

National Health Expenditures, 1929-68

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This article departs slightly from previous ones in the annual series on national health expenditures. Data were formerly presented for calendar years beginning with 1950. This year the article presents historical data back to 1929, on both a fiscal-year and calendar-year basis. Detailed fiscal-year data by source of funds and type of program are reported regularly in the annual report on social welfare expenditures in the December Bulletin.¹ Summary highlights are presented here for the fiscal year 1969. As in past years, however, much of the discussion and tabular data will focus on developments in the calendar year 1968.

EXPENDITURES FOR HEALTH and medical care continued to increase at a rapid rate, reaching \$60.3 billion in the fiscal year that ended June 30, 1969. Public outlays for health continued to increase faster than private expenditures except in the area of medical research.

Summary highlights for the fiscal year 1969 reveal that

—the Nation's spending for health reached \$60.3 billion and accounted for 6.7 percent of the gross national product

—total outlays rose \$6.4 billion, or 12 percent in one year. Public outlays continued to grow, increasing nearly 15 percent and reaching \$22.6 billion. Private spending, amounting to \$37.7 billion, increased 10 percent since the previous year

—intensified public health spending in the past 3 years has brought the private share down to 11 percentage points to 63 percent

—increases in spending were reported for all public programs except medical research, which registered a \$66 million decline from the previous year, the first for this type of expenditure

—under Medicare, the largest single Government program related to health, outlays reached \$6.6 billion or 44 percent of all Federal health outlays in fiscal 1969. Public assistance, primarily Medicaid, is the second largest Government health program, with expenditures now totaling \$4.4 billion. Together these programs finance 55 percent of the Government's bill (Federal, State, and local) for health services and supplies

—health spending per person amounted to \$294 a year (\$184 from private sources and \$110 from public funds)

Calendar year 1968 saw the following developments

—total spending for health amounted to \$57.1 billion and \$49.9 billion of this total represented personal health care outlays

—nearly three-fifths of personal health care expenditures were met by third parties (Government, private health insurance, philanthropy, and industry), with the Government responsible for 59 percent of the third-party bill

—hospital care continued to be the fastest growing item of expenditure, increasing 15 percent in a single year and reaching a total of \$20.8 billion in 1968

—expenditures for physicians' services also showed a considerable gain in 1968, rising 12 percent to a total of \$11.6 billion

—consumer expenditures for personal health care amounted to \$31.7 billion, of which \$11.3 billion or 36 percent were met through private health insurance payments. For hospital care, the proportion of consumer outlays met by private insurance was considerably higher (74 percent).

EXPENDITURES IN 1968

The medical care dollar today is a large one. The total outlay amounted to \$57.1 billion in calendar year 1968 and to \$60.3 billion in the fiscal year ending June 30, 1969. Per capita expenditures reached \$280 in January-December 1968 and \$294 in fiscal year 1969. Table 1 presents historical aggregate and per capita data for selected years beginning with 1929 on both a fiscal-year and calendar-year basis.

Source of Funds

The private share of the medical care dollar

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¹ Alfred M. Skolnik and Sophie R. Dales, "Social Welfare Expenditures, 1968-69," *Social Security Bulletin*, December 1969. See also Barbara S. Cooper, *National Health Expenditures, Fiscal Years 1929-69 and Calendar Years 1929-68*, Office of Research and Statistics, Research and Statistics Note No. 18, November 7, 1969.

TABLE 1.—Aggregate and per capita national health expenditures, by source of funds and percent of gross national product, selected years, fiscal 1928–29 through 1968–69 and calendar 1929–68

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
Fiscal year:										
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	2,900	22.46	4.2	2,357	18.25	81.3	543	4.21	18.7
1939–40	95.1	3,805	28.39	4.0	3,023	22.56	79.5	782	5.84	20.5
1944–45	211.1	7,914	55.73	3.7	5,335	37.57	67.4	2,580	18.17	32.6
1949–50	263.4	12,130	79.01	4.6	9,064	59.04	74.7	3,065	19.97	25.3
1954–55	379.7	17,924	107.32	4.7	13,503	80.85	75.3	4,421	26.47	24.7
1959–60	495.6	26,367	144.93	5.3	19,972	109.78	75.7	6,395	35.15	24.3
1960–61	506.5	28,031	151.59	5.5	20,972	113.41	74.8	7,059	38.17	25.2
1961–62	541.7	30,187	160.59	5.6	22,550	119.96	74.7	7,638	40.63	25.3
1962–63	574.5	32,581	170.70	5.7	24,276	127.19	74.5	8,305	43.51	25.5
1963–64	611.6	35,648	184.09	5.8	26,677	137.76	74.8	8,971	46.33	25.2
1964–65	655.6	38,912	198.20	5.9	29,366	149.58	75.5	9,546	48.62	24.5
1965–66	718.5	42,286	212.74	5.9	31,464	158.29	74.4	10,822	54.45	25.6
1966–67	771.1	48,193	239.67	6.2	32,315	160.71	67.1	15,878	78.96	32.9
1967–68	827.6	53,869	265.04	6.5	34,158	168.06	63.4	19,711	96.98	36.6
1968–69	900.6	60,312	293.78	6.7	37,701	183.64	62.5	22,611	110.14	37.5
Calendar year:										
1929	103.1	3,644	29.45	3.5	3,149	25.45	86.4	495	4.00	13.6
1935	72.2	2,935	22.65	4.1	2,372	18.30	80.8	563	4.34	19.2
1940	99.7	3,956	29.39	4.0	3,145	23.37	79.5	811	6.03	20.5
1950	284.8	12,867	83.19	4.5	9,289	60.05	72.2	3,578	23.13	27.8
1955	398.0	18,036	107.11	4.5	13,398	79.57	74.3	4,638	27.54	25.7
1960	503.7	26,973	147.20	5.4	20,339	110.99	75.4	6,637	36.22	24.6
1961	520.1	28,887	155.00	5.6	21,611	115.96	74.8	7,278	39.05	25.2
1962	560.3	31,404	165.88	5.6	23,480	124.02	74.8	7,924	41.85	25.2
1963	590.5	33,629	175.01	5.7	25,071	130.47	74.6	8,558	44.54	25.4
1964	632.4	37,549	192.63	5.9	28,283	145.10	75.3	9,266	47.54	24.7
1965	684.9	40,591	205.55	5.9	30,517	154.54	75.2	10,075	51.02	24.8
1966	749.9	45,114	225.75	6.0	32,361	161.93	71.7	12,753	63.82	28.3
1967	793.5	50,985	252.03	6.4	32,931	162.94	64.7	18,004	89.09	35.3
1968	865.7	57,103	279.68	6.6	35,913	175.89	62.9	21,192	103.79	37.1

