other	Total	Federal	State and local
1972-73 ¹							
Total.....	\$94,070	\$56,516	\$51,925	\$4,591	\$37,554	\$24,620	\$12,934
Health services and supplies.....	87,562	53,553	51,925	1,628	34,009	22,005	12,004
Hospital care.....	36,200	16,951	16,483	468	19,249	12,609	6,640
Physicians' services.....	18,040	13,990	13,988	13	4,041	2,992	1,049
Dentists' services.....	5,385	5,007	5,007	-----	238	188	101
Other professional services.....	1,680	1,439	1,404	35	241	168	73
Drugs and drug sundries ²	8,780	8,110	8,110	-----	670	360	310
Eyeglasses and appliances.....	2,109	2,025	2,025	-----	84	48	37
Nursing-home care.....	3,735	1,512	1,485	27	2,223	1,350	873
Expenses for prepayment and administration.....	4,198	3,335	3,335	-----	863	685	178
Government public health activities.....	2,811	-----	-----	-----	2,811	1,215	1,596
Other health services.....	4,624	1,085	-----	1,085	3,539	2,392	1,147
Research and medical-facilities construction.....	6,508	2,963	-----	2,963	3,545	2,615	930
Research ²	2,277	220	-----	220	2,057	1,977	80
Construction.....	4,231	2,743	-----	2,743	1,488	638	850
Publicly owned facilities.....	971	-----	-----	-----	971	136	835
Privately owned facilities.....	3,260	2,743	-----	2,743	517	502	15
1971-72							
Total.....	\$84,710	\$51,319	\$46,952	\$4,367	\$33,891	\$22,064	\$11,327
Health services and supplies.....	78,649	48,447	46,952	1,495	30,202	19,754	10,448
Hospital care.....	32,691	15,143	14,716	427	17,548	11,563	5,985
Physicians' services.....	16,626	12,882	12,871	11	3,744	2,810	933
Dentists' services.....	5,048	4,793	4,793	-----	255	166	90
Other professional services.....	1,598	1,370	1,338	32	228	166	62
Drugs and drug sundries ²	8,157	7,544	7,544	-----	613	327	286
Eyeglasses and appliances.....	2,034	1,957	1,957	-----	77	44	33
Nursing-home care.....	3,480	1,376	1,351	25	2,104	1,272	832
Expenses for prepayment and administration.....	3,156	2,382	2,382	-----	774	641	133
Government public health activities.....	2,273	-----	-----	-----	2,273	968	1,305
Other health services.....	3,586	1,000	-----	1,000	2,586	1,798	788
Research and medical-facilities construction.....	6,061	2,872	-----	2,872	3,189	2,310	879
Research ²	2,049	211	-----	211	1,838	1,759	79
Construction.....	4,012	2,661	-----	2,661	1,351	551	800
Publicly owned facilities.....	994	-----	-----	-----	994	208	786
Privately owned facilities.....	3,018	2,661	-----	2,661	357	343	14
1970-71							
Total.....	\$75,629	\$47,046	\$43,162	\$3,884	\$28,583	\$18,767	\$9,816
Health services and supplies.....	70,175	44,557	43,162	1,395	25,618	16,661	8,956
Hospital care.....	29,300	14,383	13,983	400	14,917	9,742	5,176
Physicians' services.....	15,086	11,662	11,651	11	3,424	2,586	838
Dentists' services.....	4,637	4,402	4,402	-----	235	148	87
Other professional services.....	1,516	1,315	1,285	30	201	148	53
Drugs and drug sundries ²	7,602	7,084	7,084	-----	518	276	241
Eyeglasses and appliances.....	1,922	1,856	1,856	-----	66	35	31
Nursing-home care.....	3,212	1,239	1,216	23	1,973	1,196	777
Expenses for prepayment and administration.....	2,383	1,685	1,685	-----	698	569	129
Government public health activities.....	1,698	-----	-----	-----	1,698	678	1,021
Other health services.....	2,819	931	-----	931	1,888	1,283	604
Research and medical-facilities construction.....	5,455	2,489	-----	2,489	2,966	2,106	860
Research ²	1,850	207	-----	207	1,643	1,565	78
Construction.....	3,605	2,282	-----	2,282	1,323	541	782
Publicly owned facilities.....	909	-----	-----	-----	909	141	768
Privately owned facilities.....	2,696	2,282	-----	2,282	414	400	14

¹ Preliminary estimates.

² Research expenditures of drug companies included in drugs and drug sundries and excluded from research expenditures

Expenditures for health services and supplies in 1973 were \$3.8 billion or 12.6 percent more than in 1972—but nearly \$800 million less than the rise from 1971 to 1972. Almost two-thirds of this year's increased public spending came from three programs: Medicaid (medical assistance), general hospital and medical care, and Medicare. The largest increase, almost a third of the \$3.8 billion rise, represents additional spending for vendor payments under public assistance—essentially Medicaid. With outlays reaching \$8.9 billion in 1973, this program now finances more than a fourth of all public outlays for health services and supplies.

Payments under Medicaid, the second largest public program, were about 15 percent higher in

1973 than in the previous year. A substantial portion of this increased spending resulted from payments to intermediate-care facilities (ICF). For the first time, a full year of payments for intermediate-care facilities appears as a reimbursable item under Medicaid. Before January 1972, payments for this type of service were made by cash assistance programs. Intermediate-care facilities provide institutional health services to persons who require more than custodial care but less intensive care than that provided by a hospital or skilled-nursing facility.

As Medicaid outlays for fiscal year 1972 include ICF payments only for the last half of the year, the 1973 spending increase is somewhat overstated. Vendor payments for health services

TABLE 3—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years 1970-71 through 1972-73

[In millions]

