

# Private Health Insurance in the United States, 1967

by LOUIS S. REED and WILLINE CARR\*

PRIVATE HEALTH INSURANCE in 1967 continued its expansion in terms of number of people covered, scope of services covered, premiums and benefit expenditures, and proportion of consumer health expenditures met by insurance benefits. Between 75 percent and 87 percent of the civilian population under age 65 (depending on the source of data) had some health insurance coverage of hospital expense at the end of 1967 and between 73 percent and 80 percent had some coverage of surgical expense. The proportion of the population under age 65 with some coverage of physician visits in the hospital was about 66 percent.

Private health insurance continues to emphasize coverage of expenses associated with hospitalization, but increasing attention is being given to coverage of other services. Approximately 50 percent of the civilian population under age 65 at the end of 1967 had some coverage of X-ray and laboratory examinations outside the hospital, about 43 percent had some coverage of physician visits in the office and home, and 39 percent had some coverage of prescribed drugs outside the hospital. The proportion with coverage dropped to 9 percent for nursing-home care and 3 percent for dental care.

A substantial number of persons aged 65 and over have private health insurance coverage complementary to Medicare, although the proportion was a little less in 1967 than in the year before. Approximately 48 percent of the aged have some private health insurance coverage of hospital care, and about 40 percent have some coverage of surgical expense. Generally, the private coverage insurance, in varying degrees, meets the deductibles and coinsurance payments under the Federal program of health insurance for the aged (Medicare) and provides additional benefits. About 10 percent of the aged have some coverage of drug expense—an item not covered under Medicare.

More than \$11.1 billion was paid to private health insurance organizations in 1967 as subscription charges or premiums, and these organ-

izations spent \$9.5 billion for provision of benefits and \$1.6 billion for operating expenses. Benefits or benefit payments met approximately 33.1 percent of all consumer expenditures for health services in 1967, compared with 32.0 percent in 1966.

## POPULATION COVERED

Information on the number and proportion of the population having various types of health insurance protection comes from two main sources: (1) Estimates based on the enrollment reported by health insurance organizations, with allowance for multiple coverage of persons insured for the same type of service by more than one insurance company policy or more than one type of health insurance organization, and (2) estimates based on household interview surveys. Data from each of these sources are examined here.

### Enrollment Report Estimates

Estimates based on enrollment reports are summarized below and detailed in tables 1-3. As of December 31, 1967, a net total of 162.9 million different persons—83 percent of the total civilian population of all ages—were estimated to have hospital expense coverage by private health insurance organizations. Seventy-six percent and 62

Type of service	All ages		Under age 65		Aged 65 and over	
	Number (in thousands)	Percent of population <sup>1</sup>	Number (in thousands)	Percent of population <sup>1</sup>	Number (in thousands)	Percent of population <sup>1</sup>
Hospital care.....	162,853	82.8	153,768	86.5	9,085	47.8
Surgery.....	150,396	76.4	142,828	80.3	7,568	39.8
In-hospital visits.....	122,570	62.3	116,665	65.6	5,905	31.1
X-ray and laboratory examinations <sup>2</sup> .....	92,480	47.0	88,926	50.0	3,554	18.7
Physicians' office and home visits.....	78,565	39.9	75,785	42.6	2,780	14.6
Dental care.....	4,679	2.4	4,596	2.6	83	.4
Prescribed drugs <sup>2</sup> .....	71,201	36.2	69,363	39.0	1,838	9.7
Private-duty nursing.....	76,080	38.7	73,857	41.5	2,223	11.7
Visiting-nurse service.....	81,772	41.6	79,302	44.6	2,470	13.0
Nursing-home care.....	18,754	9.5	15,873	8.9	2,881	15.2

<sup>1</sup> Civilian population.

<sup>2</sup> Out-of-hospital.

\* Division of Economic and Long-Range Studies, Office of Research and Statistics.

TABLE 1.—Private health insurance enrollment as of December 31, 1967: Number of persons of all ages with some coverage of specified services or expense

(In thousands)

Type of plan	Hospital care	Physician services				Dental care	Prescribed drugs (out-of-hospital) <sup>3</sup>	Private-duty nursing	Visiting-nurse service <sup>4</sup>	Nursing-home care
		Surgical services	In-hospital visits	X-ray and laboratory examinations <sup>1</sup>	Office and home visits <sup>2</sup>					
Blue Cross-Blue Shield plans.....	67,513	60,433	58,300	<sup>5</sup> 27,500	15,100	20	12,400	16,200	20,200	10,800
Blue Cross.....	65,188	3,416	3,200	1,800	800	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )
Blue Shield.....	2,325	57,017	55,100	<sup>6</sup> 25,700	14,300	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )
<b>Insurance companies:</b>										
Group policies.....	73,351	74,318	58,025	56,050	56,050	2,370	55,500	55,750	55,750	7,000
Individual policies.....	37,908	28,719	11,460	6,700	5,800	69	4,770	4,750	4,750	-----
Unadjusted total.....	111,259	103,037	69,485	62,750	61,850	2,439	60,270	60,500	60,500	7,000
Less duplication <sup>7</sup> .....	10,961	9,419	4,881	3,080	3,035	-----	2,966	2,968	2,968	207
Net total.....	100,298	93,618	64,604	59,670	58,815	2,439	57,314	57,532	57,532	6,793
<b>Independent plans:</b>										
Community.....	7,050	8,580	7,780	8,170	<sup>8</sup> 7,080	2,220	2,940	3,901	5,709	1,350
Employer-employee-union.....	2,300	3,900	3,900	3,900	3,700	175	520	1,900	3,900	150
Private group clinic.....	4,700	4,500	3,700	4,100	3,200	400	2,400	2,000	1,800	1,200
Dental society plans.....	50	180	180	170	180	600	20	1	9	-----
						1,045				
Gross total, all plans.....	174,861	162,631	130,684	95,340	80,995	4,679	72,654	77,633	83,441	18,943
Less duplication <sup>9</sup> .....	( <sup>9</sup> )	( <sup>9</sup> )	( <sup>9</sup> )	2,860	2,430	-----	1,453	1,553	1,669	189
Net number of different persons.....	<sup>10</sup> 162,853	<sup>10</sup> 150,396	<sup>10</sup> 122,570	92,480	78,565	4,679	71,201	76,080	81,772	18,754
Percent of U.S. civilian population <sup>11</sup> .....	82.8	76.4	62.3	47.0	39.9	2.4	36.2	38.7	41.6	9.5

<sup>1</sup> In physicians' offices, clinics, or health centers. Excludes those covered only in hospital outpatient departments or those covered only in accident or fracture cases or when services are followed by surgery.

<sup>2</sup> Number covered for all conditions. Excludes those eligible for care only after hospitalization.

<sup>3</sup> Excludes those covered for drugs only after hospitalization.

<sup>4</sup> Assumes that all persons covered for private-duty nursing are also covered for visiting-nurse service.

<sup>5</sup> Approximately 11 million additional persons are covered for X-ray examinations only.

<sup>6</sup> Not estimated separately; in many cases coverage is jointly written.

<sup>7</sup> Calculated by HIAA for hospital care, surgery, and in-hospital visits; for other services derived from tables 2 and 3.

<sup>8</sup> About 15 percent of this number not covered for home calls.

<sup>9</sup> Duplication for hospital care, surgical services, and in-hospital medical visits not calculated by ORS since the HIAA estimate of net number of persons covered is used. Duplication calculated at 3 percent for X-ray and laboratory examinations and for office and home visits, zero for dental care, 2 percent for drugs, private-duty nursing, and visiting-nurse service, and 1 percent for nursing-home care.

<sup>10</sup> HIAA estimates.

<sup>11</sup> Based on Bureau of the Census estimate of 196,795,000 as of Jan. 1, 1968

percent of the population had private insurance protection for surgical services and in-hospital medical visits, respectively. Enrollment for services or care outside the hospital was considerably lower, with the proportion ranging from 47 percent for X-ray and laboratory examinations visits to 2 percent for dental care.

Among persons under age 65, 87 percent had coverage for hospital benefits and 80 percent were covered for surgical expenses. For the population aged 65 and over the proportions covered for these services were 48 percent and 40 percent, respectively. Private health insurance held by persons aged 65 and over is in most cases complementary to Medicare. (Practically all the aged were covered as of December 31, 1967, under Medicare's hospital insurance program and 92 percent under the supplementary medical insurance program.)

*Sources of the data.*—The data on enrollment of the Blue Cross and Blue Shield plans for hospital and surgical care have been provided by the Blue Cross Association and the National Association of Blue Shield plans. The combined

enrollment includes the surgical-medical enrollment of Blue Cross plans and the hospitalization enrollment of Blue Shield plans, both based on data furnished by the two associations.<sup>1</sup>

Data for all other services are estimates furnished by the two national associations or developed by the Office of Research and Statistics on the basis of data provided by the associations. The data on enrollment of persons aged 65 and over for hospital and surgical service represent enrollment under complementary-to-Medicare contracts. Estimates on enrollment for other services were made on the basis of an analysis of Blue Cross-Blue Shield complementary coverage in 1966.<sup>2</sup> For persons under age 65 the data were derived by subtraction.

The data for insurance companies for hospital care, surgical service, and in-hospital medical visits are those of the Health Insurance Association of

<sup>1</sup> See Louis S. Reed and Willine Carr, *Enrollment and Finances of Blue Cross and Blue Shield Plans, 1967* (Research and Statistics Note No. 20), Office of Research and Statistics, 1968.

<sup>2</sup> See Louis S. Reed and Kathleen Myers, "Health Insurance Coverage Complementary to Medicare," *Social Security Bulletin*, August 1967.

TABLE 2.—Private health insurance enrollment as of December 31, 1967: Number of persons under age 65 with some coverage of specified services or expense

(In thousands)

Type of plan	Hospital care	Physician services				Dental care	Prescribed drugs (out-of-hospital) <sup>3</sup>	Private-duty nursing	Visiting-nurse service <sup>4</sup>	Nursing-home care
		Surgical services	In-hospital visits	X-ray and laboratory examinations <sup>1</sup>	Office and home visits <sup>2</sup>					
Blue Cross-Blue Shield plans.....	62,103	56,020	54,219	<sup>5</sup> 25,575	13,892	20	11,904	15,375	19,190	8,200
Blue Cross.....	59,947	3,141	2,982	1,534	695	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )
Blue Shield.....	2,156	52,879	51,237	<sup>5</sup> 24,041	13,197	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )
Insurance companies:										
Group policies.....	71,279	72,583	56,909	55,000	55,000	2,330	54,450	54,700	54,700	6,900
Individual policies.....	35,870	26,965	10,848	6,600	5,700	69	4,670	4,650	4,650	-----
Unadjusted total.....	106,949	99,548	67,757	61,600	60,700	2,399	59,120	59,350	59,350	6,900
Less duplication <sup>7</sup> .....	10,698	9,209	4,798	3,080	3,085	-----	2,956	2,968	2,968	207
Net total.....	96,251	90,339	62,959	58,520	57,665	2,399	56,164	56,382	56,382	6,693
Independent plans.....	6,620	8,075	7,280	7,655	<sup>8</sup> 6,630	2,177	2,729	3,631	5,374	1,140
Community.....	2,190	3,730	3,730	3,725	3,530	172	495	1,815	3,725	80
Employer-employee-union.....	4,385	4,175	3,380	3,770	2,930	391	2,215	1,815	1,640	1,060
Private group clinic.....	45	170	170	160	170	590	19	1	9	-----
Dental society.....	-----	-----	-----	-----	-----	1,024	-----	-----	-----	-----
Gross total.....	164,974	154,434	124,458	91,750	78,187	4,596	70,797	75,388	80,946	16,033
Less duplication <sup>9</sup> .....	( <sup>9</sup> )	( <sup>9</sup> )	( <sup>9</sup> )	2,824	2,402	-----	1,434	1,531	1,644	160
Net number of different persons.....	<sup>10</sup> 153,768	<sup>10</sup> 142,828	<sup>10</sup> 116,665	88,926	75,785	4,596	69,363	73,857	79,302	15,873
Percent of civilian population under age 65 <sup>11</sup> .....	86.5	80.3	65.6	50.0	42.6	2.6	39.0	41.5	44.6	8.9

<sup>1</sup> In physicians' offices, clinics, or health centers. Excludes those covered only in hospital outpatient departments or those covered only in accident or fracture cases or when services are followed by surgery.