has always been by far the larger, but in recent years, with the addition of the new public programs of Medicare and Medicaid, a shift to more public financing has occurred. In 1965 (pre-Medicare and pre-Medicaid), the public share was 25 percent. By 1968, the Government's share was 37 percent (chart 1).

The rise in the Government's share of health expenditures can be readily understood in light of the fact that Government spending for medical care has more than doubled in 3 years, rising from \$10.1 billion in 1965 to \$21.2 billion in 1968. Much of this growth was the result of the Medicare and Medicaid programs. Medicare expenditures alone amounted to \$6 billion in 1968. The vendor medical program of public assistance (primarily Medicaid) paid out \$4 billion in 1968 but only \$1.5 billion in 1965. As 1968 ended, 38 States, the District of Columbia, and three jurisdictions had implemented Medicaid programs.

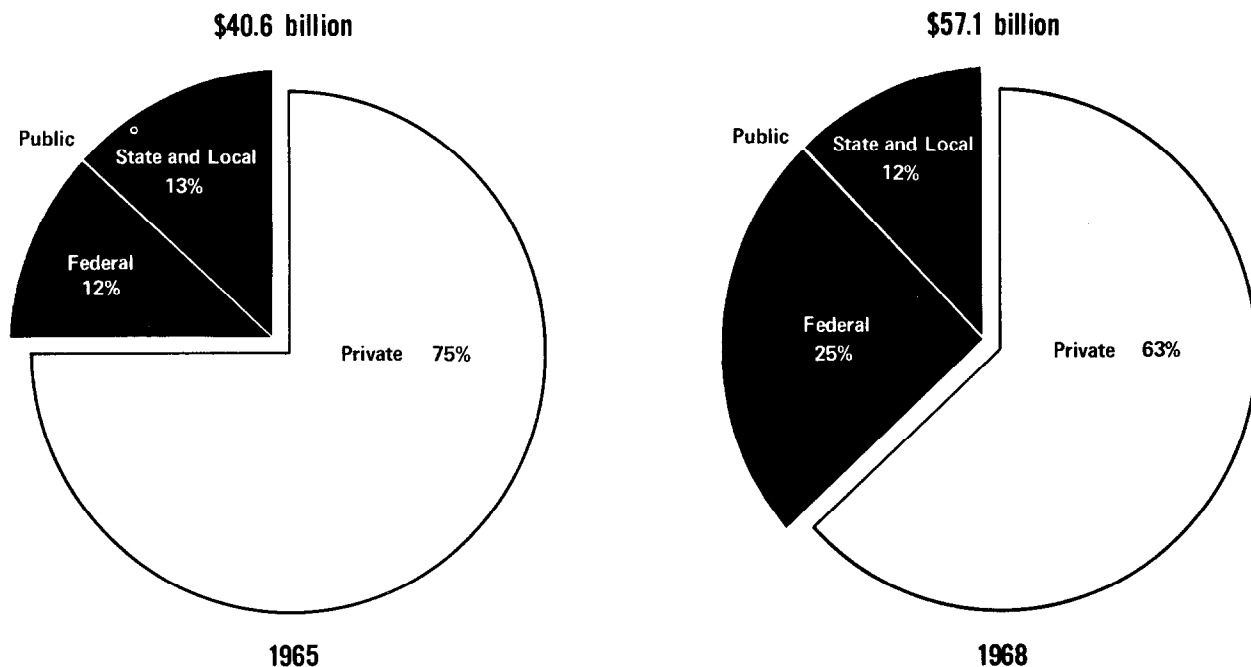
Other programs contributing to the increase in public expenditures since 1965 include those of the Department of Defense, adding \$685

million; the Veterans Administration programs, adding \$277 million; and other service programs—such as maternal and child health services, medical vocational rehabilitation, health and medical care programs of the Office of Economic Opportunity, and State and local government hospital care—added a total of \$1.2 billion.

The \$2 billion growth in State and local expenditures—from \$5 billion in 1965 to \$7 billion in 1968—is largely due to the Federal-State Medicaid program. Public assistance vendor payments by State and local governments amounted to \$2 billion in 1968; 3 years earlier these outlays amounted to about \$850 million. Nevertheless, this growth in State and local expenditures for health care does not offset the substantial growth in Federal outlays, mainly because Medicare is entirely a Federal program. Thus, the Federal share of total public outlays has risen from about half the total to two-thirds in the 3-year period 1965–68.