Program and source of funds	Total	Hospital care	Physicians' services	Dentists' services	Other professional services	Drugs and drug sundries	Eye-glasses and appliances	Nursing-home care	Government public health activities	Other health services	Administration
Total.....	\$34,009 0	\$19,248 8	\$4,041.1	\$288 2	\$240 9	\$670 1	\$84 3	\$2,223 0	\$2,810 7	\$3,538 6	\$863.4
Health insurance for the aged ^{1 2}	9,478 0	6,613.2	2,094.1	-----	81.0	-----	-----	206.0	-----	45.0	438.7
Temporary disability insurance (medical benefits) ³	68.2	50 1	15 6	-----	1 1	7	.7	-----	-----	-----	-----
Workmen's compensation (medical benefits) ³	1,370 0	689 5	583 7	-----	42 0	27.4	27 4	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	8,923 1	3,367 2	929 2	213 1	51 1	613 8	-----	1,909 5	-----	1,440 7	398 6
General hospital and medical care.....	5,049 9	4,969.2	8 5	2 2	-----	1.3	-----	-----	-----	68.7	-----
Defense Department hospital and medical care (including military dependents) ⁴	2,597.0	1,644 5	171 6	-----	-----	-----	-----	-----	-----	780 9	-----
Maternal and child health services.....	455.3	68 6	41 8	10 1	33 7	9 8	13 3	-----	-----	277.9	-----
School health.....	320 0	-----	-----	-----	-----	-----	-----	-----	-----	320.0	-----
Other public health activities.....	2,810 7	-----	-----	-----	-----	-----	-----	2,810 7	-----	-----	-----
Veterans' hospital and medical care ⁴	2,587.3	1,769 5	21 6	55 2	-----	4 9	23 0	107 5	-----	579 5	26 1
Medical vocational rehabilitation.....	197 2	77 0	100 3	-----	-----	-----	19 9	-----	-----	-----	-----
Office of Economic Opportunity.....	152 4	-----	74 7	7.6	32 0	12 2	-----	-----	-----	25.9	-----
Federal.....	22,005 1	12,609 0	2,991.8	187.5	167.9	359.5	47.6	1,349 6	1,215.0	2,391 9	685.4
Health insurance for the aged ^{1 2}	9,478.0	6,613 2	2,094 1	-----	81.0	-----	-----	206 0	-----	45 0	438 7
Workmen's compensation (medical benefits) ³	30 0	19 5	7.5	-----	1.8	.6	.6	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	4,846.0	1,827.1	504 2	115 6	27 8	333 0	-----	1,036.1	-----	781 7	220.6
General hospital and medical care.....	720.7	640 0	8 5	2 2	-----	1 3	-----	-----	-----	68.7	-----
Defense Department hospital and medical care (including military dependents) ⁴	2,597 0	1,644 5	171 6	-----	-----	-----	-----	-----	-----	780 9	-----
Maternal and child health services.....	221 0	33 6	29 4	6.9	25 3	7 5	8 1	-----	-----	110.2	-----
Other public health activities.....	1,215 0	-----	-----	-----	-----	-----	-----	1,215 0	-----	-----	-----
Veterans' hospital and medical care ⁴	2,587.3	1,769 5	21.6	55.2	-----	4 9	23 0	107.5	-----	579.5	26 1
Medical vocational rehabilitation.....	157.7	61.6	80 2	-----	-----	-----	15 9	-----	-----	-----	-----
Office of Economic Opportunity.....	152 4	-----	74 7	7 6	32 0	12.2	-----	-----	-----	25 9	-----
State and local.....	12,003 9	6,640 0	1,049 3	100.8	73.1	310.5	36 6	873 4	1,595 7	1,146 7	178 0
Temporary disability insurance (medical benefits) ³	68 2	50 1	15 6	-----	1.1	.7	.7	-----	-----	-----	-----
Workmen's compensation (medical benefits) ³	1,340 0	670 0	576.2	-----	40 2	26 8	26 8	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	4,077.1	1,540.2	425 0	97.5	23 4	280 7	-----	873 4	-----	659 0	178.0
General hospital and medical care.....	4,329 2	4,329.2	-----	-----	-----	-----	-----	-----	-----	-----	-----
Maternal and child health services.....	234 3	35 1	12 4	3.3	8.4	2 3	5 1	-----	-----	167.7	-----
School health.....	320 0	-----	-----	-----	-----	-----	-----	-----	-----	320 0	-----
Other public health activities.....	1,595 7	-----	-----	-----	-----	-----	-----	1,595 7	-----	-----	-----
Medical vocational rehabilitation.....	39 4	15 4	20 1	-----	-----	-----	4 0	-----	-----	-----	-----

See footnotes at end of table

other than ICF care rose only about 8 percent. Similarly, when ICF payments are omitted from total public spending, the 12.6-percent increase for 1972-73 falls to about 11 percent.

Nearly one-third of Medicaid's 1973 outlays was spent for ICF and nursing-home care—both less expensive alternatives than hospitalization. Vendor payments for skilled-nursing facility care rose 6.3 percent in 1973. In contrast, spending levels for hospital care remained about the same.

Medicare is still the largest government health care program. In 1973, Medicare outlays totaled \$9.5 billion and financed 28 percent of the public health bill. Although reimbursements under the program continued to grow, this year's payments

represent the lowest annual increase in the program's history. By initiating price controls at the intermediary level, Medicare was able to monitor rising charges for medical bills and thus to hold overall growth at 7.5 percent.

With rising hospital expenses restrained throughout the fiscal year through wage and price controls on the health industry, hospital care reimbursements under Medicare reflected these efforts. In 1971, before institution of the economic stabilization program, Medicare hospital outlays rose 16 percent; in 1973, they rose 10 percent.

Increases in Medicare reimbursements for physicians' and other medical services were held at 4.4 percent, about half the growth of 1972. Price

TABLE 3.—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years 1970-71 through 1972-73—*Continued*

[In millions]

Program and source of funds	1971-72										
	Total	Hospital care	Physicians' services	Dentists' services	Other professional services	Drugs and drug sundries	Eye-glasses and appliances	Nursing-home care	Government public health activities	Other health services	Administration
Total.....	\$30,202.2	\$17,547.6	\$3,743.7	\$255.3	\$228.1	\$613.2	\$77.4	\$2,103.7	\$2,272.7	\$2,586.5	\$773.8
Health insurance for the aged ^{1,2}	8,819.2	6,017.1	2,006.1	-----	82.0	-----	-----	216.0	-----	43.0	455.0
Temporary disability insurance (medical benefits) ³	68.3	50.4	15.4	-----	1.1	.7	.7	-----	-----	-----	-----
Workmen's compensation (medical benefits) ³	1,215.0	611.5	517.6	-----	37.2	24.3	24.3	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	7,751.6	3,362.3	812.6	186.4	37.3	559.1	-----	1,796.7	-----	700.8	296.3
General hospital and medical care	4,353.4	4,283.5	7.4	1.7	-----	1.3	-----	-----	-----	59.4	-----
Defense Department hospital and medical care (including military dependents) ⁴	2,341.0	1,486.5	152.1	-----	-----	-----	-----	-----	-----	702.4	-----
Maternal and child health services.....	495.3	74.2	46.5	11.5	37.8	11.2	14.6	-----	-----	299.5	-----
School health.....	295.0	-----	-----	-----	-----	-----	-----	-----	-----	295.0	-----
Other public health activities.....	2,272.7	-----	-----	-----	-----	-----	-----	2,272.7	-----	-----	-----
Veterans' hospital and medical care ⁴	2,255.6	1,592.1	18.4	47.9	-----	4.1	19.7	91.0	-----	459.9	22.5
Medical vocational rehabilitation.....	179.2	70.0	91.2	-----	-----	-----	18.1	-----	-----	-----	-----
Office of Economic Opportunity.....	155.9	-----	76.4	7.8	32.7	12.5	-----	-----	-----	26.5	-----
Federal.....	19,754.5	11,562.6	2,810.4	165.7	165.6	327.2	44.1	1,271.6	968.0	1,798.1	641.1
Health insurance for the aged ^{1,2}	8,819.2	6,017.1	2,006.1	-----	82.0	-----	-----	216.0	-----	43.0	455.0
Workmen's compensation (medical benefits) ³	26.9	17.5	6.7	-----	1.6	.5	.5	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	4,166.2	1,805.2	436.3	100.1	20.0	300.2	-----	964.6	-----	376.2	163.6
General hospital and medical care	619.3	549.4	7.4	1.7	-----	1.3	-----	-----	-----	59.4	-----
Defense Department hospital and medical care (including military dependents) ⁴	2,341.0	1,486.5	152.1	-----	-----	-----	-----	-----	-----	702.4	-----
Maternal and child health services.....	259.0	38.8	34.0	8.2	29.3	8.6	9.4	-----	-----	130.7	-----
Other public health activities.....	968.0	-----	-----	-----	-----	-----	-----	968.0	-----	-----	-----
Veterans' hospital and medical care ⁴	2,255.6	1,592.1	18.4	47.9	-----	4.1	19.7	91.0	-----	459.9	22.5
Medical vocational rehabilitation.....	143.4	56.0	73.0	-----	-----	-----	14.5	-----	-----	-----	-----
Office of Economic Opportunity.....	155.9	-----	76.4	7.8	32.7	12.5	-----	-----	-----	26.5	-----
State and local.....	10,447.7	5,985.1	933.3	89.6	62.5	286.1	33.3	832.1	1,304.7	788.4	132.7
Temporary disability insurance (medical benefits) ³	68.3	50.4	15.4	-----	1.1	.7	.7	-----	-----	-----	-----
Workmen's compensation (medical benefits) ³	1,188.1	594.0	510.9	-----	35.6	23.8	23.8	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	3,585.4	1,557.2	376.3	86.3	17.3	259.0	-----	832.1	-----	324.6	132.7
General hospital and medical care	3,734.1	3,734.1	-----	-----	-----	-----	-----	-----	-----	-----	-----
Maternal and child health services.....	236.3	35.4	12.5	3.3	8.5	2.6	5.2	-----	-----	168.8	-----
School health.....	295.0	-----	-----	-----	-----	-----	-----	-----	-----	295.0	-----
Other public health activities.....	1,304.7	-----	-----	-----	-----	-----	-----	1,304.7	-----	-----	-----
Medical vocational rehabilitation.....	35.8	14.0	18.2	-----	-----	-----	3.6	-----	-----	-----	-----