<sup>2</sup> Number covered for all conditions. Excludes those eligible for care only after hospitalization.

<sup>3</sup> Excludes those covered for drugs after hospitalization.

<sup>4</sup> Assumes that all persons covered for private-duty nursing are also covered for visiting-nurse service.

<sup>5</sup> Approximately 10.2 million additional persons are covered for X-ray examinations only.

<sup>6</sup> Not estimated separately; in many cases coverage is jointly written.

<sup>7</sup> As estimated by HIAA for first three services; calculated at 5 percent for X-ray and laboratory examinations, office and home visits, prescribed drugs, private-duty nursing and visiting-nurse services, and at 3 percent for nursing-home care and zero for dental care.

<sup>8</sup> About 15 percent of this number not covered for home calls.

<sup>9</sup> Duplication for hospital care, surgical services, and in-hospital medical visits not calculated by ORS since the HIAA estimates of net number of persons covered is used. For other services, duplication as shown in table 1, less estimated duplication among aged as given in table 3.

<sup>10</sup> HIAA estimates.

<sup>11</sup> Based on Bureau of the Census estimate of 177,801,000 as of Jan. 1, 1968.

America (HIAA), based on its 1968 surveys of insurance companies writing group and individual business. The data include estimates for a few companies not responding in the survey. The net number of different persons with insurance company protection is an HIAA estimate, based on its data on persons having multiple coverage by these companies.<sup>3</sup>

Data on enrollments under group and individual policies for services other than hospital care, surgical service, and in-hospital medical visits are estimated by the Office of Research and Statistics on the basis of unpublished data furnished by HIAA. Deductions for duplication are estimated by the Office of Research and Statistics, using ratios that appear to bear a reasonable relationship to the extent of duplication estimated by HIAA for hospital care, surgical service, and in-hospital visits.

For independent plans, all estimates were made by the Office of Research and Statistics on the

basis of its 1965 survey of all such plans and its 1966, 1967, and 1968 surveys of the larger plans.<sup>4</sup>

From the gross enrollment—the sum of Blue Cross-Blue Shield, insurance company (net), and independent plans—deductions must be made for persons with coverage of the same service through two or more types of organizations. (Often this duplicate coverage comes about when a husband and working wife are each covered as a dependent under the other's coverage, or when a person buys an individual policy to supplement a group coverage.) The HIAA estimates the extent of this type of duplicating coverage to be about 7.7 percent of gross enrollment for hospital insurance, 7.5 percent for surgical insurance, and 5.5 percent for what it calls "regular medical" coverage. Using data for Blue Cross-Blue Shield and independent plan enrollment slightly different than those used by the Office of Research and Statistics,

<sup>3</sup> Health Insurance Council, "HIC 22nd Annual Survey on Extent of Voluntary Health Insurance Coverage," *HIC Viewpoint*, August 1968.

<sup>4</sup> Louis S. Reed, Arne H. Anderson, and Ruth S. Hanft, *Independent Health Insurance Plans in the United States—1965 Survey* (Research Report No. 17), Office of Research and Statistics, 1966; and Louis S. Reed and Wilheline Carr, *Independent Health Insurance Plans in 1967* (Research and Statistics Note No. 16), 1968.

TABLE 3.—Private health insurance enrollment as of December 31, 1967: Number of persons aged 65 and over with some coverage of specified services or expense

[In thousands]

Type of plan	Hospital care	Physician service				Dental care	Prescribed drugs (out-of-hospital) <sup>2</sup>	Private-duty nursing	Visiting-nurse service <sup>4</sup>	Nursing-home care
		Surgical services	In-hospital visits	X-ray and laboratory examinations <sup>1</sup>	Office and home visits <sup>2</sup>					
Blue Cross-Blue Shield.....	5,410	4,413	4,081	<sup>5</sup> 1,925	1,208	-----	496	825	1,010	2,600
Blue Cross.....	5,241	275	218	266	105	-----	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )
Blue Shield.....	169	4,138	3,863	<sup>5</sup> 1,659	1,103	-----	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )
Insurance companies:										
Group policies.....	2,072	1,735	1,116	1,050	1,050	40	1,050	1,050	1,050	100
Individual policies.....	2,238	1,754	612	100	100	-----	100	100	100	-----
Unadjusted total.....	4,310	3,489	1,728	1,150	1,150	40	1,150	1,150	1,150	100
Less duplication <sup>7</sup> .....	263	210	83	-----	-----	-----	-----	-----	-----	-----
Net total.....	4,047	3,279	1,645	1,150	1,150	40	1,150	1,150	1,150	100
Independent plans.....	430	505	500	515	<sup>8</sup> 450	43	211	270	335	210
Community.....	110	170	170	175	170	3	25	85	175	70
Employer-employee-union.....	315	325	320	330	270	9	185	185	160	140
Private group clinic.....	5	10	10	10	10	10	1	-----	-----	-----
Dental society.....	-----	-----	-----	-----	-----	21	-----	-----	-----	-----
Gross total.....	9,887	8,197	6,226	3,590	2,808	83	1,857	2,245	2,495	2,910
Less duplication <sup>9</sup> .....	( <sup>9</sup> )	( <sup>9</sup> )	( <sup>9</sup> )	36	28	-----	19	22	25	29
Net number of different persons.....	<sup>10</sup> 9,085	<sup>10</sup> 7,568	<sup>10</sup> 5,905	3,554	2,780	83	1,838	2,223	2,470	2,881
Percent of population aged 65 and over <sup>11</sup> .....	47.8	39.8	31.1	18.7	14.6	.4	9.7	11.7	13.0	15.2

<sup>1</sup> In physicians' offices, clinics, or health centers. Excludes those covered only in hospital outpatient departments or those covered only in accidents or fracture cases or when services are followed by surgery.

<sup>2</sup> Number covered for all conditions. Excludes those eligible for care only after hospitalization.

<sup>3</sup> Excludes those covered for drugs only after hospitalization.

<sup>4</sup> Assumes that all persons covered for private-duty nursing are also covered for visiting-nurse service.

<sup>5</sup> Approximately 0.8 million additional persons are covered for X-ray examinations only.

<sup>6</sup> Not estimated separately; in many cases coverage is jointly written.

<sup>7</sup> As estimated by HIAA for first three services; considered insignificant for the other services and hence shown as zero.

<sup>8</sup> About 15 percent of this number not covered for home calls.

<sup>9</sup> Duplication for hospital care, surgical services, and in-hospital medical visits not calculated by ORS since the HIAA estimate of net number of persons covered is used.

<sup>10</sup> HIAA estimates.

<sup>11</sup> Based on Bureau of the Census estimate of 18,994,000 as of Jan. 1, 1968.

HIAA arrives at the estimates in tables 1, 2, and 3 for the net number of different persons covered for hospital care, surgical service, and in-hospital medical visits. The estimates of net enrollment for the other services are those of the Office of Research and Statistics, based on estimates of the extent of multiple coverage considered reasonable in comparison with HIAA estimates for hospital care, surgical services, and in-hospital visits.

*Carriers' share in total enrollment.*—The shares of the three groups of organizations in the total gross enrollment for each type of service, by age, are shown in table 4. For virtually all services, insurance companies lead Blue Cross-Blue Shield plans in the number of persons covered, with the margin especially large for services outside the hospital. These services are typically covered by insurance companies under policies of the major medical type. Independent plans have only a small proportion of the total enrollment, except for dental care; in this area the new dental service corporations sponsored by dental societies are important.

Although the Blue Cross-Blue Shield portion of the total enrollment is less than that of insurance companies, these plans generally tend to offer more comprehensive or extensive coverage of hospital care and physician services. The data on benefit expenditures per covered person, presented later in this article, illustrate this point.

#### Estimates Based on Household Interview Survey

In 1959, the National Center for Health Statistics of the Public Health Service made its first national household interview survey of the proportion of the population with hospital, surgical, and medical insurance. A second survey was made in 1962–63. The third survey covering the period from July 1967 through June 1968 is the source of the preliminary estimates discussed below.

Provisional unpublished data from this survey, based on about one-fourth of the total sample and restricted to the period July–December 1967, indicate that about 76 percent of the noninstitu-

TABLE 4.—Percentage distribution of gross enrollment among carriers, 1967

Age and type of plan	Hospital care	Physician services				Dental care	Prescription drugs	Private-duty nursing	Visiting-nurse service	Nursing-home care
		Surgical services	In-hospital visits	X-ray and laboratory	Office and home visits					
Total, all ages.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield.....	38.6	37.2	44.6	28.8	18.6	.4	17.1	20.9	24.2	57.0
Insurance companies.....	57.4	57.6	49.4	62.6	72.6	52.1	78.9	74.1	68.9	35.9
Independent plans.....	4.0	5.3	6.0	8.6	8.7	47.4	4.0	5.0	6.8	7.1
Under age 65, total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield.....	37.6	36.3	43.6	27.9	17.8	.4	16.8	20.4	23.7	51.1
Insurance companies.....	58.3	58.5	50.6	68.8	73.8	52.2	79.3	74.8	69.7	41.7
Independent plans.....	4.0	5.2	5.8	8.3	8.5	47.4	3.9	4.8	6.6	7.1
Aged 65 and over, total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield.....	54.7	53.8	65.5	53.6	43.0	-----	26.7	36.7	40.5	89.3
Insurance companies.....	40.9	40.0	28.4	32.0	41.0	48.2	61.9	51.2	46.1	3.4
Independent plans.....	4.3	6.2	8.0	14.3	16.0	51.8	11.4	12.0	13.4	7.2

tional civilian population under age 65 had hospital insurance, 74 percent had surgical insurance, and 38 percent had insurance covering doctor visits in the office and home.

The survey data show that among noninstitutionalized persons aged 65 and over 46 percent had some private health insurance coverage of hospital expenses, 45 percent had surgical expense coverage, and 23 percent had coverage of doctor office and home visits.

### Comparison of Household Survey Findings and HIAA Estimates

Estimates derived from household interview surveys of the proportion of the population with private health insurance coverage have consistently been significantly lower than estimates based on carrier enrollment reports.<sup>5</sup> These differences are again evident in the 1967 data.

The HIAA estimates given above are in terms of the proportion of the total civilian population. The findings of the PHS household surveys are all in terms of the percentage of the noninstitutional population. It is probable that very few of the institutional population have health insurance coverage. By assuming that none of this part of the population has coverage, the findings of the household surveys may be stated in terms of the total population and thus made comparable with HIAA estimates.

<sup>5</sup> See Louis S. Reed, *The Extent of Health Insurance Coverage in the United States*, Research Report No. 10, Office of Research and Statistics, 1965.

According to the household survey data it then appears that 75.2 percent of those under age 65 had hospital insurance during July–December 1967—a difference of 11.3 percentage points from the 86.5 percent as of December 31, 1967, under the estimates based on carrier enrollment data. When the data are adjusted to take into account differences in the dates of the two sets of information, the picture is changed very little. The Health Survey figure of 75.2 percent for July–December 1967 may then be compared with the HIAA estimate of 86.0 percent for the middle of that period—October 1, 1967. For surgical insurance the analogous figures are 73.4 percent and 79.8 percent.

In view of these data, probably the most nearly precise statement that can be made on the proportion of the population under age 65 with some health insurance coverage during the last quarter of 1967 is that it is in the range of 75 percent to 87 percent for hospital coverage and 73 percent to 80 percent for surgical coverage.<sup>6</sup>

### Population Without Private Health Insurance Coverage

The 24–34 million of the population under age 65 who are without private health insurance coverage are largely in the lower-income groups, as

<sup>6</sup> For estimates of the extent of health insurance by region and State, see Louis S. Reed and Willine Carr, *Private Health Insurance: Enrollment, Premiums, and Benefit Expense, by Region and State, 1966* (Research and Statistics Note No. 14), Office of Research and Statistics, 1968.

shown by the following data from the 1967 Public Health Service survey:

<i>Family income</i>	<i>Percent of persons under age 65 with hospital insurance</i>
Less than \$3,000 -----	35
\$3,000-4,999 -----	57
\$5,000-6,999 -----	78
\$7,000-9,999 -----	88
\$10,000 or more -----	90

Approximately 3.8 million persons under age 65 are entitled to a broad range of health services as dependents of active military personnel or as retired members of the Armed Forces and dependents of such persons. These persons are not likely to be purchasers of private health insurance. Approximately 120,000 American seamen are entitled to health care at Federal Government health facilities, as are some 400,000 Indians living on or near reservations. More than 6 million persons under age 65 currently receive cash assistance under the federally aided public assistance programs and have some health services available to them under these programs. Under State medical assistance programs, others may obtain some health services that they cannot pay for personally, but estimates of the number of persons eligible at any one time for such care are not possible.