Public outlays for health care in 1968 increased nearly 18 percent—a relatively large increase in

CHART 1.—Distribution of national health expenditures by source of funds, 1965 and 1968



a single year—but at a considerably slower pace than the growth in the previous year when they increased 41 percent or two and one-third times faster (table 2). Private expenditures had risen less than 2 percent from 1966 to 1967 but resumed their climb the following year, going up about 9 percent.

Most private expenditures represent payments made by private consumers or by private insurers in their behalf. These consumer expenditures amounted to \$33.2 billion in 1968, an increase of \$2.8 billion or 9 percent more than the total in the previous year.

The remaining private expenditures are of two major types—private philanthropy and other expenditures that represent amounts spent by industry for maintenance of in-plant health services (classified under “other health services”) and expenditures made from capital funds for expansion, renovation, or new construction of medical facilities. These “other” private expenditures amounted to \$2.7 billion in 1968.

Private and public outlays for health differ considerably in the services they buy (chart 2). Of the \$35.9 billion spent in 1968 from private sources, nearly a third was for hospital care; of the \$21.2 billion from public funds, half was for hospital care. Similarly, nursing-home care com-

prised less than 2 percent of private expenditures and 8 percent of the public outlays. The proportions for medical research were also smaller in the private sector; they were less than 1 percent compared with 7 percent for those in the non-private sector.

On the other hand, 16 percent of the private medical care dollar was spent for drugs, but only 1 percent of the public medical care dollar went for this purpose. Thirty-eight percent of the private health dollar purchased services of health professionals—doctors, dentists, nurses, and other medical professional personnel; only 14 percent of public funds were spent for these services.

Type of Expenditure

The largest single item of expenditure—representing 36 percent of total outlays—was for hospital care, including both inpatient and outpatient services. Of the \$20.8 billion used for this purpose in 1968, consumers contributed 48 percent, the Federal Government 32 percent, and State and local governments 19 percent; philanthropy provided the remaining 1 percent. In

TABLE 2.—National health expenditures, by type of expenditure and source of funds, calendar years, 1966–68

[In millions]

Type of expenditure	Total	Source of funds					
		Private			Public		
		Total	Consumers	Other ¹	Total	Federal	State and local
1968							
Total.....	\$57,103	\$35,913	\$33,209	\$2,704	\$21,192	\$14,095	\$7,096
Health services and supplies.....	53,078	34,361	33,209	1,152	18,720	12,175	6,545
Hospital care.....	20,751	10,256	9,916	340	10,496	6,607	3,889
Federal facilities.....	2,151	305	305	—	1,846	1,820	26
State and local facilities.....	6,039	2,128	2,128	—	3,911	782	3,128
Nongovernmental facilities.....	12,562	7,823	7,483	340	4,739	4,005	735
Physicians' services.....	11,562	9,050	9,040	10	2,512	1,779	733
Dentists' services.....	3,612	3,374	3,374	—	238	121	117
Other professional services.....	1,342	1,191	1,166	25	151	104	48
Drugs and drug sundries ²	6,149	5,851	5,851	—	299	143	155
Eyeglasses and appliances.....	1,718	1,671	1,671	—	47	25	22
Nursing-home care.....	2,282	660	640	20	1,622	996	626
Expenses for prepayment and administration.....	1,847	1,551	1,551	—	296	296	—
Government public health activities.....	969	—	—	—	969	489	480
Other health services.....	2,846	757	—	757	2,089	1,615	474
Research and medical-facilities construction.....	4,025	1,552	—	1,552	2,472	1,920	551
Research ²	1,765	182	—	182	1,582	1,511	71
Construction.....	2,260	1,370	—	1,370	890	409	480
Publicly owned facilities.....	694	—	—	—	694	225	468
Privately owned facilities.....	1,566	1,370	—	1,370	196	184	12
Total per capita ³	\$279.68	\$175.89	\$162.65	\$13.24	\$103.79	\$69.03	\$34.75
1967							
Total.....	\$50,935	\$32,931	\$30,447	\$2,484	\$18,004	\$11,831	\$6,174
Health services and supplies.....	47,229	31,527	30,447	1,080	15,702	10,020	5,682
Hospital care.....	18,029	8,952	8,612	340	9,078	5,557	3,520
Federal facilities.....	1,914	198	198	—	1,716	1,693	23
State and local facilities.....	5,230	1,682	1,682	—	3,548	634	2,914
Nongovernmental facilities.....	10,885	7,072	6,732	340	3,814	3,231	583
Physicians' services.....	10,287	8,312	8,302	10	1,975	1,389	586
Dentists' services.....	3,360	3,235	3,235	—	125	70	56
Other professional services.....	1,228	1,119	1,094	25	109	71	37
Drugs and drug sundries ²	5,674	5,440	5,440	—	233	121	112
Eyeglasses and appliances.....	1,598	1,558	1,558	—	40	20	20
Nursing-home care.....	1,858	666	646	20	1,192	775	418
Expenses for prepayment and administration.....	1,762	1,560	1,560	—	202	202	—
Government public health activities.....	950	—	—	—	950	400	550
Other health services.....	2,483	685	—	685	1,798	1,416	382
Research and medical-facilities construction.....	3,706	1,404	—	1,404	2,302	1,811	492
Research ²	1,700	178	—	178	1,522	1,455	67
Construction.....	2,006	1,226	—	1,226	780	356	425
Publicly owned facilities.....	634	—	—	—	634	222	413
Privately owned facilities.....	1,372	1,226	—	1,226	146	134	12
Total per capita ³	\$252.03	\$162.94	\$150.65	\$12.29	\$89.08	\$58.54	\$30.55
1966							
Total.....	\$45,114	\$32,361	\$29,938	\$2,423	\$12,753	\$7,024	\$5,728
Health services and supplies.....	41,580	30,962	29,938	1,024	10,618	5,315	5,303
Hospital care.....	15,485	9,225	8,890	335	6,259	2,937	3,322
Federal facilities.....	1,714	122	122	—	1,592	1,572	20
State and local facilities.....	4,551	1,484	1,484	—	3,067	286	2,781
Nongovernmental facilities.....	9,220	7,619	7,284	335	1,600	1,080	521
Physicians' services.....	9,156	8,371	8,362	9	785	283	502
Dentists' services.....	2,964	2,907	2,907	—	57	28	28
Other professional services.....	1,123	1,070	1,046	24	53	21	32
Drugs and drug sundries ²	5,309	5,120	5,120	—	189	86	104
Eyeglasses and appliances.....	1,413	1,380	1,380	—	34	15	18
Nursing-home care.....	1,526	835	811	24	692	336	356
Expenses for prepayment and administration.....	1,621	1,422	1,422	—	199	199	—
Government public health activities.....	885	—	—	—	885	301	584
Other health services.....	2,098	632	—	632	1,466	1,110	356
Research and medical-facilities construction.....	3,534	1,399	—	1,399	2,135	1,709	425
Research ²	1,574	172	—	172	1,402	1,339	63
Construction.....	1,960	1,227	—	1,227	733	370	362
Publicly owned facilities.....	511	—	—	—	511	159	351
Privately owned facilities.....	1,449	1,227	—	1,227	222	211	11
Total per capita ³	\$225.75	\$161.93	\$149.81	\$12.12	\$63.81	\$35.15	\$28.66