See footnotes at end of table

To the extent that premium payments into the trust fund are subsequently used to reimburse supplementary medical insurance services, they are counted again. The amount of premiums paid by States under such agreements since the beginning of the Medicare program follows:

<i>Fiscal year</i>	<i>Amount (in millions)</i>
1967 -----	\$32.1
1968 -----	53.0
1969 -----	75.8
1970 -----	97.2
1971 -----	131.5
1972 -----	137.9
1973 -----	149.3

The third largest category of public expenditure, general hospital and medical care, primarily represents State and local funds for the operation of mental hospitals. This program spent \$5.1 billion in 1973, up 16.0 percent or nearly \$700 million from 1972. Unlike expenditures under Medicare, those for general hospital and medical care rose as fast in 1973 as in 1972.

Spending was actually reduced in 1973 for three of the remaining government programs—temporary disability insurance, maternal and child health services, and health activities of the Office of Economic Opportunity. Since these programs together finance only about 2 percent of the total public bill, the slight reductions had little impact on the total spending picture.

Hospital care received 57 percent of all public outlays for health services and supplies. This proportion varies among public programs. In 1973, hospital expenditures accounted for nearly all outlays under the general hospital and medical care category, 70 percent of the expenditures under Medicare, and 68 percent of those under the Veterans Administration. Only 15 percent of the expenditures for maternal and child health services are made for hospital care.

For physicians' services, which accounted for 12 percent of public outlays for health, the distribution also varies among the programs. Medicare spent 22 percent of its funds on reimbursements for physicians' services, workmen's compensation spent 43 percent, and the Veterans Administration less than 1 percent. It should be noted that most of the expenditures made by the Veterans Administration and the Department of Defense for physicians' services are included

with hospital care expenditures (see Definitions, pages 14-19).

Although government spent more money in 1973 than in 1972 on all types of health services and supplies, expenditures for each type grew at different rates. With the exception of funds for intermediate-care facilities included in the "other health services" category, public outlays for government public health activities increased the fastest—almost 24 percent over the previous year. Outlays for dentists' services and for administrative costs in 1973 increased by 13 percent and 12 percent, respectively. Almost all of the increased spending for the latter types of expenditures came from the Medicaid program.

Government increased outlays in 1973 for medical research and construction by about \$350 million, or 11.2 percent over 1972. The additional construction expenditures went to privately owned facilities only.

TRENDS IN HEALTH EXPENDITURES

Since the mid-1960's, the growth rate for total health expenditures has averaged more than 10 percent a year—a high rate by any standard. This rapid growth has brought health spending from \$39 billion in fiscal year 1965 to \$94 billion in fiscal year 1973 (table 4).

Health spending increases are the result of the interaction of a number of factors, including population growth, increases in per capita use of services, and rising costs and prices within the health industry. In addition, technological developments in such areas as equipment and drugs, along with improved treatment procedures, introduce higher costs. Such technological advances have been numerous and significant, particularly in recent years.

In general, however, the specific impact of each of the factors affecting the increase in health expenditures varies. The most stable of these factors is population, which has grown about 1 percent a year over a long period. As table 4 indicates, population growth has had relatively little effect over a period of time. For 1960-73, for example, per capita health expenditures rose from \$142 to \$441—an average annual increase of 9.1 percent. This rise is only slightly less than the 10.4-percent annual rate for aggregate expenditures estimated for the same period.

TABLE 4.—Aggregate and per capita national health expenditures, by type of expenditure, selected fiscal years, 1928-29 through 1972-73

Type of expenditure	1928-29	1934-35	1939-40	1949-50	1954-55	1959-60	1964-65	1965-66	1966-67	1967-68	1969-70	1970-71	1971-72	1972-73
Aggregate amount (In millions)														
Total.....	\$3,589	\$2,846	\$3,863	\$12,027	\$17,330	\$25,856	\$38,892	\$42,109	\$47,860	\$53,563	\$68,083	\$75,629	\$84,710	\$94,070
Health services and supplies.....	3,382	2,788	3,729	11,181	16,392	24,162	35,664	38,661	44,324	49,599	63,067	70,175	78,649	87,562
Hospital care.....	651	731	969	3,698	5,689	8,499	13,152	14,245	16,921	19,384	25,895	29,300	32,691	36,200
Physicians' services.....	994	744	946	2,689	3,632	5,580	8,405	8,865	9,738	10,734	13,450	15,086	16,626	18,040
Dentists' services.....	476	295	402	940	1,457	1,944	2,728	2,866	3,158	3,498	4,233	4,637	5,048	5,385
Other professional services.....	248	150	173	384	552	848	989	1,140	1,139	1,210	1,386	1,516	1,598	1,680
Drugs and drug sundries.....	601	471	624	1,642	2,282	3,591	4,647	5,032	5,480	5,864	7,111	7,602	8,157	8,780
Eyeglasses and appliances.....	131	123	180	475	605	750	1,151	1,309	1,514	1,665	1,814	1,922	2,034	2,109
Nursing-home care.....			28	178	291	480	1,271	1,407	1,692	2,070	2,860	3,212	3,480	3,735
Expenses for prepayment and administration.....	101	91	161	200	605	807	1,234	1,446	1,820	1,935	2,105	2,383	3,156	4,198
Government public health activities.....	89	112	155	351	384	401	671	731	884	1,001	1,437	1,698	2,273	2,811
Other health services.....	90	63	92	534	895	1,262	1,416	1,620	1,978	2,238	2,776	2,819	3,586	4,624
Research and medical-facilities construction.....	207	58	134	847	938	1,694	3,228	3,448	3,536	3,964	5,015	5,455	6,061	6,508
Research.....			3	110	194	592	1,391	1,545	1,606	1,800	1,846	1,850	2,049	2,277
Construction.....	207	58	131	737	744	1,102	1,837	1,903	1,930	2,164	3,169	3,605	4,012	4,231
Per capita amount ¹														
Total.....	\$29 16	\$22 04	\$28 83	\$78 35	\$103 76	\$141 63	\$197 75	\$211 56	\$237 83	\$263 38	\$328 17	\$360 94	\$400 36	\$441 18
Health services and supplies.....	27 48	21 59	27 83	72 83	98 14	132 35	181 34	194 24	220 26	243 87	304 00	334 90	371 72	410 65
Hospital care.....	5 29	5 66	7 23	24 09	34 06	46 56	66 87	71 57	84 09	95 31	124 82	139 83	154 51	169 77
Physicians' services.....	8 08	5 76	7 06	17 52	21 75	30 57	42 74	44 54	48 39	52 78	64 83	72 00	78 58	84 60
Dentists' services.....	3 87	2 31	3 00	6 12	8 72	10 65	13 87	14 40	15 69	17 20	20 40	22 13	23 86	25 25
Other professional services.....	2 01	1 16	1 29	2 50	3 30	4 65	5 03	5 73	5 66	5 95	6 68	7 24	7 55	7 88
Drugs and drug sundries.....	4 88	3 65	4 66	10 70	13 66	19 67	23 63	25 28	27 23	28 83	34 28	36 28	38 55	41 18
Eyeglasses and appliances.....	1 06	.99	1 34	3 06	3 62	4 11	5 85	6 58	7 52	8 19	8 74	9 17	9 61	9 89
Nursing-home care.....			21	1 18	1 74	2 63	6 46	7 07	8 41	10 18	13 79	15 33	16 45	17 52
Expenses for prepayment and administration.....	.82	.70	1 20	1 89	3 62	4 42	6 27	7 26	9 04	9 51	10 15	11 37	14 92	19 69
Government public health activities.....	.72	.87	1 16	2 29	2 30	2 19	3 41	3 67	4 39	4 92	6 93	8 10	10 74	13 18
Other health services.....	.73	.49	.69	3 48	5 36	6 91	7 20	8 14	9 83	11 00	13 38	13 45	16 95	21 69
Research and medical-facilities construction.....	1 68	.45	1 00	6 52	5 62	9 28	16 41	17 32	17 57	19 49	24 17	26 03	28 65	30 52
Research.....			.02	.72	1 16	3 24	7 07	7 76	7 98	8 85	8 90	8 83	9 68	10 68
Construction.....	1 68	.45	.98	4 80	4 45	6 04	9 34	9 56	9 59	10 64	15 28	17 20	18 96	19 84