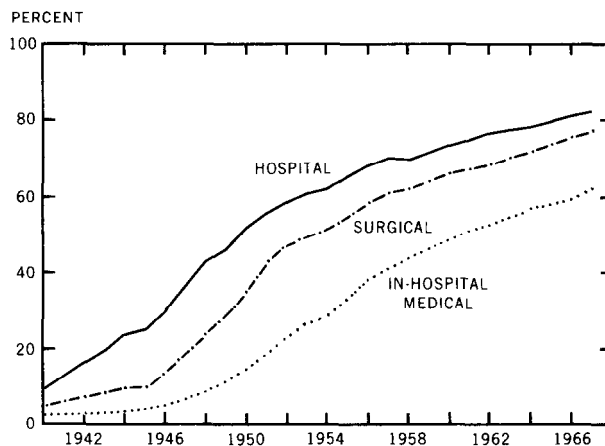
That substantial numbers of the population have incomes too low to permit purchase of private health insurance and that others have entitlement to or assurance of care through government programs must be taken into account in estimating the potential growth of private health insurance.

### Trends in Extent of Health Insurance

In reviewing trends in the extent of health insurance protection, again two sets of data are used—those based on carrier enrollment reports, as for the number enrolled, with allowances for multiple coverages and those from various household surveys.

*Carrier enrollment.*—Data for 1940-67 on enrollment of persons of all ages for hospital, surgical, and in-hospital medical protection, as well as HIAA estimates of the net number and percentage of the population covered are shown in table 5. The tremendous growth of health in-

CHART 1.—Percent of civilian population with specified types of health insurance coverage, 1940-67, as estimated by HIAA



urance over the years is evident (chart 1). The proportion of the civilian population with some health insurance protection of the three services is still growing but at a slower rate than in the past. From 1960 to 1967 the proportion of the population with some hospital insurance increased by 10.5 percentage points, compared with a gain of 21 percentage points in the decade 1950-60.

Enrollment for surgical benefits is catching up with enrollment for hospital benefits but somewhat slowly in recent years. Ninety-two percent of those with hospital protection had surgical protection in 1967; the proportion was 90 percent in 1960. Enrollment for in-hospital physician visits is increasing rapidly, and the gap between it and the other two services is narrowing.

Over the years the number covered by insurance companies has grown faster than the number with Blue Cross-Blue Shield coverage (chart 2).<sup>7</sup> Within the insurance industry, the enrollment under group policies has grown much faster than that under individual policies. There was a decline in enrollment under these policies in 1967 (for the first time during the entire period considered) (chart 3). It may be noted at this point that in recent years the larger writers of individual health insurance policies have pressed the sale of policies paying a fixed amount per day or week of hospital confinement—typically \$100,

<sup>7</sup> For more details on trends in enrollment of insurance companies, see Louis S. Reed and Willine Carr, *The Health Insurance Business of Insurance Companies, 1948-66* (Research and Statistics Note No. 15), Office of Research and Statistics, 1968.

TABLE 5.—Enrollment of persons of all ages for hospital, surgical, and in-hospital medical benefits, 1940-67<sup>1</sup>

[In thousands]

End of year	Gross total	Blue Cross-Blue Shield			Insurance companies					Independent plans					HIAA estimate	
		Total	Blue Cross	Blue Shield	Group policies	Individual policies	Gross total	Less duplication	Net total	Total	Community consumer	Employment-union	Medical society	Private group clinic	Net enrollment	Percent of population
Hospital benefits																
1940	12,022	6,072	6,012	60	2,500	1,200	3,700	-----	3,700	2,250	140	1,560	110	440	12,312	9.3
1945	32,135	18,961	18,881	80	7,804	2,700	10,504	-----	10,504	2,670	420	1,660	200	390	32,068	24.0
1950	79,045	37,045	37,435	210	22,305	17,296	39,601	2,640	36,965	4,445	1,445	2,280	500	220	76,639	50.7
1955	112,755	48,924	47,719	1,205	39,029	24,181	63,160	5,874	57,286	6,545	2,920	3,220	360	45	105,452	64.1
1960	140,117	57,464	55,938	1,526	55,218	30,187	85,405	8,746	76,659	5,994	1,604	4,000	340	50	130,007	72.3
1961	144,034	57,960	56,489	1,471	57,013	30,951	87,964	8,992	78,972	7,102	1,851	4,850	344	57	134,417	73.7
1962	149,154	59,618	58,133	1,485	59,153	32,921	92,074	9,475	82,599	6,937	1,830	4,703	344	60	138,890	74.9
1963	155,170	60,698	59,141	1,557	62,817	34,462	97,279	9,972	87,307	7,165	1,947	4,814	344	60	144,575	76.8
1964	159,307	62,429	60,478	1,951	64,506	35,857	100,363	10,325	90,038	6,840	1,859	4,785	8	188	148,338	77.8
1965	164,369	63,662	61,651	2,012	67,104	37,372	104,476	10,753	93,723	6,984	1,854	4,971	8	51	153,133	79.4
1966	169,675	65,638	63,408	2,230	69,570	38,641	108,211	10,807	97,404	6,633	1,964	4,618	-----	51	158,022	81.1
1967	174,861	67,513	65,188	2,325	73,351	37,908	111,259	10,961	100,298	7,050	2,300	4,700	-----	50	162,853	82.8
Surgical benefits																
1940	4,790	260	260	1,430	850	2,280	-----	2,280	2,250	200	1,480	110	460	5,350	4.0	
1945	12,092	2,335	127	2,208	5,537	1,800	7,337	-----	7,337	2,420	350	1,460	200	410	12,890	9.7
1950	54,441	17,253	1,151	16,102	21,219	13,718	34,937	1,509	33,428	3,760	940	1,950	600	270	54,156	35.8
1955	96,613	37,395	3,194	34,201	39,725	18,769	58,494	5,206	53,288	5,930	2,130	3,200	430	170	88,556	54.0
1960	126,646	48,266	3,773	44,493	55,504	23,012	78,516	7,202	71,044	7,336	2,760	4,020	346	210	117,304	65.2
1961	132,186	49,374	3,048	46,326	57,373	24,862	82,235	7,917	74,318	8,494	3,026	4,891	346	231	122,951	67.4
1962	136,266	50,876	2,814	48,062	59,787	25,491	85,278	8,175	77,103	8,287	3,003	4,695	346	243	126,900	68.4
1963	142,587	52,371	2,740	49,631	63,288	26,973	90,261	8,653	81,608	8,608	3,206	4,806	346	250	131,954	70.1
1964	146,368	54,473	3,222	51,251	64,939	27,506	92,445	8,847	83,598	8,297	3,111	4,968	10	208	135,433	71.0
1965	152,494	56,330	3,660	52,669	67,557	29,239	96,796	9,316	87,480	8,684	3,400	5,068	10	206	140,462	72.8
1966	156,535	57,916	3,417	54,499	70,268	29,301	99,569	9,275	90,294	8,325	3,526	4,601	-----	198	144,715	74.3
1967	162,631	60,433	3,416	57,017	74,318	28,719	103,037	9,419	93,618	8,580	3,900	4,500	-----	180	150,396	76.4
In-hospital medical benefits <sup>2</sup>																
1940	2,265	65	-----	-----	-----	-----	-----	-----	2,200	170	1,430	110	490	3,000	2.3	
1945	3,620	750	-----	-----	335	200	535	-----	535	2,335	350	1,360	200	425	4,713	3.5
1950	20,771	9,450	-----	-----	5,587	2,714	8,301	300	8,001	3,320	930	1,660	460	270	21,589	14.3
1955	58,454	28,600	-----	-----	20,678	5,602	26,280	1,866	24,414	5,440	1,870	2,960	420	190	54,935	33.4
1960	89,286	41,800	-----	-----	35,802	7,997	43,799	3,229	40,570	6,916	2,680	3,670	346	220	86,889	48.3
1961	95,282	43,700	-----	-----	38,003	9,084	47,087	3,535	43,552	8,030	2,924	4,523	346	237	93,466	51.2
1962	99,989	46,100	-----	-----	40,012	9,865	49,877	3,777	46,100	7,789	2,897	4,297	346	249	97,404	52.5
1963	105,520	47,600	-----	-----	43,343	10,550	53,893	4,066	49,827	8,093	3,093	4,398	346	256	102,302	54.4
1964	111,225	49,800	-----	-----	47,446	10,886	58,332	4,332	54,000	7,425	3,100	4,069	10	264	107,686	56.4
1965	117,900	52,950	-----	-----	50,632	11,013	61,645	4,514	57,131	7,828	3,388	4,187	10	243	111,696	57.9
1966	122,807	54,441	-----	-----	54,050	11,473	65,523	4,683	60,840	7,526	3,514	3,777	-----	235	116,462	59.8
1967	130,684	58,300	-----	-----	58,025	11,460	69,485	4,881	64,604	7,780	3,900	3,700	-----	180	122,570	62.3

<sup>1</sup> For data for years not shown, see Louis S. Reed, "Private Health Insurance: Coverage and Financial Experience, 1940-66," *Social Security Bulletin*, November 1967.

<sup>2</sup> Data for Blue Cross-Blue Shield plans estimated, not available separately.

\$150, or \$200 per week. These policies may either be the purchaser's sole health insurance protection or be used to supplement other coverages. The independent plans as a group have shown very little growth over the period.

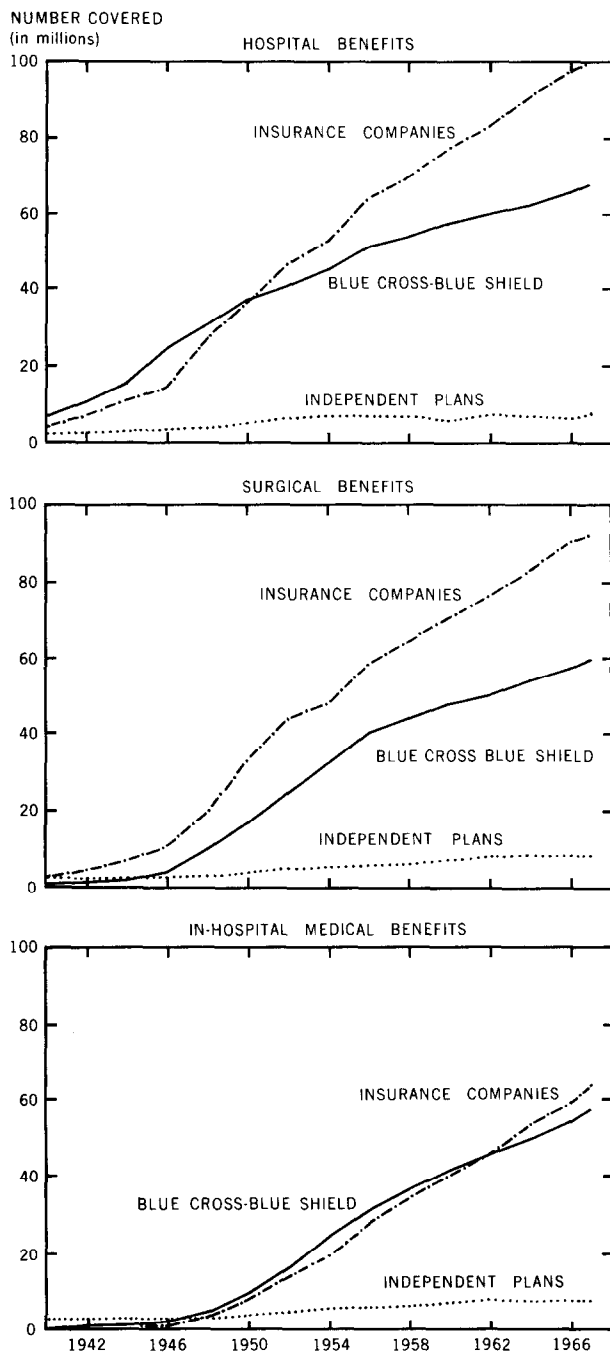
In recent years the relative shares of carriers in gross enrollment has changed little (table 6). Most notable is the fact that independent plans, which were a large segment of all health insurance in the early forties, have diminished in relative importance.