¹ Includes expenditures for philanthropic purposes, industrial in-plant health services, and those from capital funds for construction.

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

³ Based on July 1 data from the Bureau of the Census for total U.S. population (including Armed Forces and Federal civilian employees overseas and the civilian population of outlying areas): 199,843,000 in 1966, 202,099,000 in 1967, and 204,173,000 in 1968.

1965, the consumer share was considerably larger (61 percent) and the Federal share proportionately less (14 percent).

The sources of financing vary with hospital ownership (table 3). Federal facilities, which include those maintained by the Department of Defense, the Veterans Administration, and the U.S. Public Health Service, are almost exclusively supported by the Federal Government. State and local governments financed 52 percent of the expenditures in their own hospitals, consumers furnished an additional 35 percent in these hospitals, and the Federal Government provided the remaining 13 percent. Voluntary and proprietary nongovernment hospitals received \$7.5 billion or 60 percent of their income from private consumers. In 1965, consumers had provided 87 percent of the expenditures in these hospitals. Largely as a result of Medicare, government has now taken over some of the consumer spending for hospital care.

The second largest category of expenditure was for physicians' services, which amounted to \$11.6 billion in 1968, or 20 percent of the total. Almost four-fifths of these expenditures came from private sources and, for the most part, were paid by or in behalf of consumers. In 1965, consumers directly or through private insurance were

the source of 94 percent of the outlays for physicians' services.

Dentists' services (\$3.6 billion), other professional services (\$1.3 billion), drugs and drug sundries (\$6.1 billion), and eyeglasses and appliances (\$1.7 billion) were almost entirely financed by private funds, chiefly by the consumer.

The financing of nursing-home care is different. Additional outlays under Medicaid for this purpose, Medicare's entry into the extended-care field on January 1, 1967, and the intensification of the Veterans Administration's nursing-home program have shifted some of the funding of such care from the consumer to the Government. In 1968, \$1.6 billion or 71 percent of the \$2.3 billion spent for nursing-home care was provided by government, chiefly through Federal funds. In 1965, the Government share had been only 38 percent.

The category "expenses for prepayment and administration," amounting to \$1.8 billion in 1968, consists of two types of expenditures—prepayment expenses and administrative expenses. The former, paid for by consumers, is the difference between subscription charges (or private health insurance premiums) and the claim (or benefit) expenditures. This category is often referred to as the net cost of insurance. The

CHART 2.—Distribution of private and public health expenditures, by type of expenditure, 1968