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).

Annual changes in per capita use of services depend upon changes in such factors as the incidence of disease, treatment procedures, and access to care. An exceptionally widespread outbreak of influenza such as the one that occurred during the winter of 1972-73, for example, can lead to a significant increase in the average number of physician visits per person.

Price increases for different types of services can vary by several percentage points from year to year. These rises are influenced both by developments within the health industry and by the state of the economy in general.

In the past, in order to determine the effect of inflation, the series on national health expenditures has presented per capita personal health expenditures in constant dollars. The basis for converting the amounts was the medical care component of the consumer price index. This analysis has been omitted, however, because it was felt that the resulting "real" increase, partic-

ularly for the most recent years, would be inaccurate. As noted earlier, the hospital component of the CPI does not adequately reflect cost. In addition, the weight assigned to the hospital component is too small. Hospital care outlays represent 45 percent of personal health care expenditures yet the weight in the medical care index is only 27 percent.

Finally, the rate of technological change is also somewhat variable. It is the combined effect of all the above factors that produces the rise in health spending, and fluctuations in these rises result from variable rates of change in any or all of the factors.

THIRD PARTY PAYMENTS

Private Health Insurance

Benefit payments under all types of private health insurance plans exceeded \$20 billion in

fiscal year 1973, rising 10 percent from 1972. Health insurance benefits, however, have differing impact by type of service, as table 5 and chart 2 illustrate. Three-fifths of all benefits were for hospital care, by far the most widely covered medical expense. Another third of the benefits were for physicians' services, chiefly because of the extensive insurance coverage of surgical services. Combined insurance coverage and government spending meant that individuals, on the average, had to pay directly only \$53 out of their \$254 hospital and doctor bill.

Other non-hospital-associated services were generally not as well covered by private health insurance. For dental care and out-of-hospital drugs, private insurance paid only about one-sixteenth of the total bill, allocating 4 percent of total benefit expenditures for these items. The remaining fraction of health insurance benefits financed some vision care, private-duty nursing, nursing-home care, and other services, but the impact on the total bill for these other types of care was insignificant.

Trends

When private health insurance payments are combined with those of government, industry, and philanthropy, the effect of third parties on personal health care financing can be seen. Personal health care outlays represent all outlays for health services and supplies except expenses for prepayment and administration, government public health activities, and amounts spent by private voluntary agencies for fundraising and administrative services.

During the past two decades the rapid growth of third-party payments has been the most noteworthy development in the area of personal health care financing. In the 23 years since 1950, the proportion of the total bill paid directly by patients has been cut in half (table 6 and chart 3). Because of inflation and other factors discussed previously, however, the per capita amount paid directly in 1973 is triple what it was in 1950.

In fiscal year 1950, direct payments were 68 percent of the total. The remaining 32 percent was paid by third parties as follows: Federal, State, and local governments, 20 percent; private

TABLE 5.—Distribution of personal health care expenditures met by third parties, by type of expenditure, fiscal year 1973

Type of expenditure	Total	Direct payments	Third-party payments			
			Total	Private health insurance	Government	Philanthropy and industry
Aggregate amount (in millions)						
Total.....	\$80,048	\$28,127	\$51,921	\$20,463	\$30,335	\$1,123
Hospital care.....	36,200	3,591	32,609	12,892	19,249	468
Physicians' services.....	18,040	7,642	10,398	6,344	4,041	13
Dentists' services.....	5,385	4,688	697	409	288	-----
Drugs and drug sundries.....	8,780	7,660	1,120	450	670	-----
All other services ¹	11,643	4,546	7,097	368	6,087	642
Per capita amount						
Total.....	\$375.41	\$131.91	\$243.50	\$95.97	\$142.27	\$5.27
Hospital care.....	169.77	16.84	152.93	60.46	90.28	2.19
Physicians' services.....	84.60	35.84	48.77	29.75	18.95	.06
Dentists' services.....	25.25	21.99	3.27	1.92	1.35	-----
Drugs and drug sundries.....	41.18	35.92	5.25	2.11	3.14	-----
All other services ¹	54.60	21.32	33.28	1.73	28.55	3.01
Percentage distribution						
Total.....	100.0	35.1	64.9	25.6	37.9	1.4
Hospital care.....	100.0	9.9	90.1	35.6	53.2	1.3
Physicians' services.....	100.0	42.4	57.6	35.2	22.4	.1
Dentists' services.....	100.0	87.1	12.9	7.6	5.3	-----
Drugs and drug sundries.....	100.0	87.2	12.8	5.1	7.6	-----
All other services ¹	100.0	39.0	61.0	3.2	52.3	5.5

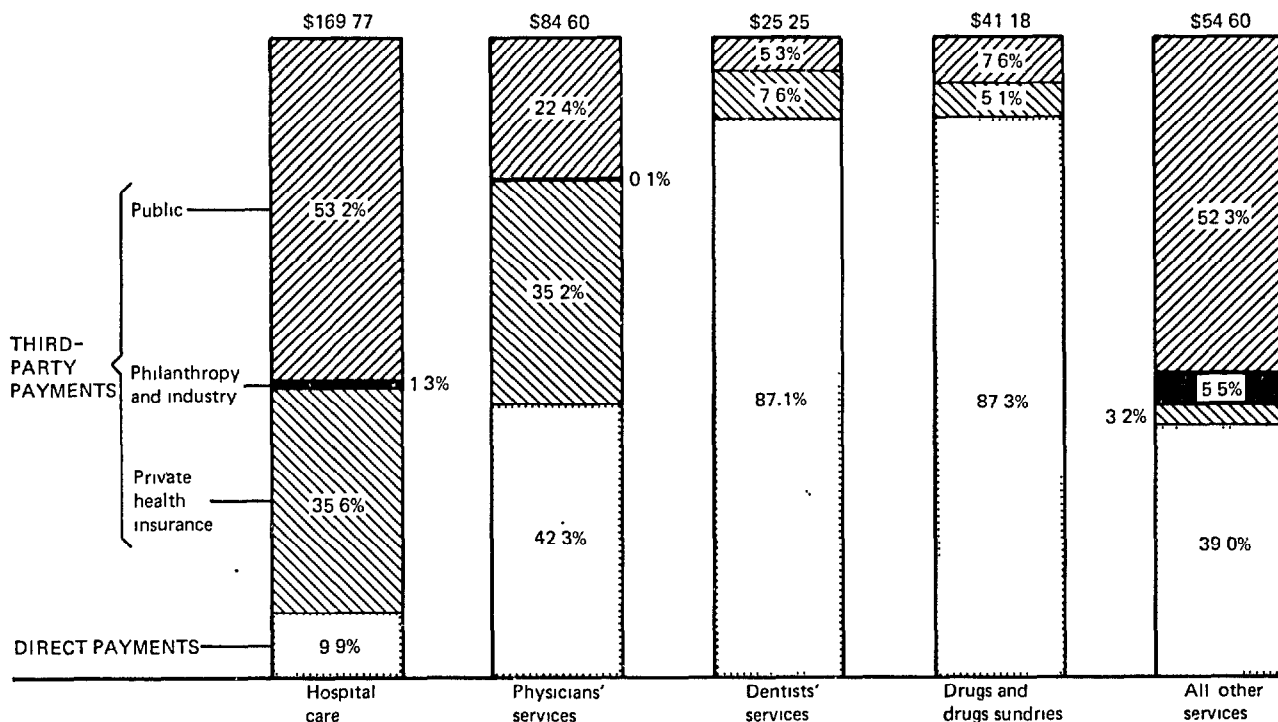
¹ Includes other professional services, eyeglasses and appliances, nursing-home care, and other services not elsewhere classified.