Since the advent of Medicare, interest focuses on the extent of health insurance among persons under age 65 and upon the extent of coverage

complementary to Medicare among those aged 65 and over. Table 7 shows enrollment of persons in both age groups by the three types of health insurance organizations in 1960-67 and estimates of the net number of different persons covered.

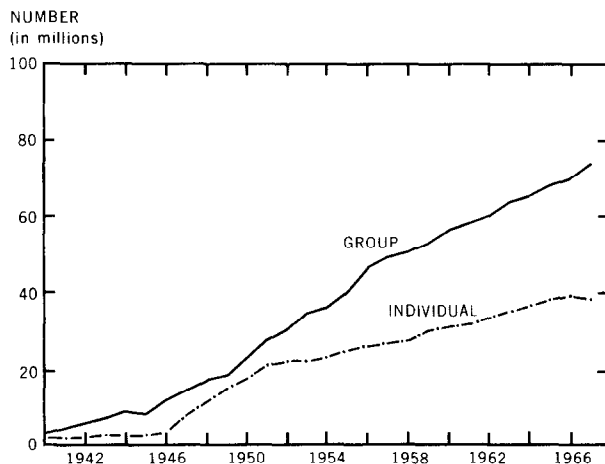
The data show a steady and substantial growth in the extent of coverage among persons under age 65. Enrollment for hospital care, for example, went from 77 percent in 1962 to 87 percent in 1967. Among the elderly, private health insurance enrollment declined as Medicare began operations. At the end of 1965, the year before Medicare started, 64 percent of the aged were estimated by HIAA to have some hospital insurance pro-

CHART 2.—Enrollment under private health insurance organizations, by type of care and type of organization, 1940-67



tection. The proportion dropped to 51 percent at the end of 1966 and declined still further in 1967 to 48 percent. Those who retained some private health insurance shifted as a rule to coverage that would complement Medicare benefits. The drop in enrollment of aged persons was especially

CHART 3.—Enrollment for hospital benefits under group and individual policies of insurance companies, 1940-67



heavy among insurance companies. Blue Cross-Blue Shield enrollment declined by about 12 percent in 1966 but recovered half the loss in the following year.

*Household surveys.*—Various household surveys during the period 1953-67 indicate a similar trend in growth of health insurance coverage but at a somewhat lower level. In addition to the three surveys undertaken by the Public Health Service in 1959, 1962, and 1967, there have been five national household interview surveys covering the population of all ages, in the course of which information was obtained on the health insurance protection of the respondents.

The first of these surveys was made by the Health Information Foundation and the National Opinion Research Center in July 1953. The second was made in September 1956 by the Bureau of the Census for the Division of Hospital and Medical Facilities of the Public Health Service. The third survey was conducted in the later part of 1957 by the National Analysts, Inc., for the Health Insurance Institute. The fourth and fifth surveys were made by the Health Information Foundation and the National Opinion Research Center who undertook surveys to obtain data on medical care expenditures and private health insurance coverage in 1958 and 1964.<sup>8</sup>

<sup>8</sup> For a summary of the first four surveys, see Louis S. Reed, Research Report No. 10, *op. cit.* For the fifth survey, see Ronald Andersen and Odin W. Anderson, *A Decade of Health Services*, University of Chicago Press, 1967.



TABLE 6.—Percentage distribution of total gross enrollment of private health insurance organizations, by type of benefit, 1940-67

End of year	Hospital care			Surgical services			Physician in-hospital visits		
	Blue Cross-Blue Shield	Insurance companies (net)	Independent plans	Blue Cross-Blue Shield	Insurance companies (net)	Independent plans	Blue Cross-Blue Shield	Insurance companies (net)	Independent plans
1940.....	50.5	30.8	18.7	5.4	47.6	47.0	2.9	-----	97.1
1945.....	59.0	32.7	8.3	19.3	60.7	20.0	20.7	14.8	64.5
1950.....	47.6	46.8	5.6	31.7	61.4	6.9	45.5	38.5	16.0
1955.....	43.4	50.8	5.8	38.7	55.2	6.1	48.9	44.8	9.3
1960.....	41.0	54.7	4.3	38.1	56.1	5.8	46.8	45.4	7.7
1961.....	40.2	54.8	4.9	37.4	56.2	6.4	45.9	45.7	8.4
1962.....	40.0	55.4	4.7	37.3	56.6	6.1	46.1	46.1	7.8
1963.....	39.1	56.3	4.6	36.7	57.2	6.0	45.1	47.2	7.7
1964.....	39.2	56.5	4.3	37.2	57.1	5.7	44.8	48.6	6.7
1965.....	38.7	57.0	4.2	36.9	57.4	5.7	44.9	48.5	6.6
1966.....	38.7	57.4	3.9	37.0	57.7	5.3	44.3	49.5	6.1
1967.....	38.6	57.4	4.0	37.1	57.6	5.3	44.6	49.4	6.0

Table 8 and charts 4 and 5 present a comparison of the findings of the various household surveys on extent of health insurance coverage and the HIAA estimates for equivalent dates. The HIAA estimates are in terms of the proportion of the total civilian population covered, and the findings of all the household surveys relate to the noninstitutional population. The two sets of data have been made comparable by relating the household survey findings to both the noninstitutional and the total civilian population.

With one exception (for surgical coverage in a 1957 survey), the household surveys found a smaller percentage of the population with hospital and surgical insurance than the proportion estimated by HIAA for the same period. For hospital insurance the differences range from 3.0 percent to 9.9 percent, and the gap between the most recent estimates is the largest. The difference between the two sets of findings for surgical coverage tends to run slightly less than that for hospital insurance.

The difference between the two sets of estimates could be the result of one or more of the following factors:

(a) Overestimating dependents under group coverage. Some Blue Cross plans and all or virtually all insurance companies do not maintain precise counts of the number of dependents covered under group contracts but approximate the figure on the basis of the estimated number of dependents per family contract or per employee with dependent coverage. This process could result in overestimation of the total number covered under group contracts or policies.

(b) Failure to make allowance for multiple Blue Cross-Blue Shield coverage. An individual may be counted twice under Blue Cross or Blue Shield plans if he is covered as an employee under Blue Cross at his place

of employment and covered as a dependent under his wife's Blue Cross coverage at her place of employment. Where the employer pays the total cost in both instances, the employee might not notify the employer of the double coverage. (It is virtually impossible for payment for hospital care to be made more than once, however, since the provider of care is directly reimbursed by the local Blue Cross plan.) Temporarily an individual could be recorded as having two Blue Cross contracts if he had an individual contract and then became enrolled under a group contract but failed for a month or two to cancel his individual contract. Data from one household survey suggest that possibly eight-tenths of 1 percent of persons with Blue Cross coverage had more than one Blue Cross contract.<sup>9</sup> Estimates based on enrollment statistics take no account of this source of multiple coverage.

(c) Overreporting by insurance companies of the number of persons covered under individual policies. Some insurance companies may not maintain fully accurate statistics on the number of individual policies in force at any given time or on the number of dependents covered under family policies. Lapse rates under such policies are high. In the past sizeable discrepancies have been noted in the enrollment reported for a given date by certain carriers.

(d) Underestimation of the extent of multiple insurance company policies or multiple coverage by different types of carriers. All present estimates are based on studies or data that could have a considerable margin of error. The task of estimating the extent of duplicative coverage may have become more difficult in recent years because of the extensive sale of individual policies designed to supplement other coverage.

(e) Underreporting under household surveys. Under some household surveys where people are asked about past hospital admissions, expenditures, etc., there may be some underreporting because of failure to recall all such items. It is possible that this factor may also lead to underreporting of the possession of hospital or other health insurance. Yet it is not clear why there should

<sup>9</sup> Ronald Andersen and Donald C. Riedel, *People and Their Hospital Insurance—Comparisons of the Uninsured, Those With One Policy and Those With Multiple Coverage*, Center for Health Administration Studies, University of Chicago, Research Series No. 23, 1967.

**TABLE 7.—Enrollment for hospital, surgical, and in-hospital medical benefits, by age, 1960-67**

[Amounts in thousands]

End of year	Hospital care					Surgical care					In-hospital medical visits				
	Blue Cross-Blue Shield	In-Insurance companies (net)	Independent plans	HIAA estimates		Blue Cross-Blue Shield	In-Insurance companies (net)	Independent plans	HIAA estimates		Blue Cross-Blue Shield	In-Insurance companies (net)	Independent plans	HIAA estimates	
				Net enrollment	Percent of population				Net enrollment	Percent of population				Net enrollment	Percent of population
Under age 65															
1960	53,070	72,459	5,580	120,772	74.1	45,226	67,844	6,844	109,452	67.2	39,166	39,270	6,453	(1)	(1)
1961	52,750	74,222	6,612	124,595	75.4	45,649	70,718	7,925	114,645	69.3	40,399	42,052	7,492	(1)	(1)
1962	54,194	76,499	6,458	128,600	76.6	46,599	72,103	7,732	(1)	(1)	42,219	43,600	7,267	(1)	(1)
1963	55,072	81,107	6,671	133,267	78.2	46,086	76,508	8,031	122,112	71.6	43,710	47,227	7,551	(1)	(1)
1964	56,663	83,738	6,357	(1)	(1)	49,825	78,398	7,741	(1)	(1)	45,540	51,300	6,928	(1)	(1)
1965	57,884	87,323	6,501	141,400	81.0	51,348	82,180	8,102	130,100	74.5	48,267	54,331	7,303	103,700	59.4
1966	60,575	92,791	6,203	148,589	84.4	53,613	86,993	7,838	137,448	78.1	50,396	59,159	7,047	110,754	62.9
1967	62,103	96,251	6,620	153,768	86.5	56,020	90,339	8,075	142,828	80.3	54,219	62,959	7,280	116,665	65.6
Aged 65 and over															
1960	4,394	4,200	414	9,235	54.8	3,040	3,200	492	7,852	46.6	2,634	1,300	463	(1)	(1)
1961	5,210	4,750	490	9,822	57.2	3,725	3,600	569	8,306	48.4	3,301	1,500	538	(1)	(1)
1962	5,424	6,100	479	10,300	59.1	4,277	5,000	555	(1)	(1)	3,881	2,500	522	(1)	(1)
1963	5,626	6,200	494	11,308	63.8	4,285	5,100	577	9,842	55.6	3,890	2,600	542	(1)	(1)
1964	5,766	6,300	472	(1)	(1)	4,648	5,200	556	(1)	(1)	4,260	2,700	497	(1)	(1)
1965	5,778	6,400	483	11,700	63.9	4,982	5,300	582	10,400	56.8	4,683	2,800	525	8,000	43.7
1966	5,073	4,613	430	9,433	50.6	4,304	3,301	487	7,267	39.0	4,045	1,681	479	5,708	30.6
1967	5,410	4,047	430	9,085	47.8	4,413	3,279	505	7,568	39.8	4,081	1,645	500	5,905	31.1

<sup>1</sup> Data not available.  
 Source: Data for Blue Cross and Blue Shield plans for 1960-65 are based on estimates by the Blue Cross Association and the National Association of Blue Shield plans as to the number of persons aged 65 and over covered at various dates during this period, as reported in legislative hearings from time to time. Data for persons under age 65 are derived by subtraction of enrollment of the aged from the total. Data for 1966 and 1967 are based on number of aged persons enrolled under complementary coverages, with data for persons under age 65 being derived by subtraction. Data for insurance companies are based on estimates by the Health Insurance Association of Ameri-

ca. See *The Extent of Voluntary Health Insurance Coverage*, Health Insurance Council 21st Annual Survey, August 1967, p. 24. Independent plan data are estimates of the Office of Research and Statistics, based on data on enrollment of persons aged 65 and over reported by the larger plans for 1965, 1966, and 1967. Net enrollment of all plans are published estimates of HIAA for 1966 and 1967. Data for earlier years are based on estimates by the HIAA of number of persons aged 65 and over with private health insurance coverage as reported in legislative hearings and in other sources. Estimates for those under age 65 are derived by subtracting aged enrollment from total enrollment.