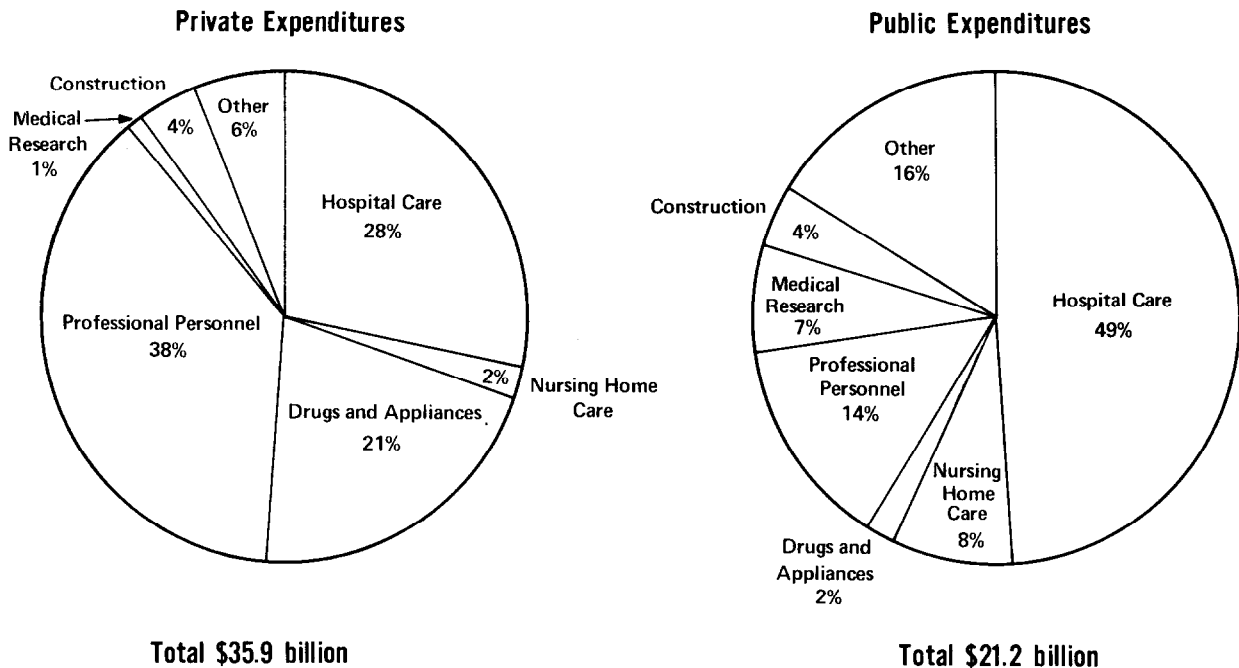


TABLE 3.—Expenditures for hospital care, by type of hospital and source of funds, 1968

Source of funds	[In millions]		
	All hospitals	Type of hospital	
		General and other special ¹	Psychiatric
All hospitals			
Total.....	\$20,751.3	\$18,056.6	\$2,694.7
Consumers.....	9,915.9	9,615.4	300.5
Public.....	10,495.4	8,101.2	2,394.2
Federal.....	6,606.8	6,096.1	510.7
State and local.....	3,888.6	2,005.1	1,883.5
Philanthropy.....	340.0	340.0	
Federal hospitals			
Total.....	\$2,150.7	\$1,785.3	\$365.4
Consumers.....	305.2	305.2	
Public.....	1,845.5	1,480.1	365.4
Federal.....	1,819.8	1,480.1	339.7
State and local.....	25.7		25.7
State and local government hospitals			
Total.....	\$6,038.7	\$3,905.9	\$2,132.8
Consumers.....	2,128.1	2,023.1	105.0
Public.....	3,910.6	1,882.8	2,027.8
Federal.....	782.4	612.4	170.0
State and local.....	3,128.2	1,270.4	1,857.8
Nongovernmental hospitals			
Total.....	\$12,561.9	\$12,365.4	\$196.5
Consumers.....	7,482.6	7,287.1	195.5
Public.....	4,739.3	4,738.3	1.0
Federal.....	4,004.6	4,003.6	1.0
State and local.....	734.7	734.7	
Philanthropy.....	340.0	340.0	

¹ Includes TB hospitals formerly reported separately.

\$1.6 billion spent for this purpose in 1968 was about the same amount as the total in the previous year, reflecting the underwriting losses of private health insurance organizations. There was, however, a substantial increase (18 percent) in private insurance benefit payments during the same period.²

Administrative expenses are the expenses of federally financed health programs for which the cost of administration can be identified. The largest administrative expenses (\$282 million out of the total \$296 million) are those under Medicare. Other expenses include those of the Veterans Administration and those for maternal and child health programs.

Medical research expenditures, amounting to

² For more detailed data, see Louis S. Reed, "Private Health Insurance, 1968: Enrollment, Coverage, and Financial Experience," *Social Security Bulletin*, December 1969.

about \$1.8 billion in 1968, were substantially the same as outlays for this purpose in the previous year. The later data for fiscal year 1969 show declines for this category of expenditure—the first in the history of the series—reflecting the reductions in expenditures by the National Institutes of Health.

Nine-tenths of the outlays for medical research were provided by government, chiefly from Federal sources, and one-tenth came from philanthropy. These research figures do not include research expenditures of \$668 million made by pharmaceutical, medical-supply, and medical electronic industries, since they are considered a business expense that is attached to the cost of the products and already accounted for.

Expenditures for medical-facility construction rose 13 percent from 1967, reaching almost \$2.3 billion in 1968. Almost four-fifths of the \$254 million increase in construction outlays were for privately owned facilities.

Health Expenditures Under Public Programs

Expenditures for health services and supplies under government programs amounted to \$18.7 billion in 1968. Federal funds supplied \$12.2 billion of the total, and \$6.5 billion came from State and local sources.

Table 4 lists each of the government programs with health expenditures and distributes these amounts for 1966–68 by type of expenditure. The government programs are the same as those currently reported in the health expenditure table in the annual BULLETIN article on social welfare expenditure.³ The calendar-year totals shown here for each program represent averages of the fiscal-year figures reported in the social welfare series, except that actual calendar-year data are available for a few programs.