health insurance, 9 percent; and philanthropy and industry, 3 percent.

During the 1950's, private health insurance grew rapidly so that by 1960 insurance alone covered 21 percent of the personal health care bill. During the 1960's, government experienced its most rapid growth, particularly following the enactment of Medicare and Medicaid in 1965. This rapid growth, coupled with the continuing rise in insurance benefits, brought the proportion paid by third parties to 61 percent by 1970. By 1973, third parties were paying an estimated 65 percent of the individual's health bill, with the government share 38 percent and that of private health insurance 26 percent.

The impact of third parties has been substantial, but it has varied among the expenditure categories (table 7). For hospital care, which has become the most extensively covered service under both private health insurance and government programs, third parties have consistently had a major impact. In fiscal year 1950, patients

CHART 2.—Percentage distribution of per capita personal health care expenditures, by type of expenditure and source of funds, fiscal year 1973



paid about a third of their hospital bill directly. By 1973, this proportion was reduced to one-tenth, with government (53 percent), private health insurance (36 percent), and philanthropy (1 percent) making up the remainder.

For physicians' services, the overall share currently paid by third parties is smaller, but their impact has still been marked. In fiscal year 1950, third parties paid 15 percent of the physicians' bill with two-thirds of this share coming from private health insurance. By 1970, the third-party share had jumped to 57 percent, and since then it has remained at about this level. The share held by private health insurance has increased fairly steadily over the period, but the government share rose dramatically following the implementation of Medicare and Medicaid in the mid-1960's.

For other types of care (including dentists' and other professional services, drugs, eyeglasses and appliances, nursing-home care, and other health services) third-party payments have grown much more slowly—from 11 percent in 1950 to 34 percent in the latest year. For this residual category, most of the growth has been registered in government spending.

DEFINITIONS, METHODOLOGY, AND SOURCES OF DATA

Estimates of national health expenditures are compiled by type of expenditure and source of funds. The data for the public sector represent outlays of 12 categories of government health programs.⁷ For several Federal health programs—including Department of Defense and the Public Health Service—the data are taken from the Office of Management and Budget special analysis of health.⁸ For others, the data are supplied by the individual agencies.

In the private sector, the data are estimated first on a calendar-year basis by type of expenditure and then converted to fiscal year figures on the basis of price and utilization change during 6-month periods. The general method is to estimate the total outlays for each type of medical service or expenditure and then to deduct the

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

⁸ See "Special Analysis J: Federal Health Programs," *Special Analyses, Budget of the United States Government, Fiscal Year 1974*.

TABLE 6.—Distribution of personal health care expenditures, by source of funds, selected fiscal years, 1928–29 through 1972–73

Fiscal year	Source of funds							
	Total	Private				Public		
		Total	Direct payments	Insurance benefits	Other	Total	Federal	State and local
Aggregate amount (in millions)								
1928-29	\$3,165	\$2,882	\$2,800	-----	\$83	\$282	\$85	\$197
1934-35	2,585	2,204	2,134	-----	70	382	89	293
1939-40	3,413	2,891	2,799	-----	92	623	133	389
1949-50	10,400	8,298	7,107	\$879	312	2,102	979	1,124
1954-55	15,231	11,762	8,992	2,358	412	3,469	1,583	1,886
1959-60	22,729	17,799	12,576	4,698	525	4,930	2,102	2,828
1964-65	33,498	26,540	17,577	8,280	683	6,958	2,840	4,118
1965-66	36,216	28,324	18,668	8,936	720	7,892	3,349	4,542
1966-67	41,324	28,863	18,766	9,344	753	12,461	7,470	4,991
1967-68	46,323	30,118	18,899	10,444	775	16,205	10,408	5,798
1968-69	52,069	33,346	20,316	12,206	824	18,714	12,292	6,421
1969-70	59,127	38,577	23,281	14,406	890	20,530	13,413	7,137
1970-71	65,662	42,441	24,749	16,728	964	23,221	15,415	7,807
1971-72	72,761	45,605	25,968	18,602	1,035	27,156	18,145	9,010
1972-73	80,048	49,713	28,127	20,463	1,123	30,335	20,105	10,230
Percentage distribution								
1928-29	100.0	91.1	88.5	-----	2.6	8.9	2.7	6.2
1934-35	100.0	85.3	82.6	-----	2.7	14.8	3.4	11.3
1939-40	100.0	84.7	82.0	-----	2.7	15.3	3.9	11.4
1949-50	100.0	79.8	68.3	8.5	3.0	20.2	9.4	10.8
1954-55	100.0	77.2	59.0	15.5	2.7	22.8	10.4	12.4
1959-60	100.0	78.3	55.3	20.7	2.3	21.7	9.2	12.4
1964-65	100.0	79.2	62.5	24.7	2.0	20.8	8.5	12.3
1965-66	100.0	78.2	51.5	24.7	2.0	21.8	9.2	12.5
1966-67	100.0	69.8	45.4	22.6	1.8	30.2	18.1	12.1
1967-68	100.0	65.0	40.8	22.5	1.7	35.0	22.5	12.5
1968-69	100.0	64.1	39.0	23.4	1.6	35.9	23.6	12.3
1969-70	100.0	65.2	39.4	24.4	1.5	34.8	22.7	12.1
1970-71	100.0	64.6	37.7	25.5	1.5	35.4	23.5	11.9
1971-72	100.0	62.7	35.7	25.6	1.4	37.3	24.9	12.4
1972-73	100.0	62.1	35.1	25.6	1.4	37.9	25.1	12.8
Per capita amount								
1928-29	\$25.72	\$23.42	\$22.75	-----	\$0.67	\$2.29	\$0.69	\$1.60
1934-35	20.02	17.07	16.53	-----	.54	2.96	.69	2.27
1939-40	25.47	21.57	20.89	-----	.69	3.90	.99	2.90
1949-50	67.75	54.05	46.30	\$5.73	2.03	13.69	6.38	7.32
1954-55	91.19	70.42	53.84	14.12	2.47	20.77	9.48	11.29
1959-60	124.50	97.50	68.89	25.73	2.88	27.00	11.51	15.49
1964-65	170.32	134.95	89.37	42.10	3.47	35.38	14.44	20.94
1965-66	181.96	142.30	93.79	44.90	3.62	39.65	16.83	22.82
1966-67	205.35	143.43	93.26	46.43	3.74	61.92	37.12	24.80
1967-68	227.78	148.10	92.93	51.36	3.81	79.68	51.18	28.51
1968-69	253.52	162.39	98.04	59.44	4.01	91.13	59.86	31.27
1969-70	285.00	185.95	112.22	69.44	4.29	99.06	64.65	34.40
1970-71	313.36	202.54	118.11	79.83	4.60	110.82	73.57	37.25
1971-72	343.89	215.54	122.73	87.92	4.89	128.35	85.76	42.58
1972-73	375.41	233.15	131.91	95.97	5.27	142.27	94.29	47.98