**TABLE 8.—Comparison of HIAA and household survey findings on extent of health insurance**

Date	Percent of civilian population having—					
	Hospital insurance			Surgical insurance		
	HIAA estimates, total civilian population	Household surveys		HIAA estimates, total civilian population	Household surveys	
	Non-institutional population	Total civilian population	Non-institutional population	Total civilian population	Non-institutional population	Total civilian population
All ages						
July 1953	59.8	57.0	56.4	48.1	48.0	47.3
September 1956	66.7	63.6	62.9	56.9	55.2	54.6
October 1957	69.6	67.0	66.6	60.9	62.0	61.4
July 1958	69.9	65.0	64.3	61.8	61.0	60.4
July-December 1959 <sup>1</sup>	70.7	67.1	66.4	63.3	62.0	61.4
July 1962-June 1963 <sup>2</sup>	74.9	70.3	69.4	68.4	65.2	64.4
December 31, 1963	76.8	68.0	67.2	70.1	66.0	65.2
July-December 1967 <sup>3</sup>	82.4	73.3	72.5	75.9	71.6	70.8
Under age 65						
July 1962-June 1963 <sup>2</sup>	76.1	71.9	71.4	69.9	67.2	66.7
July-December 1967 <sup>3</sup>	86.0	76.0	75.2	79.8	74.2	73.4

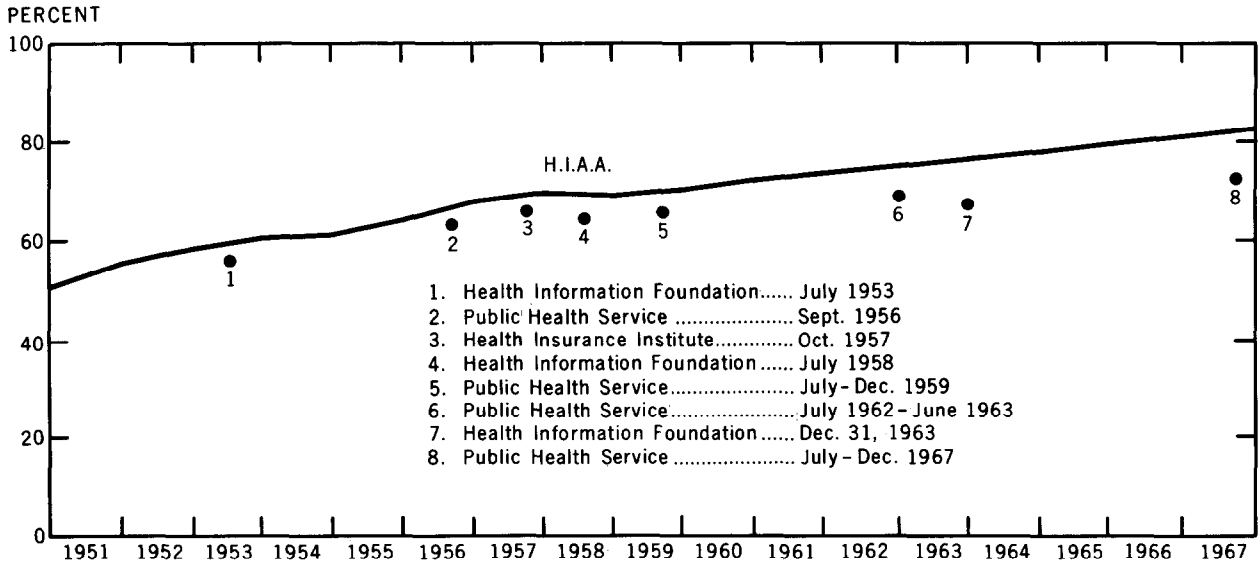
<sup>1</sup> Estimated HIAA data for October 1, 1959.  
<sup>2</sup> HIAA estimates as of December 31, 1962.  
<sup>3</sup> Estimated HIAA data for October 1, 1967.

be any tendency to underreport when a person is asked whether at the present time he has or does not have health insurance. Some may mistakenly believe that they have such coverage; others may mistakenly believe that they do not have it. It is hard to see why the errors on the one side should be more than on the other.

**Trends in Coverage of Other Services**

In recent years the public has shown increasing interest in health insurance coverage of services other than hospital care and physicians' services associated with hospitalization. Health insurance organizations have also shown increasing interest in making broader coverage available. The trend towards broader coverage is documented in table 9. From 1962 to 1967 the proportion of the population with some private health insurance coverage of X-ray and laboratory examinations outside the hospital rose from 35 percent to 47 percent. The proportion with some coverage of physician services in the office and home increased

CHART 4.—Percentage of total civilian population with hospital insurance as estimated by HIAA and as found by various household surveys, 1951-67



from 31 percent to 40 percent. Those with some coverage of prescribed drugs outside the hospital represented 26 percent of the population in 1962 and 36 percent in 1967. Insurance coverage of dental care, a service formerly considered non-insurable, is beginning to grow fairly rapidly—from 0.5 percent of the population in 1962 to 2.4 percent in 1967.

Much of the coverage of these other services is under major medical policies of insurance com-

panies or supplementary major medical or comprehensive extended-benefit contracts of Blue Cross-Blue Shield plans. The growth in the number covered under these policies or contracts for the period 1951-67 is shown in table 10. The total number of persons protected under major medical policies of insurance companies increased 10 percent between 1966 and 1967. The majority of those with this type of protection are covered under group policies rather than individual poli-

CHART 5.—Percentage of total civilian population with surgical insurance as estimated by HIAA and as found by various household surveys, 1951-67

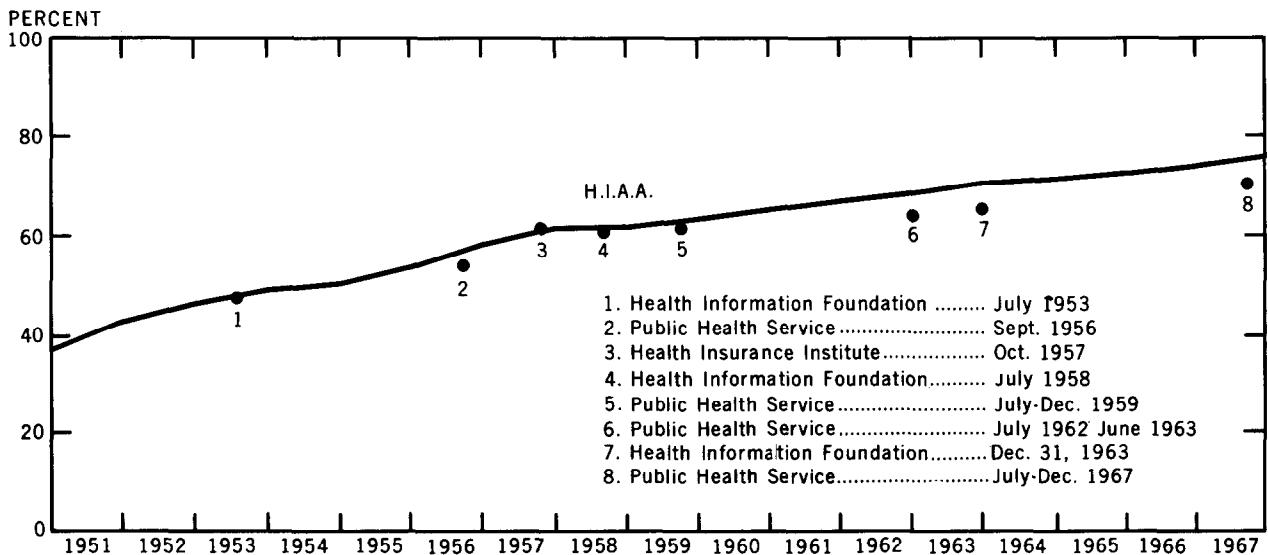


TABLE 9.—Number and percent of population covered for services other than hospital care, surgery, and in-hospital medical visits, 1962–67

End of year	X-ray and laboratory examinations	Physician office and home visits	Dental care	Prescribed drugs	Private-duty nursing	Visiting-nurse service	Nursing-home care
Net number of different persons (in thousands)							
1962.....	65,671	56,986	1,006	47,907	46,143	43,203	4,975
1965.....	79,500	63,400	3,100	53,200	56,000	60,100	9,900
1966.....	90,000	73,706	4,227	65,544	68,722	79,004	17,814
1967.....	92,480	78,565	4,679	71,201	76,080	81,771	18,754
Percent of civilian population							
1962.....	35.0	31.0	.5	26.0	25.0	23.0	3.0
1965.....	41.2	32.9	1.6	27.6	29.0	31.2	5.1
1966.....	48.0	37.9	2.2	33.7	35.3	40.6	9.2
1967.....	47.6	39.9	2.4	36.2	38.7	41.6	9.5

Source: Data for 1962 from Louis S. Reed, *The Extent of Health Insurance Coverage in the United States*, Research Report No. 10, Office of Research and Statistics, 1965, p. 41; 1965 and 1966 data from Louis S. Reed, "Private

Health Insurance: Coverage and Financial Experience, 1940–66," *Social Security Bulletin*, November 1967.

cies. Blue Cross and Blue Shield plans at the end of 1967 covered over 16 million persons under supplementary and comprehensive extended-benefit contracts—an increase of 14 percent during the year.

*Enrollment in group practice prepayment plans.*—Those independent plans that offer services through group-practice arrangements are considered separately because of the growing interest in this method of providing care. The figures below show for selected years the estimated enrollment in group-practice plans for hospital care, surgical services, and in-hospital medical visits.<sup>10</sup>

[In thousands]			
Year	Hospital care	Surgical services	In-hospital medical visits
1953.....	1,802	2,410	2,507
1956.....	2,428	3,177	3,399
1959.....	2,526	3,280	3,400
1961.....	2,586	3,484	3,643
1964.....	2,695	3,504	3,176
1966.....	2,771	3,763	3,430
1967.....	3,060	4,130	3,760

## FINANCES

In 1967 the earned subscription or premium income of all private health insurance organizations was \$11.1 billion (table 11). They expended \$9.5 billion or 86 percent of their income for benefits, used \$1.6 billion (14.5 percent) for

<sup>10</sup> For enrollment of nine large community group-practice prepayment plans, see Louis S. Reed and Willine Carr, *op. cit.*

operating expenses, and had a net underwriting loss of \$47.4 million (–0.4 percent).

The Blue Cross and Blue Shield plans together had a total income of \$4,639 million, of which \$4,555 million was earned subscription income. They used 89.6 percent of subscription income for provision of benefits and paid out 6.9 percent for operating expenses. Blue Cross plans used 91.7 percent of subscription income for benefits; Blue Shield plans used 84.5 percent. About 5.4 percent of Blue Cross subscription income went for operating expenses, compared with 10.4 percent expended by Blue Shield.

In 1967 as in 1966, both Blue Cross and Blue Shield had a lower claims expense ratio and a higher operating expense ratio than in the previous year. The lower claims expense ratios in the 2 most recent years may reflect the fact that since July 1966 the plans have been freed of losses formerly incurred on aged subscribers and that the new complementary types of coverage were priced to yield a favorable experience. The increase in operating expense ratios since 1965 may be the result of the growing complexity of the contracts offered—the trend, for example, toward including supplementary major medical and extended-benefit provisions.