As previously noted, public expenditures for health services increased substantially in 1968—a total of \$3 billion, or 19 percent more than the \$15.7 billion spent the previous year. Medicare and Medicaid were responsible for four-

³ Alfred M. Skolnik and Sophie R. Dales, *op. cit.* See also Ida C. Merriam and Alfred M. Skolnik, *Social Welfare Expenditures Under Public Programs in the United States, 1929–66* (Research Report No. 25), Office of Research and Statistics, Social Security Administration, 1968.

fifths of the total increase. Each program spent \$1.2 billion more in 1968 than in the previous year. In relative terms, Medicaid outlays climbed faster (42 percent) than those of Medicare (26 percent).

Medicare and Medicaid are by far the two largest public programs supporting health care services and supplies, amounting to \$6 billion and \$4 billion, respectively, in 1968. As expected, Medicare—all federally financed—is the largest Federal program. Included in the \$6 billion expenditures under Medicare are hospital and medical benefit payments and the administrative program costs. Premium payments under the supplementary medical insurance part of the program are considered expenditures under a public

program even though consumers pay the premiums, with matching contributions from general revenues.

The State and local program with the largest 1968 outlay was general hospital and medical care, mainly in mental hospitals, with \$2.8 billion. State and local governments spent another \$2 billion under their public assistance programs, mainly Medicaid. These two programs alone furnished 73 percent of State and local expenditures for health.

The type of expenditure receiving the largest public support was hospital care, which received 56 percent of all public outlays for health services and supplies. The proportion of support going to hospitals varies, however, among the

TABLE 4.—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, 1966-68

[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	\$18,719.7	\$10,495.5	\$2,512.4	\$238.2	\$151.2	\$298.6	\$47.3	\$1,622.3	\$969.0	\$2,089.2	\$296.0
Health insurance for the aged	15,978.9	3,844.8	1,386.4		64.9			351.0		50.1	281.7
Temporary disability insurance (medical benefits)	55.3	41.0	12.8		.7	.4	.4				
Workmen's compensation (medical benefits)	807.5	282.6	468.4		24.2	16.2	16.2				
Public assistance (vendor medical payments)	4,026.5	1,520.5	460.2	225.9	36.2	270.9		1,234.4		278.3	
General hospital and medical care	2,961.1	2,936.5	4.3	.7	.8	.8				18.0	
Defense Department hospital and medical care (including military dependents)	1,707.2	639.7	79.5							988.0	
Maternal and child health services	359.6	53.2	31.2	8.0	24.4	7.6	9.7			223.2	2.2
School health	197.2									197.2	
Other public health activities	969.0								969.0		
Veterans' hospital and medical care	1,425.1	1,133.6	11.2	3.6		2.7	9.6	36.9		215.4	12.1
Medical vocational rehabilitation	113.3	43.6	58.4				11.4				
Office of Economic Opportunity	119.0									119.0	
Federal	12,175.1	6,606.8	1,779.1	121.3	103.8	143.2	24.6	996.5	488.7	1,614.9	296.0
Health insurance for the aged	15,978.9	3,844.8	1,386.4		64.9			351.0		50.1	281.7
Workmen's compensation (medical benefits)	16.2	10.4	4.0		1.0	.3	.3				
Public assistance (vendor medical payments)	1,985.1	749.6	226.9	111.4	17.8	133.6		608.6		137.2	
General hospital and medical care	193.6	169.0	4.3	.7	.8	.8				18.0	
Defense Department hospital and medical care (including military dependents)	1,707.2	639.7	79.5							988.0	
Maternal and child health services	176.3	27.0	23.0	5.6	19.3	5.8	6.2			87.2	2.2
Other public health activities	488.7								488.7		
Veterans' hospital and medical care	1,425.1	1,133.6	11.2	3.6		2.7	9.6	36.9		215.4	12.1
Medical vocational rehabilitation	85.0	32.7	43.8				8.5				
Office of Economic Opportunity	119.0									119.0	
State and local	6,544.6	3,888.7	733.4	117.0	47.5	155.3	22.5	625.8	480.2	474.2	
Temporary disability insurance	55.3	41.0	12.8		.7	.4	.4				
Workmen's compensation (medical benefits)	791.4	272.2	464.4		23.3	15.8	15.8				
Public assistance (vendor medical payments)	2,041.4	770.9	233.3	114.5	18.4	137.3		625.8		141.1	
General hospital and medical care	2,767.5	2,767.5									
Maternal and child health services	183.3	26.2	8.3	2.5	5.1	1.8	3.5			135.9	
School health	197.2									197.2	
Other public health activities	480.2								480.2		
Medical vocational rehabilitation	28.3	10.9	14.6				2.8				

See footnote at end of table.

public programs. In 1968, hospital expenditures accounted for nearly all expenditures under general hospital and medical care, 64 percent of expenditures under Medicare, and 80 percent of those under the Veterans Administration programs. On the other hand, hospital care expenditures represented only 15 percent of outlays for maternal and child health.

For physicians' services, the second largest public outlay for health, the distribution also varies among the programs. The workmen's compensation program devoted 58 percent of its health outlay to physicians' services. Medicare spent 23 percent for physicians' services, and the Veterans Administration less than 1 percent. It should be noted that part of the expenditures by

the Veterans Administration, as well as those by the Department of Defense, for physicians' services are included as part of hospital care expenditures (see Definitions, page 17).

Eyeglasses and appliances were 10 percent of vocational rehabilitation outlays and did not even appear as an identifiable category in expenditures under public assistance and Department of Defense programs.