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

private voluntary agencies for other health services

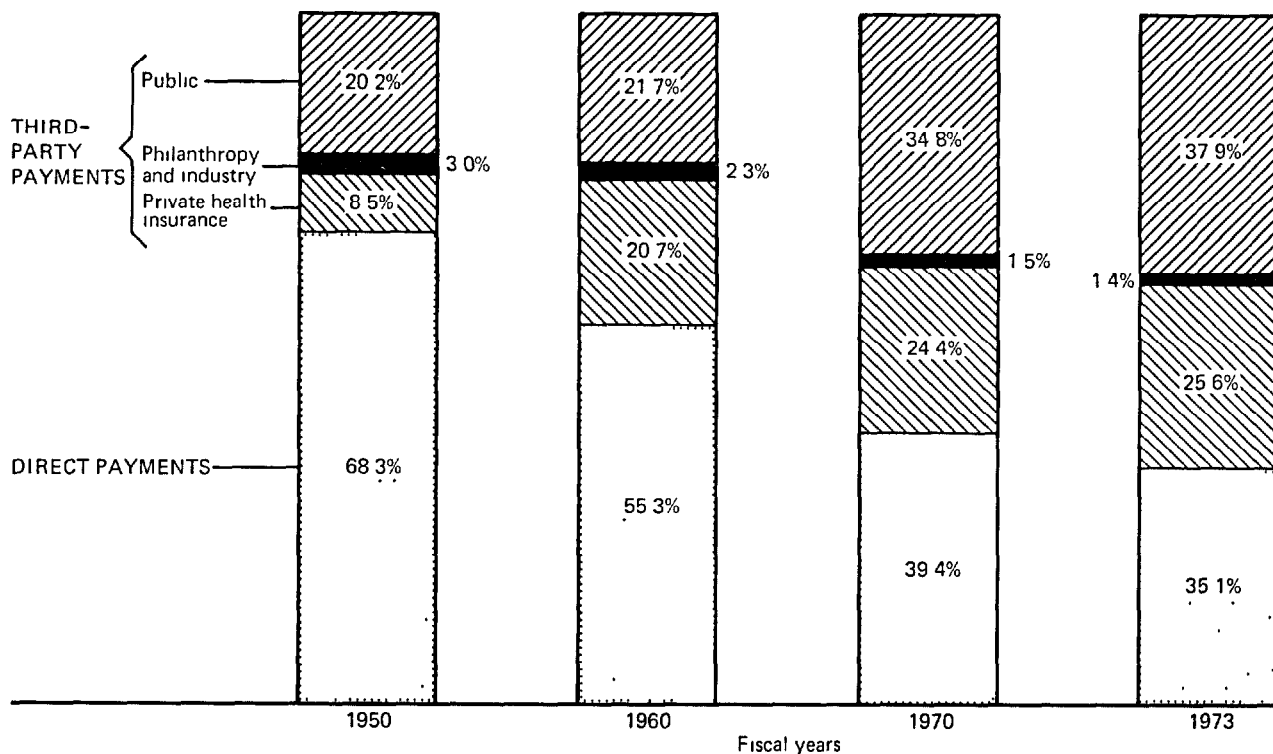
² Includes any insurance benefits and expenses for prepayment (insurance premiums less insurance benefits).

amounts paid to public and private hospitals, physicians in private practice, etc., under the public programs reported in the social welfare expenditure series. The fiscal-year figures for each public program are allocated by type of expenditure on the basis of published and unpublished reports for each program. In general, the consumer expenditures are residual amounts, derived by deducting philanthropic and government expenditures from the total expenditures for each type of service.

Hospital Care

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

CHART 3—Distribution of personal health care expenditures, by source of funds, selected fiscal years 1950–73



There are some definitional differences between the public and private sectors in hospital care expenditures. Expenditures by the Veterans Administration and the Department of Defense for physicians' services are included as part of hospital care expenditures. Services of paid physicians in mental, tuberculosis, and general hospitals—whether public or private—are part of hospital care, but self-employed physicians' services in hospitals are not counted as hospital expenditures. The costs of drugs used in hospitals are also included in hospital care. Anesthesia and X-ray services are sometimes hospital care expenditures and sometimes expenditures for physicians' services.

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

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

less State and local payments to Federal and nongovernment hospitals.

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

Services of Physicians and Other Health Professionals

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

TABLE 7.—Distribution of personal health care expenditures, by type of expenditure and source of funds, selected fiscal years, 1949-50 through 1972-73

Type of expenditure and fiscal year	Total	Source of funds				Public
		Private				
		Total	Direct payments	Insurance benefits	Other	
Aggregate amount (in millions)						
Hospital care						
1949-50	\$3,698	\$2,008	\$1,265	\$610	\$133	\$1,690
1954-55	5,689	3,075	1,344	1,560	171	2,614
1959-60	8,499	4,931	1,583	3,124	224	3,568
1964-65	13,152	8,222	2,434	5,488	300	4,930
1965-66	14,245	8,840	2,628	5,892	320	5,405
1966-67	16,921	8,486	2,086	6,063	337	8,435
1967-68	19,384	9,141	2,070	6,731	340	10,243
1968-69	22,356	10,499	2,309	7,842	348	11,857
1969-70	25,895	12,964	3,411	9,182	371	12,931
1970-71	29,300	14,383	3,339	10,644	400	14,917
1971-72	32,691	15,143	2,966	11,750	427	17,548
1972-73	36,200	16,951	3,591	12,892	468	19,249
Percentage distribution						
Hospital care						
1949-50	100 0	54 3	34 2	16 5	3 6	45 7
1954-55	100 0	54.1	23 6	27 4	3 0	45.9
1959-60	100 0	58 0	18 6	36 8	2 6	42 0
1964-65	100 0	62 5	18 5	41 7	2.3	37 5
1965-66	100 0	62 1	18 4	41 4	2 2	37 9
1966-67	100 0	50 2	12 3	35 8	2.0	49 8
1967-68	100 0	47 2	10 7	34.7	1 8	52 8
1968-69	100 0	47 0	10 3	35 1	1 6	53 0
1969-70	100 0	50 1	13 2	35 5	1 4	49 9
1970-71	100 0	49 1	11 4	36 3	1 4	50 9
1971-72	100 0	46 3	9 1	35 9	1 3	53 7
1972-73	100.0	46 8	9.9	35.6	1 3	53 2
Per capita amount						
Hospital care						
1949-50	\$24 09	\$13 08	\$8 24	\$3 97	\$0 87	\$11 01
1954-55	34 06	18 41	8 05	9 34	1 02	15 65
1959-60	46 56	27 01	8 67	17 11	1 23	19 54
1964-65	66 89	41.82	12 38	27 90	1.53	25.08
1965-66	71 59	44 43	13 20	29 60	1.61	27 17
1966-67	84 12	42 19	10 37	30 13	1 68	41 93
1967-68	95 35	44 97	10 18	33 10	1.67	50 39
1968-69	108 87	51 13	11 24	38 19	1 69	57 74
1969-70	124 82	62 49	16 44	44 26	1 79	62 33
1970-71	139 83	68 64	15 93	50 80	1 91	71 19
1971-72	154 51	71 57	14 02	55.53	2 02	82 94
1972-73	169 77	79 50	16.84	60 46	2 19	90.28