In 1967, insurance companies had a total earned premium income (after dividends) on their health (hospital, surgical, medical, and dental care policies, as distinct from wage-loss policies) business of \$5,858 million—\$4,270 million from group business and \$1,588 million from individual business. Total claims expense amounted to \$4,837

TABLE 10.—Number of persons covered under major medical policies of insurance companies and under supplementary major medical and comprehensive extended-benefit contracts of Blue Cross-Blue Shield plans, 1955-67

[In thousands]

End of year	Insurance companies					Blue Cross-Blue Shield plans <sup>1</sup>		
	Total	Group policies			Individual and family policies	Total	Supplemental major medical	Comprehensive extended benefit
		Total	Supplementary	Comprehensive				
1955.....	5,241	4,759	3,928	831	482			
1960.....	27,448	25,608	17,285	8,323	1,840	3,713	3,020	693
1961.....	34,138	31,517	22,281	9,236	2,621	5,059	4,015	1,044
1962.....	38,250	35,053	25,301	9,752	3,197	7,501	5,068	1,735
1963.....	42,441	38,699	28,248	10,451	3,742	(2)	(2)	(2)
1964.....	47,001	42,579	31,772	10,807	4,422	(2)	(2)	(2)
1965.....	51,946	47,269	35,988	11,281	4,677	<sup>3</sup> 14,600	(2)	(2)
1966.....	56,742	52,002	39,685	12,317	4,740	<sup>4</sup> 14,352	<sup>4</sup> 10,409	<sup>4</sup> 3,943
1967.....	62,226	57,447	43,899	13,548	4,779	<sup>4</sup> 16,279	<sup>4</sup> 12,408	<sup>4</sup> 3,871

<sup>1</sup> Comparable data not available for earlier years; data shown are for Blue Cross plans only, except for 1965-67. Data exclude persons covered under polio and dread-disease and prolonged-illness contracts offering coverage only for diseases specified.

<sup>2</sup> Not available.

<sup>3</sup> Data for Blue Cross plans plus an estimated 1,600,000 in Blue Shield plans

not affiliated with Blue Cross.

<sup>4</sup> Data jointly developed by Blue Cross Association and National Association of Blue Shield plans on unduplicated number of persons covered.

Source: Data for insurance companies from *Source Book of Health Insurance, 1966*, and HIAA; data for Blue Cross and Blue Shield plans from the Blue Cross Association and the National Association of Blue Shield plans.

million or 82.6 percent of earned premium income—93.6 for group business and 52.8 for individual business. Operating expense totaled \$1,253 million or 21.4 percent of premium income. As with claims expense, the ratio of operating expense to premium income was markedly different for group (13.1 percent) and individual (43.7 percent) business. The low loss ratio and high operating-expense ratio on individual policies primarily reflect the relatively high cost of selling such policies.

Insurance companies had a net underwriting loss for the year of \$232 million, the result of a net underwriting loss of \$287 million on group business (6.7 percent of premium income) and a gain of \$55 million on individual business (3.5

percent of premium income). The substantial underwriting loss on group business in line with the experience in preceding years, as shown later, is offset in slight degree by investment income from reserves.

Independent plans—with a total income (subscription and other) of \$692 million—expended 90.3 percent of their income in providing benefits, had operating expenses of 6.0 percent, and had a net income of 3.7 percent.

The differences in operating-expense ratios of the three types of organizations are shown more clearly by this comparison: to provide \$1 of benefits, it costs Blue Cross-Blue Shield plans 7.7 cents (6 cents for Blue Cross, 12 cents for Blue Shield); insurance companies spent 13.9 cents under group

TABLE 11.—Financial experience of private health insurance organizations, 1967

[Amounts in millions]

Type of plan	Total income	Subscription or premium income	Claims expense		Operating expense		Net underwriting gain		Net income	
			Amount	Percent of premium income	Amount	Percent of premium income	Amount	Percent of premium income	Amount	Percent of total income
Total.....	( <sup>1</sup> )	\$11,105.3	\$9,544.8	85.9	\$1,608.0	14.5	-\$47.4	-0.4	( <sup>1</sup> )	( <sup>1</sup> )
Blue Cross-Blue Shield.....	\$4,638.8	4,555.3	4,082.8	89.6	313.3	6.9	159.3	3.5	\$242.8	5.2
Blue Cross.....	3,287.1	3,230.0	2,963.1	91.7	175.4	5.4	92.4	2.9	149.5	4.5
Blue Shield.....	1,351.7	1,325.3	1,119.7	84.5	137.9	10.4	66.9	5.1	93.3	6.9
Insurance companies.....	( <sup>1</sup> )	5,858.0	4,837.0	82.6	1,253.0	21.4	-232.0	-4.0	( <sup>1</sup> )	( <sup>1</sup> )
Group.....	( <sup>1</sup> )	4,270.0	3,998.0	93.6	559.0	13.1	-287.0	-6.7	( <sup>1</sup> )	( <sup>1</sup> )
Individual.....	( <sup>1</sup> )	1,588.0	839.0	52.8	694.0	43.7	55.0	3.5	( <sup>1</sup> )	( <sup>1</sup> )
Independent plans.....	692.0	692.0	625.0	90.3	41.7	6.0	25.3	3.7	25.3	3.7
Community.....	275.0	275.0	252.0	91.6	19.0	6.9	4.0	1.5	4.0	1.5
Employer-employee-union.....	370.0	370.0	330.0	89.2	20.0	5.4	20.0	5.4	20.0	5.4
Private group clinic.....	15.0	15.0	13.0	86.7	.8	5.3	1.2	8.0	1.2	8.0
Dental society.....	32.0	32.0	30.0	93.8	1.9	6.0	.1	.3	.1	.3

<sup>1</sup> Data not available.

policies, and 82.7 cents under individual policies; independent plans used 6.7 cents. In such a comparison, account should be taken of the fact that insurance companies pay premium taxes from which the Blue Cross-Blue Shield plans and independent plans are largely exempt. On the other hand, the administrative expenses of these plans reflect the total cost of administration, but a large part of claims administration under many group policies of insurance companies is performed by the insured company or group and is not reflected in the insurance company's operating expenses.<sup>11</sup>

### Sources of Data

The financial data for the Blue Cross-Blue Shield plans were computed from individual financial statements for all plans submitted to the Office of Research and Statistics by the Blue Cross Association and the National Association of Blue Shield Plans. Duplication resulting from the fact that seven joint Blue Cross-Blue Shield plans report identical data to both national organizations has been eliminated. The figures for Blue Cross include data for Health Services, Inc., an insurance company wholly owned by the Blue Cross Association, and the figures for Blue Shield include data for Medical Indemnity of America, an insurance company wholly owned by the National Association of Blue Shield Plans.

The data for insurance companies on premium income and benefit expense are estimates made by HIAA for the Office of Research and Statistics. The division of group accident and health business between health care and wage loss is based on the Association's annual surveys of enrollment and premiums and benefits paid under group business. For individual business, the distribution is determined on the basis of benefits paid. The operating expenses are estimated by the Office of Research and Statistics on the basis of the operating-expense ratios for all group and all individual accident and health insurance business, as shown by the Spectator Company in its health insurance aggregates.<sup>12</sup>

<sup>11</sup> For data on health insurance premiums and benefit expenditures by region and State, see Louis S. Reed and Willine Carr, Research and Statistics Note No. 14, 1968, *op. cit.*

<sup>12</sup> Spectator Company, 1968 *Health Insurance Index*.

TABLE 12.—Percentage distribution of subscription or premium income, claims expense, and operating expense, for private health insurance organizations, 1967

Type of plan	Subscription income	Claims expense	Operating expense
Total.....	100.0	100.0	100.0
Blue Cross-Blue Shield.....	41.0	42.8	19.5
Blue Cross.....	29.1	31.0	10.9
Blue Shield.....	11.9	11.7	8.6
Insurance companies.....	52.7	50.7	77.9
Group.....	38.5	41.9	34.8
Individual.....	14.3	8.8	43.2
Independent plans.....	6.2	6.5	2.6
Community.....	2.5	2.6	1.2
Employer-employee-union.....	3.3	3.5	1.2
Private group clinic.....	.1	.1	( <sup>1</sup> )
Dental society.....	.3	.3	.1

<sup>1</sup> Less than 0.05 percent.

The data for independent plans are based on the survey by this office of all such plans in 1965 and surveys of the larger plans in subsequent years.

Of the total premium or subscription income of all health insurance organizations, 41 percent was received by Blue Cross-Blue Shield plans (29.1 percent by Blue Cross and 11.9 percent by Blue Shield); 52.7 percent by insurance companies (38.5 under group business and 14.3 under individual policies); and 6.2 percent by independent plans (table 12). The benefit expenditures of Blue Cross-Blue Shield constituted 43 percent of the total, those of insurance companies 51 percent, and those of independent plans 7 percent. The Blue Cross-Blue Shield share of the private health insurance market is larger in terms of these figures than in terms of enrollment.

### Benefit Expenditures and Type of Care

According to estimates shown in table 13, 64 percent of the total health insurance benefit expenditures of \$9.5 billion went for hospital care, 31 percent for physician service, and 5 percent for other types of care (out-of-hospital drugs, appliances, dental care, visiting-nurse service, private-duty nursing, and nursing-home care).

The Blue Cross-Blue Shield plans used 70 percent of their benefit expenditures for payments to hospitals, 27 percent for payments to physicians, and 3.0 percent for other types of care. Most of the expenditures for other types of care were under supplementary major medical or extended benefit contracts.

TABLE 13.—Benefit expenditures of private health insurance organizations, by type of service, 1967

[Amounts in millions]

Type of plan	Total benefit expense		Hospital care		Physician service		Other types of care	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Total.....	\$9,544.8	100.0	\$6,133.4	64.3	\$2,964.3	31.1	\$447.1	4.7
Blue Cross-Blue Shield.....	4,082.8	100.0	2,853.9	69.9	1,102.8	27.0	126.1	3.1
Blue Cross.....	2,963.1	100.0	2,791.2	94.2	68.2	2.3	103.7	3.5
Blue Shield.....	1,119.7	100.0	62.7	5.6	1,034.6	92.4	22.4	2.0
Insurance companies.....	4,837.0	100.0	3,036.0	62.8	1,545.0	31.9	256.0	5.3
Group.....	3,998.0	100.0	2,425.0	61.7	1,354.0	33.9	219.0	5.5
Individual.....	839.0	100.0	611.0	72.8	191.0	22.8	37.0	4.4
Independent plans.....	625.0	100.0	243.5	39.0	316.5	50.6	65.0	10.4
Community.....	252.0	100.0	72.0	28.6	176.0	69.8	4.0	1.6
Employer-employee-union.....	330.0	100.0	170.0	51.5	130.0	39.4	30.0	9.1
Private group clinic.....	13.0	100.0	1.5	11.5	10.5	80.8	1.0	7.7
Dental society.....	30.0	100.0					30.0	100.0

The insurance companies, according to HIAA estimates, used 63 percent of total expenditures for hospital care benefits, 32 percent for physician care, and 5 percent for other types of care. The \$219 million that was spent for benefits for the latter purpose under group insurance is made up of \$108 million for drugs, \$43 million for private-duty nursing, \$42 million for dental care, and \$26 million for other types of care. All the benefits came under supplementary or comprehensive major medical coverage, except the dental care benefits, which were under basic policies covering this type of care.

The independent plans used 39 percent of benefit expenditures for hospital care, 51 percent for physician service, and 10 percent for other types of care. Included in the latter were \$30 million for dental care benefits provided by the dental service corporations. Some dental care benefits are also provided by other types of independent plans.

### Benefit Expenditures Per Enrollee

Some numerical expression of the relative depth of coverage provided by the different carriers to their enrollees is provided in table 14. The Blue Cross-Blue Shield plans expended, on the average, \$42.27 in hospital care benefits for every person enrolled for this type of benefit. Insurance companies under group policies spent \$33.06 for hospital benefits for each person covered for hospital care. The analogous figure for individual policies was \$16.12 for each policyholder. The independent plans had estimated hospital benefit expenditures of \$34.54 per covered person.

With respect to benefit expenditures per person enrolled for physician services and expenditures for other types of care per person enrolled for physician service, the relatively large expenditures of the independent plans are to be noted, as well as the very low expenditures per policyholder under the individual policies of insurance companies. The sizable expenditure per enrollee of the independent plans reflects the fact that independent plans of the community type mainly provide comprehensive physician service. The figure is an overstatement to some degree, however, since the benefit expenditures include those for dental care, drugs, and the like for persons enrolled only for these benefits but not for physician services.