HISTORICAL DATA

Trends in Health Expenditures

For the first time in this annual series on health expenditures, the data presented by type

TABLE 4.—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, 1966-68—Continued

[In millions]

Program and source of funds	Total	Hospital care	Physicians' services	Dentists' services	Other professional services	Drugs and drug sundries	Eyeglasses and appliances	Nursing-home care	Government public health activities	Other health services	Administration
	1967										
Total.....	\$15,701.7	\$9,077.5	\$1,974.6	\$125.4	\$108.9	\$233.3	\$39.8	\$1,192.2	\$950.2	\$1,798.3	\$201.4
Health insurance for the aged.....	1,736.8	3,102.0	1,124.7		42.6			254.8		25.1	187.5
Temporary disability insurance (medical benefits).....	53.4	39.9	12.1		.6	.4	.4				
Workmen's compensation (medical benefits).....	730.0	255.5	423.4		21.9	14.6	14.6				
Public assistance (vendor medical payments).....	2,826.3	1,127.7	296.5	117.1	24.2	208.5		907.7		144.6	
General hospital and medical care.....	2,858.5	2,837.3	3.8	.7	.6	.6				15.5	
Defense Department hospital and medical care (including military dependents).....	1,540.0	554.2	36.8							949.0	
Maternal and child health services.....	323.4	47.5	26.0	5.8	19.0	6.4	7.6			209.2	1.9
School health.....	184.2									184.2	
Other public health activities.....	950.2								950.2		
Veterans' hospital and medical care.....	1,310.9	1,078.7	10.2	1.8		2.8	8.3	29.7		167.4	12.0
Medical vocational rehabilitation.....	84.7	34.7	41.1				8.9				
Office of Economic Opportunity.....	103.3									103.3	
Federal.....	10,020.1	5,557.1	1,388.6	69.7	71.3	121.1	19.8	774.7	399.8	1,416.4	201.4
Health insurance for the aged.....	1,736.8	3,102.0	1,124.7		42.6			254.8		25.1	187.5
Workmen's compensation (medical benefits).....	14.6	9.4	3.6		.8	.3	.3				
Public assistance (vendor medical payments).....	1,526.2	609.0	160.1	63.2	13.1	112.6		490.2		78.1	
General hospital and medical care.....	175.2	154.0	3.8	.7	.6	.6				15.5	
Defense Department hospital and medical care (including military dependents).....	1,540.0	554.2	36.8							949.0	
Maternal and child health services.....	149.8	23.8	18.6	4.0	14.2	4.8	4.6			78.0	1.9
Other public health activities.....	399.8								399.8		
Veterans' hospital and medical care.....	1,310.9	1,078.7	10.2	1.8		2.8	8.3	29.7		167.4	12.0
Medical vocational rehabilitation.....	63.5	26.0	30.8				6.6				
Office of Economic Opportunity.....	103.3									103.3	
State and local.....	5,681.6	3,520.4	586.0	55.7	37.4	112.2	19.9	417.6	550.4	381.9	
Temporary disability insurance.....	53.4	39.9	12.1		.6	.4	.4				
Workmen's compensation (medical benefits).....	715.4	243.0	419.8		21.0	14.3	14.3				
Public assistance (vendor medical payments).....	1,300.1	518.7	136.4	53.8	11.1	95.9		417.6		66.5	
General hospital and medical care.....	2,683.3	2,683.3									
Maternal and child health services.....	173.6	23.8	7.4	1.9	4.7	1.6	3.0			131.2	
School health.....	184.2									184.2	
Other public health activities.....	550.4								550.4		
Medical vocational rehabilitation.....	21.2	8.7	10.3				2.2				

See footnote at end of table.

of expenditure for selected years begin with 1929 (table 5). In that year outlays for health amounted to about \$3.6 billion. By 1968, a total of \$57.1 billion was spent for this purpose. Health care expenditures have grown at a rapid pace, faster than that of the economy in general. In 1929, medical care outlays represented 3.5 percent of the gross national product (GNP). By 1968, the share of GNP for this purpose had reached 6.6 percent. The figures for fiscal year 1969, presented in table 1, show that the proportion rose to 6.7 percent.

The historical data permit analysis in terms of varying intervals from 1929 to 1968. The following figures summarize annual rates of increase in medical care expenditures for selected periods.

Period

Period	Annual rate of change
1929-68	+ 7.3
1929-35	- 3.6
1935-40	+ 6.2
1940-50	+12.5
1950-55	+ 7.0
1955-60	+ 8.4
1960-65	+ 8.5
1965-66	+11.1
1965-68	+12.0
1966-67	+12.9
1967-68	+12.1

For the period 1929-68, expenditures for medical care rose 7.3 percent annually. There was a decline between 1929 and 1935, followed by a rise. In the 1940's the average annual rate of increase

TABLE 4.—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, 1966-68—Continued

[In millions]