TABLE 7.—Distribution of personal health care expenditures, by type of expenditure and source of funds, selected fiscal years, 1949-50 through 1972-73—Continued

Type of expenditure and fiscal year	Total	Source of funds				Public
		Private				
		Total	Direct payments	Insurance benefits	Other	
Aggregate amount (in millions)						
Physicians' services						
1949-50	\$2,689	\$2,556	\$2,279	\$270	\$7	\$133
1954-55	3,632	3,392	2,587	797	8	240
1959-60	5,580	5,218	3,685	1,524	9	362
1964-65	8,405	7,878	5,315	2,554	9	527
1965-66	8,865	8,267	5,502	2,756	9	598
1966-67	9,738	8,348	5,440	2,898	10	1,390
1967-68	10,734	8,414	5,184	3,220	10	2,320
1968-69	11,842	9,160	5,397	3,753	10	2,682
1969-70	13,450	10,330	5,852	4,468	10	3,120
1970-71	15,086	11,662	6,482	5,169	11	3,424
1971-72	16,626	12,882	7,115	5,756	11	3,744
1972-73	18,040	13,999	7,642	6,344	13	4,041
Percentage distribution						
Physicians' services						
1949-50	100 0	95 1	84.8	10 0	0 3	4.9
1954-55	100.0	93 4	71.2	21.9	.2	6.6
1959-60	100 0	93 5	66.0	27.3	.2	6.5
1964-65	100 0	93 7	63.2	30.4	.1	6.3
1965-66	100 0	93 3	62.1	31.1	.1	6.7
1966-67	100 0	85 7	55.9	29.8	.1	14.3
1967-68	100 0	78 4	48 3	30.0	.1	21.6
1968-69	100 0	77.4	45 6	31.7	.1	22.6
1969-70	100 0	76 8	43 5	33.2	.1	23.2
1970-71	100 0	77.3	43 0	34 3	.1	22.7
1971-72	100.0	77.5	42 8	34 6	.1	22.5
1972-73	100 0	77.6	42 4	35.2	.1	22.4
Per capita amount						
Physicians' services						
1949-50	\$17.52	\$16 65	\$14 85	\$1.76	\$0 05	\$0.87
1954-55	21.75	20 31	15.49	4.77	.05	1.44
1959-60	30 57	28 58	20 18	8.35	.05	1 98
1964-65	42.75	40 06	27.02	12.99	.05	2 68
1965-66	44 56	41 55	27 64	13.85	.05	3.01
1966-67	48 41	41 50	27 03	14 40	.05	6 91
1967-68	52 80	41 39	25 49	15 83	.05	11 41
1968-69	57 67	44 61	26 28	18 28	.05	13 06
1969-70	64 83	49 79	28 21	21.54	.05	15 04
1970-71	72 00	55 66	30 94	24.67	.05	16 34
1971-72	78.58	60 88	33 63	27.20	.05	17 70
1972-73	84 61	65.65	35.84	29 75	.06	18.95

tice prepayment plans in providing physicians' services (to the extent that these are not included in physicians' income from self-employment). Estimated receipts of physicians for making life insurance examinations are deducted.

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

The salaries of physicians and dentists on the staffs of hospitals and hospital outpatient facilities are considered a component of hospital care.

The salaries of physicians and dentists serving in Indian health activities, as well as those in the field services of the Armed Forces, are included with expenditures of "other health services." Expenditures for the education and training of medical personnel (except in hospitals) are considered as expenditures for education and are excluded from health expenditures.

The Internal Revenue Service also provides data on the income of other health professionals in private practice. Salaries of visiting nurses, estimated from surveys conducted by the National League for Nursing, are added to the private income of other health professionals. Deduc-

TABLE 7.—Distribution of personal health care expenditures, by type of expenditure and source of funds, selected fiscal years, 1949-50 through 1972-73—Continued

Type of expenditure and fiscal year	Total	Source of funds				Public
		Private				
		Total	Direct payments	Insurance benefits	Other	
Aggregate amount (in millions)						
All other services ¹						
1949-50.....	\$4,013	\$3,734	\$3,562	(?)	\$172	\$279
1954-55.....	5,910	5,295	5,062	(?)	233	615
1959-60.....	8,650	7,850	7,308	\$50	293	1,000
1964-65.....	11,941	10,440	9,828	238	374	1,501
1965-66.....	13,106	11,217	10,538	288	391	1,889
1966-67.....	14,665	12,029	11,241	382	406	2,636
1967-68.....	16,205	12,563	11,646	492	425	3,642
1968-69.....	17,861	13,687	12,610	611	463	4,175
1969-70.....	19,780	15,283	14,018	756	509	4,499
1970-71.....	21,278	16,396	14,927	916	553	4,890
1971-72.....	23,444	17,580	15,987	1,096	597	5,864
1972-73.....	25,808	18,763	16,893	1,228	642	7,045
Percentage distribution						
All other services ¹						
1949-50.....	100.0	93.0	88.8	-----	4.3	7.0
1954-55.....	100.0	89.6	85.7	-----	3.9	10.4
1959-60.....	100.0	83.4	84.5	0.6	3.4	11.6
1964-65.....	100.0	87.4	82.3	2.0	3.1	12.6
1965-66.....	100.0	85.6	80.4	2.2	3.0	14.4
1966-67.....	100.0	82.0	76.7	2.6	2.8	18.0
1967-68.....	100.0	77.5	71.9	3.0	2.6	22.5
1968-69.....	100.0	76.6	70.6	3.4	2.6	23.4
1969-70.....	100.0	77.3	70.9	3.8	2.6	22.7
1970-71.....	100.0	77.1	70.2	4.3	2.6	22.9
1971-72.....	100.0	75.0	67.8	4.7	2.5	25.0
1972-73.....	100.0	72.7	65.5	4.8	2.5	27.3
Per capita amount						
All other services ¹						
1949-50.....	\$26.14	\$24.32	\$23.20	-----	\$1.12	\$1.82
1954-55.....	35.38	31.70	30.31	-----	1.40	3.68
1959-60.....	47.38	41.90	40.03	\$0.27	1.60	5.48
1964-65.....	60.72	53.08	49.97	1.21	1.90	7.63
1965-66.....	65.85	56.36	52.94	1.45	1.96	9.49
1966-67.....	72.88	59.78	55.86	1.90	2.02	13.10
1967-68.....	79.68	61.77	57.26	2.42	2.09	17.91
1968-69.....	86.98	66.65	61.41	2.98	2.27	20.33
1969-70.....	95.34	73.67	67.57	3.64	2.45	21.69
1970-71.....	101.54	78.25	71.24	4.37	2.64	23.29
1971-72.....	110.80	83.09	75.09	5.18	2.82	27.71
1972-73.....	121.04	88.00	79.23	6.76	3.01	33.04

¹ Includes dentists' services, other professional services, drugs and drug sundries, eyeglasses and appliances, nursing-home care, and other health services.

² Included in physicians' services; data not available separately.

tions and exclusions are made in the same manner as for expenditures for physicians' and dentists' services.

Drugs, Drug Sundries, Eyeglasses and Appliances

The basic source of the estimates for drugs and drug sundries and for eyeglasses and appliances is the report of personal consumption expenditures in the Department of Commerce national income accounts in the *Survey of Current Business*. To estimate the consumer portion, workmen's compensation payments are sub-

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

Nursing-Home Care

Expenditures for nursing-home care are based on data from an unpublished national survey of nursing homes financed by the Social Security Administration. Expenditures are increased annually on the basis of available economic and other indicators.