TABLE 14.—Benefit expenditures of private health insurance organizations per person enrolled for specified benefits, 1967

Type of plan	Hospital care	Physician service <sup>1</sup>
Blue Cross-Blue Shield.....	\$42.27	\$16.33
Insurance companies:		
Group policies.....	33.06	18.46
Individual policies.....	16.12	5.04
Independent plans.....	34.54	44.89

<sup>1</sup> Expenditures include those for other types of care.

### Trends in Financial Experience

The tremendous growth of private health insurance in this country in the past 20 years is shown in table 15. Total premiums or subscription charges in 1967 were 13 times what they were in 1948, Blue Cross-Blue Shield premiums were 13 times higher, insurance company group policy

TABLE 15.—Subscription or premium income and benefit expenditures of private health insurance organizations, 1948-67

[In millions]

Year	Total	Blue Cross-Blue Shield plans			Insurance companies			Independent plans
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	
Income								
1948.....	\$862.0	\$365.0	\$315.0	\$50.0	\$421.0	\$212.0	\$209.0	\$76.0
1950.....	1,291.5	574.0	436.7	137.3	605.0	353.0	272.0	112.5
1955.....	3,149.6	1,292.4	910.7	381.7	1,626.9	1,022.5	604.4	230.3
1960.....	5,841.0	2,482.1	1,773.0	709.1	3,027.0	2,104.0	923.0	331.9
1961.....	6,673.3	2,805.1	2,004.4	800.7	3,427.0	2,414.0	1,013.0	441.2
1962.....	7,411.1	3,118.6	2,212.8	905.8	3,810.0	2,708.0	1,102.0	482.5
1963.....	8,053.6	3,399.4	2,438.7	960.7	4,136.0	2,913.0	1,223.0	518.2
1964.....	8,983.6	3,785.1	2,697.6	1,087.5	4,652.0	3,297.0	1,355.0	546.5
1965.....	10,001.3	4,169.0	2,903.7	1,175.3	5,224.0	3,665.0	1,559.0	608.3
1966.....	10,564.1	4,327.8	3,085.9	1,241.9	5,595.0	3,987.0	1,608.0	641.3
1967.....	11,105.3	4,555.3	3,230.0	1,325.3	5,858.0	4,270.0	1,588.0	692.0
Benefit expenditures								
1948.....	\$606.0	\$308.0	\$269.0	\$39.0	\$228.0	\$148.0	\$80.0	\$70.0
1950.....	991.9	490.6	382.9	107.7	400.0	257.0	143.0	101.3
1955.....	2,535.7	1,146.7	832.2	314.5	1,179.0	858.0	321.0	210.0
1960.....	4,996.3	2,287.1	1,646.2	640.9	2,389.0	1,901.0	488.0	320.2
1961.....	5,965.4	2,585.4	1,867.1	718.3	2,706.0	2,170.0	536.0	404.0
1962.....	6,343.8	2,893.6	2,064.5	829.1	3,012.0	2,453.0	559.0	438.2
1963.....	6,979.3	3,179.5	2,317.3	862.2	3,332.0	2,671.0	661.0	467.8
1964.....	7,832.1	3,574.4	2,592.8	981.6	3,763.0	3,024.0	739.0	494.7
1965.....	8,728.9	3,912.9	2,853.4	1,059.5	4,265.0	3,413.0	852.0	551.0
1966.....	9,141.8	3,975.4	2,882.2	1,093.2	4,585.0	3,711.0	874.0	581.4
1967.....	9,544.8	4,082.8	2,963.1	1,119.7	4,837.0	3,998.0	839.0	625.0

premiums 20 times higher, and those for insurance company individual policies eight times more; premiums or income of independent plans were nine times the 1948 figure. All types of organizations have shared in this growth, but the growth of individual policy business has been least. In 1967 premium volume under individual policies declined from that of the year before—the first time that any element of private health insurance has failed to expand.

During the 20-year period the Blue Cross-Blue Shield plans have received a generally constant proportion—40-42 percent—of the total premium volume, with the share of Blue Cross plans diminishing and that of Blue Shield plans increasing (table 16). A continuing expansion of Blue Shield's share is to be anticipated as these plans get farther into the coverage of physician office and home care. The share of insurance companies in total premium volume has increased slightly over the period—from 49 percent in 1948 to 53 percent in 1967. The share of group business has expanded (25 to 39 percent), while the share of individual policy business has shrunk (24 to 14 percent). For independent plans, the share has declined slightly in the two decades.

Tables 17-20 provide historical data on the financial experience of Blue Cross and Blue Shield

plans and on the group and individual policy business of insurance companies.

Through 1965 Blue Cross plans tended each

TABLE 16.—Percentage distribution of subscription or premium income and benefit expenditures of private health insurance organizations, 1948-67

[In millions]

Year	Total	Blue Cross-Blue Shield plans			Insurance companies			Independent plans
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	
Income								
1948.....	100.0	42.3	36.5	5.8	48.8	24.6	24.2	8.8
1950.....	100.0	44.4	33.8	10.6	46.8	25.8	21.1	8.7
1955.....	100.0	41.0	28.9	12.1	51.7	32.5	19.2	7.3
1960.....	100.0	42.5	30.4	12.1	51.8	36.0	15.8	5.7
1961.....	100.0	42.0	30.0	12.0	51.4	36.2	15.2	6.6
1962.....	100.0	42.1	29.9	12.2	51.4	36.5	14.9	6.5
1963.....	100.0	42.2	30.3	11.9	51.4	36.2	15.2	6.4
1964.....	100.0	42.1	30.0	12.1	51.8	36.7	15.1	6.1
1965.....	100.0	41.7	29.9	11.8	52.2	36.6	15.6	6.1
1966.....	100.0	41.0	29.2	11.8	53.0	37.7	15.2	6.1
1967.....	100.0	41.0	29.1	11.9	52.7	38.5	14.3	6.2
Benefit expenditures								
1948.....	100.0	50.8	44.4	6.4	37.6	24.4	13.2	11.6
1950.....	100.0	49.5	38.6	10.9	40.3	25.9	14.4	10.2
1955.....	100.0	45.2	32.8	12.4	46.5	33.8	12.7	8.3
1960.....	100.0	45.8	32.9	12.8	47.8	38.0	9.8	6.4
1961.....	100.0	45.4	32.8	12.6	47.5	38.1	9.4	7.1
1962.....	100.0	45.6	32.5	13.1	47.5	38.7	8.8	6.9
1963.....	100.0	45.6	33.2	12.4	47.7	38.3	9.5	6.7
1964.....	100.0	45.6	33.1	12.5	48.0	38.6	9.4	6.3
1965.....	100.0	44.8	32.7	12.1	48.9	39.1	9.8	6.3
1966.....	100.0	43.5	31.5	12.0	50.2	40.6	9.6	6.4
1967.....	100.0	42.8	31.0	11.7	50.7	41.9	8.8	6.5



TABLE 17.—Financial experience of Blue Cross plans, 1950–67

[Amounts in thousands]

Year	Reserves	Earned subscription income	Total earned income	Claims expense	Operating expense	Total net income or loss	As percent of subscription income			Net income as percent of total income
							Claims expense	Operating expense	Underwriting gain or loss	
1950	\$116,531	\$433,770	\$436,984	\$383,331	\$36,281	\$17,371	88.4	8.4	3.3	4.0
1955	254,407	916,690	925,197	836,546	58,368	30,283	91.3	6.4	2.4	3.3
1960	363,253	1,783,172	1,802,789	1,654,951	90,821	57,017	92.8	5.1	2.1	3.2
1961	410,658	2,011,062	2,035,740	1,872,939	99,269	63,531	93.1	4.9	1.9	3.1
1962	454,626	2,230,747	2,257,523	2,103,084	107,204	47,235	94.3	4.8	.9	2.1
1963	492,872	2,467,195	2,497,377	2,343,231	115,228	38,918	95.0	4.7	.4	1.6
1964 <sup>1</sup>	511,112	2,731,380	2,766,829	2,624,302	124,969	17,558	96.1	4.6	-.7	.6
1965 <sup>1</sup>	561,906	3,031,470	3,074,551	2,887,187	134,559	52,805	95.2	4.5	.3	1.7
1966	649,633	3,121,111	3,168,187	2,912,733	154,132	101,322	93.3	4.9	1.7	3.2
1967	797,575	3,270,022	3,327,677	2,996,779	177,632	153,266	91.6	5.4	3.0	4.6

<sup>1</sup> Includes Puerto Rico.

Source: Data for 1950–65 from *The Blue Cross and Blue Shield Fact Book, 1966*; for 1966 and 1967, see Louis S. Reed and Willine Carr, "Enrollment and

Finances of Blue Cross and Blue Shield Plans, 1966," Research and Statistics Note No. 20, 1968. Data in all years exclude Health Services, Inc., and are not adjusted for duplication between Blue Cross and Blue Shield.

year to pay out a larger share of subscription income in benefits, use a smaller proportion for operating expenses, and have a lower ratio of net income (additions to reserves) to total income. (See table 17.) However, in both 1966 and 1967 the plans had a smaller claims expense ratio and a larger operating expense ratio than in the previous year. The reasons for this and a similar trend in Blue Shield plans have already been commented on. Due largely to Medicare, Blue Cross in 1967 had its most favorable financial experience (in terms of net income as a percent of total income) since 1954.

Blue Shield had a similar trend. In 1965, the last year before Medicare, all Blue Shield plans together had a claims expense ratio of 90.3, an operating expense ratio of 8.8 percent, and net income equal to 2.4 percent of total income. Except for 1964 and one other year the 1965 claims expense ratio was the highest in Blue Shield history; the 1965 operating expense ratio was the lowest in any year up to that time. In both 1966 and 1967 the benefit expense ratio declined and the operating expense ratio rose. The net income ratio in 1967 (7.2 percent) was the highest since 1955.

The financial experience of the insurance companies' group policy business since Medicare began shows no marked variation from the years before. The claims-expense ratio (ratio of claims to premium income) continued to increase and was the highest (93.6 percent) in the history of this series. The operating-expense ratio, which had reached its lowest level in 1965, increased in both 1966 and 1967. The net underwriting loss

continued its steady increase and amounted to \$287 million in 1967 or 6.7 percent of premium income.

Some of this underwriting loss is made up by income from investment of reserves but not all of it, by any means. The total unearned premium reserves of all insurance companies on all accident and health business—both group and individual—amounted at the end of 1967 to \$1.2 billion, and reserves for losses amounted to \$1.7 billion; together they totaled \$2.9 billion. Income from investment of these reserves, calculated at 5 percent, would yield no more than \$145 million before Federal income taxes. Since premiums on wage-loss (disability) insurance amounted in 1967 to 21 percent of total group accident and health insurance premiums, it seems likely that at least \$30 million of this investment income would be allocated to this side of the business, with only \$115 million for health care insurance. Some of the latter represents income from reserves under individual accident and health insurance business. Sizable subsidization of group health care coverage by the wage-loss and life insurance business seems indicated.

There has been little change in the past decade in the claims and operating expense ratios under individual policy health insurance. Policyholders continue to get back in benefits only a little more than half what they pay in premiums.

The distribution of income of the independent plans, by type of plan, is shown in table 21 for 1960–67. Since 1961 the share of the community plans in the total has increased and that of the employer-employee-union plans has declined.

TABLE 18.—Financial experience of Blue Shield plans, 1950–67

[Amounts in thousands]

Year	Reserves	Earned subscription income	Total earned income	Claims expense	Operating expense	Total net income or loss	As percent of subscription income			Net income as percent of total income
							Claims expense	Operating expense	Underwriting gain or loss	
1950.....	\$34,954	\$140,817	\$141,594	\$111,039	\$18,653	\$11,902	78.8	13.2	7.9	8.4
1955.....	164,705	399,781	404,294	331,068	43,610	29,616	82.8	10.9	6.3	7.3
1960.....	228,634	741,164	751,529	670,776	76,245	4,508	90.5	10.3	-.8	.6
1961.....	236,101	837,773	848,992	752,695	82,741	13,556	89.8	9.9	-.3	1.6
1962 <sup>1</sup> .....	266,536	974,086	985,373	868,816	91,136	25,421	89.2	9.4	1.5	2.6
1963.....	289,440	1,086,356	1,101,745	977,147	99,662	24,936	89.9	9.2	.9	2.3
1964 <sup>2</sup> .....	317,528	1,209,394	1,227,557	1,095,713	108,691	23,153	90.6	9.0	.4	1.9
1965 <sup>2</sup> .....	347,266	1,318,915	1,338,907	1,190,486	115,940	32,481	90.3	8.8	.9	2.4
1966.....	398,374	1,390,890	1,413,185	1,226,383	129,864	56,938	88.2	9.3	2.5	4.0
1967.....	509,094	1,489,640	1,519,309	1,261,650	148,750	108,909	84.7	10.0	5.3	7.2

<sup>1</sup> Includes Jamaica.

<sup>2</sup> Includes Puerto Rico but does not include Jamaica.

Source: See table 17.

Medical-society plans have been absorbed by Blue Shield plans, private group clinics have declined in relative importance in the total, and the dental-service corporations sponsored by dental societies are playing a greater role. Changes in financial experience of the various types of plans during this period are minor.

**Trends in Benefit Expenditures**

The trend toward broader health insurance coverage is clear from the data in table 22. In 1967, health insurance organizations spent more than \$400 million for benefits other than hospital care and physician services, or almost 5 percent of the total. The proportion going for these services is increasing but slowly. From 1950 to 1967, hospital care benefit expenditures as a proportion of the total declined slightly. The share of the total going for physician service has remained generally constant over the period, reflecting in some measure the broader coverage of this type of care.

**Proportion of Health Expenses Met**

For those who have insurance, one test of its value or effectiveness is the proportion of charges for covered services that it meets. Existing data on this point are less than satisfactory.

The Blue Cross Association does not have up-to-date figures on the proportion of hospital

charges met by the various plans. The proportion may vary widely among the different contracts of an individual plan and from one plan to another. The American Hospital Association's approval program for hospital service plans requires that "a plan shall cover on behalf of all member patients an average of not less than 75 percent of the total amount billed for usual and customary services rendered on an in-patient basis in multiple bed accommodations in contracting hospitals."

The proportion of physicians' charges for covered services met by Blue Shield plans also varies widely. The majority have service-benefit features under which participating physicians accept the plan's scheduled allowances as full payment for their services to subscribers with incomes under specified levels—frequently \$5,000

TABLE 19.—Financial experience under group health insurance policies of insurance companies, 1948–67

[Amounts in millions]

Year	Pre-mium income	Claims expense	Oper-ating expense	Net under-writing gain or loss	Percent of premium income		
					Claims expense	Oper-ating expense	Net gain or loss
1948.....	\$212	\$148	\$35	\$29	69.8	16.5	13.7
1950.....	333	257	52	24	77.2	15.7	7.1
1955.....	1,023	858	143	21	83.9	14.0	2.1
1960.....	2,104	1,901	276	-73	90.4	13.1	-3.5
1961.....	2,414	2,170	323	-80	89.9	13.4	-3.3
1962.....	2,708	2,453	352	-97	90.6	13.0	-3.6
1963.....	2,913	2,671	382	-140	91.7	13.1	-4.8
1964.....	3,297	3,024	425	-152	91.7	12.9	-4.6
1965.....	3,665	3,413	454	-203	93.1	12.4	-5.5
1966.....	3,987	3,711	510	-234	93.1	12.8	-5.9
1967.....	4,270	3,998	559	-287	93.6	13.1	-6.7

Source: For 1948–60 see Louis S. Reed and Willine Carr, "The Health Insurance Business of Insurance Companies, 1948–66," Research and Statistics Note No. 15, 1968; for 1967, see table 11.

TABLE 20.—Financial experience under individual health insurance policies of insurance companies, 1948-67

[Amounts in millions]

Year	Pre- mium income	Claims expense	Oper- ating expense	Net under- writing gain or loss	Percent of premium income		
					Claims expense	Oper- ating expense	Net gain or loss
1948	\$209	\$80	\$97	\$32	38.3	46.3	15.4
1950	272	143	120	9	52.6	44.0	3.4
1955	604	321	277	7	53.1	45.8	1.1
1960	923	488	427	8	52.9	46.3	.8
1961	1,013	536	471	6	52.9	46.5	.6
1962	1,102	559	508	35	50.7	46.1	3.2
1963	1,223	661	559	3	54.0	45.7	.3
1964	1,355	739	615	1	54.5	45.4	.1
1965	1,559	852	686	21	54.7	44.0	1.3
1966	1,608	874	695	39	54.4	43.2	2.4
1967	1,688	839	694	55	52.8	43.7	3.5

Source: For 1948-60 see Louis S. Reed and Willine Carr, "The Health Insurance Business of Insurance Companies, 1948-66," Research and Statistics Note No. 15, 1968; for 1967, see table 11.

to \$7,500 for a family, with physicians free to make extra charges to subscribers having incomes above this level. Under programs where physicians are paid their usual, customary and reasonable charges—a practice that a growing number of plans are adopting—the physician's charge to the subscriber is generally paid in full. No up-to-date figures are available for all the plans on the extent to which payments meet physicians' charges for covered services. (It should be understood that a plan might meet all or a very high proportion of physician charges for, say, surgery and in-hospital visits, but only a modest proportion of all charges for all physician services, simply because it does not cover charges for office and home visits.)

At a meeting of representatives of all plans in October 1968, the National Association of Blue Shield Plans amended its approval standards to require that "each active member plan shall make available a paid-in-full program based upon the usual, customary and reasonable charges of physicians."

The HIAA recently made a study of the extent to which, under group policies, insurance benefits meet charges incurred. The study was based on an analysis by 58 member companies of the Association (writing more than 70 percent of all group health insurance premiums in force) of sample claims—mainly all claims submitted on a single day.<sup>13</sup> The study reported that benefits paid or

<sup>13</sup> Health Insurance Association of America, *A Comparison of Group Medical Care Insurance Benefits to Charges*, June 1968.

payable reimbursed the charges incurred for covered services to the extent shown by the data that follow:

Type of expense	Percent reimbursed by benefits
All covered services	80.1
Hospital care	85.7
Surgery	77.0
Anesthetist	84.4
Diagnostic X-ray and laboratory	75.7
Doctor visits, in-hospital	70.4
Doctor visits, home and office	59.6
Private-duty nursing	72.8
Prescribed drugs	60.9
Other expenses	76.5

It should be understood that this percentage of reimbursement relates to services specifically covered by the insurance and that the study considered only expenses against which a claim was submitted. The data above might be consistent with a finding, for example, that for all policyholders only 5 percent, say, of drug expense was reimbursed, simply because a minority had any insurance covering drug cost, and for these the only covered drug costs were those which, together with charges for other covered services, exceeded a specified deductible.

Little can be said about the extent to which

TABLE 21.—Income of independent plans, by type of plan, 1960-67

Year	Total all plans	Com- munity	Em- ployer- em- ployee- union	Medical society	Private group clinics	Dental society
Amount (in millions)						
1960	\$324.9	\$129.3	\$181.9	\$2.5	\$11.2	-----
1961	433.9	147.6	252.9	18.9	11.1	\$3.4
1962	474.5	164.0	278.3	19.2	10.6	2.4
1963	509.7	180.0	290.0	20.3	13.0	6.4
1964	546.5	196.0	327.3	.7	11.5	10.9
1965	608.3	216.2	366.3	.7	12.1	13.0
1966	641.3	237.0	370.7	-----	13.6	20.0
1967	692.0	275.0	370.0	-----	15.0	32.0
Percentage distribution						
1960	100.0	39.8	56.0	.8	3.4	-----
1961	100.0	34.0	58.3	4.4	2.6	.8
1962	100.0	34.6	58.7	4.0	2.2	.5
1963	100.0	35.3	56.9	4.0	2.6	1.3
1964	100.0	35.9	59.9	.1	2.1	2.0
1965	100.0	35.5	60.2	.1	2.0	2.1
1966	100.0	37.0	57.8	-----	2.1	3.0
1967	100.0	39.7	53.5	-----	2.2	4.6

Source: For 1960-64, see Louis S. Reed, Arne H. Anderson, and Ruth S. Hanft, *Independent Health Insurance Plans in the United States, 1965 Survey*, Research Report No. 17, July 1966; for 1965, see Louis S. Reed and Kathleen Myers, *Independent Health Insurance Plans, 1965*, Research and Statistics Note No. 9, 1966; for 1966, see Louis S. Reed and Willine Carr, *Independent Health Insurance Plans, 1966*, Research and Statistics Note No. 15, 1967; for 1967, see Louis S. Reed and Willine Carr, *Independent Health Insurance Plans in 1967*, Research and Statistics Note No. 16, 1968.

TABLE 22.—Benefit expenditures of all private health insurance organizations, by type of care, 1950–67

Year	Total	Hospital care	Physician service	Other care
Amount (in millions)				
1950	\$992	\$680	\$312	( <sup>1</sup> )
1955	2,536	1,679	857	( <sup>1</sup> )
1960	4,996	3,304	1,593	\$99
1961	5,695	3,766	1,796	133
1962	6,344	4,197	1,992	155
1963	6,980	4,642	2,153	185
1964	7,832	5,187	2,427	218
1965	8,729	5,790	2,680	259
1966	9,142	5,993	2,831	318
1967	9,545	6,133	2,964	447
Percentage distribution				
1950	100.0	68.5	31.5	( <sup>1</sup> )
1955	100.0	66.2	33.8	( <sup>1</sup> )
1960	100.0	66.1	31.9	2.0
1961	100.0	66.1	31.5	2.3
1962	100.0	66.2	31.4	2.4
1963	100.0	66.5	30.8	2.7
1964	100.0	66.2	31.0	2.8
1965	100.0	66.3	30.7	3.0
1966	100.0	65.6	31.0	3.5
1967	100.0	64.3	31.1	4.7

<sup>1</sup> Included in physician service.

independent plans as a group meet charges for covered health services or provide in full certain types of health services to their subscribers or covered persons. Some of the community group practice plans, such as the Kaiser Plans, Health Insurance Plan of Greater New York, Group Health Association (Washington, D.C.), provide virtually all needed services of specified types to their subscribers. Other plans—such as some of the employer-employee-union type—provide only limited indemnity benefits which probably meet only a small proportion of charges incurred by covered persons.

#### Proportion of Consumer Expenditures Met by Insurance

For the population as a whole, the relationship of benefit expenditures by health insurance organization to private consumer expenditures for health services provides a useful indication of the importance of health insurance. The tabulation

below, which covers the period 1950–67, indicates that the extent to which health insurance covers total private consumer health costs (excluding costs met through public programs) is slowly increasing. Of all consumer medical care expenses (not including the net cost of obtaining health insurance) insurance met 33 percent in 1967–70 percent of hospital care expense, 36 percent of expenditures for physician services, but only 4 percent of expenditures for other types of care.<sup>14</sup>

Year	Total	Hospital care	Physicians' services	Other types of care
1950	12.1	34.6	12.0	( <sup>1</sup> )
1955	21.5	51.8	25.0	( <sup>1</sup> )
1960	27.7	63.7	30.0	1.3
1961	29.9	66.2	32.7	1.7
1962	30.9	68.2	33.0	1.9
1963	31.7	67.2	33.6	2.1
1964	31.5	68.1	32.2	2.3
1965	32.4	70.2	32.7	2.5
1966	32.0	67.6	33.8	2.8
1967	33.1	70.1	36.2	3.8

<sup>1</sup> Included in physician services.

Such a presentation slightly understates the degree to which health insurance meets health care expenses that potentially might be covered by health insurance. Consumer health care expenditures include, for example, the differential expenditures for private hospital rooms compared with semiprivate accommodations. Also included are nonprescribed drugs, various drug sundries, and expenditures for sunglasses purchased for cosmetic rather than health purposes. If these items were deducted, the proportion of health care expenditures met by insurance might be increased by perhaps three or four percentage points.

Because of the expansion of government health programs—primarily Medicare and Medicaid—the proportion of all personal health care expenditures met by private health insurance has declined from 25 percent in 1965 to 22 percent in 1967.

<sup>14</sup> For 1961–64, see Dorothy P. Rice and Barbara S. Cooper, "National Health Expenditures, 1950–66," *Social Security Bulletin*, April 1968. For other years see Dorothy P. Rice and Barbara S. Cooper, "National Health Expenditures, 1960–67," *Social Security Bulletin*, January 1969.