Consumer expenditures in nursing homes represent the difference between total nursing-home expenditures and expenditures from philanthropic and government sources.

Expenses for Prepayment and Administration

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

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

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

Government Public Health Activities

The category "government public health activities" is the same as the "other public health

activities" category in the social welfare series of the Office of Research and Statistics. The Federal portion consists of outlays for the organization and delivery of health services and prevention and control of health problems by the Health Services and Mental Health Administration and the National Institutes of Health of the Public Health Service. Also included are outlays by other Federal agencies for similar health activities. The data for these programs are taken from the Special Analyses of the Budget.

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

Other Health Services

Items of expenditure that could not be elsewhere classified are brought together in the category "other health services." It includes, for each public program, the residual amount of expenditures not classified as a specific type of medical service. In addition, it includes the following: (1) industrial inplant services, (2) school health services, (3) medical activities in Federal units other than hospitals, (4) payments to intermediate-care facilities under the Medicaid program beginning January 1, 1972, and (5) a portion of private voluntary health agency expenses.

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

School health services are estimated by the Office of Education and reported as a separate item in the social welfare expenditure series.

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

Expenditures for private voluntary health

agencies, included in the "other" private outlays, are the expenditures that remain after amounts for hospital care, physicians' services, etc., have been distributed. They represent the amounts spent for health education, lobbying, fundraising, etc.

Medical Research

Expenditures for medical research include all such spending by agencies whose primary object is the advancement of human health. Also included are those research expenditures directly related to health that are made by other agencies, such as those of the Department of Defense or the National Aeronautics and Space Administration. Research expenditures of drug and medical supply companies are excluded, since they are included in the cost of the product. The Federal amounts represent those reported as medical research in the Special Analyses of the Budget. The amounts shown for State and local governments and private expenditures are based on published estimates that have been prepared in the National Institutes of Health—primarily in the annual publication, *Basic Data Relating to the National Institutes of Health*.

Construction of Medical Facilities

Expenditures for construction represent "value put in place" for the hospitals, nursing homes, medical clinics, and medical-research facilities but not for private office buildings providing office space for private practitioners. Excluded are amounts spent for construction of water-treatment or sewage-treatment plants and Federal grants for these purposes.

The data for value put in place for construction of publicly and privately owned medical facilities in each year are taken from the Department of Commerce report, *Construction Review*. Amounts spent by Federal and State and local governments for construction are subtracted from the total. The residual represents the amount coming from private funds.

(Continued on page 48)

TABLE M-3.—Selected social insurance and related programs: Beneficiaries of cash payments, 1940-73

[In thousands. For explanatory footnotes on programs, see table M-1]

At end of selected month	Retirement and disability					Survivor				Railroad temporary disability ⁴	Unemployment		Federal "black lung" ⁶
	OASDHI ¹		Railroad ¹	Federal civil service	Veterans	OASDHI	Railroad	Federal civil service	Veterans ¹		State laws ⁵	Railroad ⁴	
	Retirement ²	Disability											
December:													
1940.....	148	-----	146	65	610	74	3	-----	323	-----	667	74	-----
1945.....	691	-----	173	92	1,534	697	4	(?)	698	-----	1,743	13	-----
1950.....	2,326	-----	256	161	2,366	1,152	142	-----	1,010	32	838	35	-----
1955.....	5,788	-----	427	234	2,707	2,172	206	74	1,156	36	912	48	-----
1960.....	10,599	687	553	379	3,064	3,558	256	154	1,393	34	2,165	102	-----
1961.....	11,655	1,027	567	408	3,137	3,812	262	167	1,547	31	1,993	75	-----
1962.....	12,675	1,275	585	438	3,177	4,103	270	182	1,653	30	1,585	59	-----
1963.....	13,262	1,452	594	465	3,195	4,321	278	197	1,750	31	1,609	49	-----
1964.....	13,697	1,563	600	494	3,204	4,539	286	214	1,848	29	1,551	41	-----
1965.....	14,175	1,739	620	522	3,216	4,953	291	227	1,924	25	1,035	30	-----
1966.....	15,437	1,970	630	564	3,194	5,360	299	240	1,995	23	936	18	-----
1967.....	15,907	2,141	641	588	3,175	5,559	309	258	2,077	21	989	39	-----
1968.....	16,264	2,335	647	613	3,171	5,963	318	274	2,151	25	941	19	-----
1969.....	16,595	2,488	651	636	3,179	6,229	321	288	2,208	23	1,084	16	-----
1970.....	17,096	2,665	653	697	3,210	6,468	326	308	2,301	22	2,045	21	112
1971.....	17,660	2,930	660	747	3,251	6,700	330	324	2,365	20	1,784	38	232
1972.....	18,176	3,260	661	829	3,288	6,919	334	343	2,393	16	1,458	17	299
1972													
October.....	18,149	3,200	660	825	3,292	6,888	333	341	-----	20	1,231	17	257
November.....	18,184	3,220	661	826	3,284	6,908	333	341	-----	20	1,306	18	269
December.....	18,176	3,260	661	829	3,288	6,919	334	343	2,393	16	1,458	17	299
1973													
January.....	18,344	3,274	660	831	3,253	6,956	334	344	-----	21	1,579	27	319
February.....	18,452	3,322	658	838	3,243	6,985	334	345	-----	21	1,913	21	337
March.....	18,422	3,341	659	840	3,244	6,986	335	347	2,367	20	1,861	26	361
April.....	18,478	3,381	660	843	3,249	7,002	335	350	-----	17	1,600	18	374
May.....	18,491	3,402	659	846	3,252	7,011	334	352	-----	18	1,385	13	388
June.....	18,621	3,416	658	850	3,257	7,036	335	353	2,368	17	1,291	10	392
July.....	18,668	3,410	658	853	3,259	6,962	333	352	-----	16	1,287	8	399
August.....	18,776	3,372	658	864	3,262	6,991	334	353	-----	18	(8)	10	407
September.....	18,850	3,434	659	877	3,263	7,024	335	353	2,320	17	(8)	9	412
October.....	18,896	3,456	660	920	3,263	7,044	335	356	-----	17	(8)	10	411

¹ Includes dependents

² Beginning Oct. 1966, includes special benefits authorized by 1966 legislation for persons aged 72 and over and not insured under the regular or transitional provisions of the Social Security Act

³ Monthly number at end of quarter.

⁴ Average number during 14-day registration period.

⁵ Average weekly number. For programs included see table M-1, footnote 10.

⁶ Includes dependents and survivors

⁷ Less than 500

⁸ Data not available

Source: Based on reports of administrative agencies

NATIONAL HEALTH EXPENDITURES

(Continued from page 19)

Medical Education

A growing category of health expenditures—medical training and education—is not included in the above estimates of total health expenditures. A compilation of Federal expenditures for medical training and education, made by the Office of Management and Budget, is shown below. This summary reports some amounts now included in the health expenditures—mainly the

sums that have been reported by the Department of Defense and by the Veterans Administration.

[In millions]

Agency	Fiscal year		
	1971	1972	1973
Total Federal expenditures for medical training and education.....	\$1,113	\$1,110	\$1,379
Department of Health, Education, and Welfare.....	713	683	865
Department of Defense.....	134	123	142
Veterans Administration.....	107	124	155
Department of State.....	5	5	6
Environmental Protection Agency.....	7	3	5
Department of Labor.....	126	156	188
Other agencies.....	21	16	18

Source: Special Analyses, Budget of the United State Government, Fiscal Year 1972, pages 176-77 and Fiscal Year 1974, pages 168-61