Program and source of funds	Total	Hospital care	Physicians' services	Dentists' services	Other professional services	Drugs and drug sundries	Eye-glasses and appliances	Nursing-home care	Government public health activities	Other health services	Administration
Total	\$10,618.0	\$6,259.4	\$784.7	\$56.8	\$52.6	\$189.2	\$33.5	\$691.7	\$885.2	\$1,466.4	\$198.5
Health insurance for the aged	1,199.4	890.3	124.5		3.1					1.1	180.4
Temporary disability insurance (medical benefits)	53.9	40.0	12.4		.6	.4	.4				
Workmen's compensation (medical benefits)	662.5	231.8	384.2		19.9	13.2	13.2				
Public assistance (vendor medical payments)	1,979.1	776.0	176.8	50.6	13.7	166.9		671.3		123.8	
General hospital and medical care	2,771.7	2,754.5	3.2	.6	.5	.5				12.5	
Defense Department hospital and medical care (including military dependents)	1,269.2	474.7	26.2							768.3	
Maternal and child health services	284.0	42.6	22.2	4.3	14.8	5.4	6.0			187.2	1.7
School health	167.3									167.3	
Other public health activities	885.2								885.2		
Veterans' hospital and medical care	1,212.4	1,022.9	10.7	1.3		2.8	7.3	20.4		130.6	16.4
Medical vocational rehabilitation	57.7	26.6	24.5				6.6				
Office of Economic Opportunity	75.6									75.6	
Federal	5,314.8	2,937.1	282.7	28.3	20.8	85.6	15.3	335.9	300.8	1,110.0	198.5
Health insurance for the aged	1,199.4	890.3	124.5		3.1					1.1	180.4
Workmen's compensation (medical benefits)	12.8	8.4	3.2		.8	.2	.2				
Public assistance (vendor medical payments)	930.2	364.7	83.1	23.8	6.5	78.4		315.5		58.2	
General hospital and medical care	155.0	137.7	3.2	.6	.5	.5				12.5	
Defense Department hospital and medical care (including military dependents)	1,269.2	474.7	26.2							768.3	
Maternal and child health services	117.9	19.3	14.1	2.6	9.9	3.7	3.1			63.7	1.7
Other public health activities	300.8								300.8		
Veterans' hospital and medical care	1,212.4	1,022.9	10.7	1.3		2.8	7.3	20.4		130.6	16.4
Medical vocational rehabilitation	41.5	19.1	17.7				4.7				
Office of Economic Opportunity	75.6									75.6	
State and local	5,303.2	3,322.4	502.0	28.5	31.9	103.6	18.1	355.8	584.4	356.4	
Temporary disability insurance	53.9	40.0	12.4		.6	.4	.4				
Workmen's compensation (medical benefits)	649.6	223.5	381.0		19.1	13.0	13.0				
Public assistance (vendor medical payments)	1,048.9	411.3	93.7	26.8	7.3	88.5		355.8		65.6	
General hospital and medical care	2,616.8	2,616.8									
Maternal and child health services	166.1	23.3	8.1	1.7	4.9	1.7	2.9			123.5	
School health	167.3									167.3	
Other public health activities	584.4								584.4		
Medical vocational rehabilitation	16.2	7.5	6.8				1.8				

¹ Includes premium payments for supplementary medical insurance made by or in behalf of enrollees.

TABLE 5.—Aggregate national health expenditures, by type of expenditure, selected years, 1929–68

(In millions)

Type of expenditure	1929	1935	1940	1950	1955	1960	1965	1966	1967	1968
Total.....	\$3,644	\$2,935	\$3,956	\$12,867	\$18,036	\$26,973	\$40,591	\$45,114	\$50,935	\$57,103
Health services and supplies.....	3,436	2,873	3,837	11,910	17,099	25,263	37,210	41,580	47,229	53,078
Hospital care.....	664	763	1,013	3,845	5,929	9,044	13,520	15,485	18,029	20,751
Federal facilities.....	(1)	(1)	(1)	728	902	1,221	1,600	1,714	1,914	2,151
State and local facilities.....	(1)	(1)	(1)	1,175	1,911	2,827	3,990	4,551	5,230	6,039
Nongovernmental facilities.....	(1)	(1)	(1)	1,942	3,116	4,996	7,930	9,220	10,885	12,562
Physicians' services.....	1,005	774	973	2,755	3,680	5,684	8,745	9,156	10,287	11,562
Dentists' services.....	482	302	419	975	1,525	1,977	2,808	2,964	3,360	3,612
Other professional services.....	251	152	174	395	559	862	1,038	1,123	1,228	1,342
Drugs and drug sundries.....	606	475	637	1,730	2,385	3,657	4,850	5,309	5,674	6,149
Eyeglasses and appliances.....	133	133	189	490	597	776	1,230	1,413	1,598	1,718
Nursing-home care.....				142	222	526	1,328	1,526	1,858	2,282
Expenses for prepayment and administration.....	108	93	165	300	614	863	1,297	1,621	1,762	1,847
Government public health activities.....	96	117	153	361	377	412	696	885	950	969
Other health services.....	91	65	112	917	1,211	1,462	1,698	2,098	2,483	2,846
Research and medical-facilities construction.....	208	61	119	957	937	1,710	3,381	3,534	3,706	4,025
Research.....			3	117	216	662	1,469	1,574	1,700	1,765
Construction.....	208	61	116	840	721	1,048	1,912	1,960	2,006	2,260
Publicly owned.....	(1)	(1)	(1)	496	370	443	521	511	634	694
Privately owned.....	(1)	(1)	(1)	344	351	605	1,391	1,449	1,372	1,566

¹ Data not available.

in expenditures was 12.5 percent, it was lower in the 1950's and the first part of the 1960's. In recent years, the rate of increase has been about 12 percent—almost two-thirds faster than the long-run rate.

The distribution by type of health expenditures during the 39-year period 1929–68 has exhibited considerable change. Of the 1929 total for health care (\$3.6 billion), 28 percent went for physicians in private practice and only 18 percent for the operating expenses of hospitals (both Federal and non-Federal). In 1968, 20 percent of all expenditures went for physicians' services in private practice and 36 percent for hospital care (chart 3). There has been, in short, a complete reversal of the relative importance of these two services, in terms of the amounts spent. This change partly reflects the growth of the hospital as a center of health care.

Expenditures for dentists in private practice amounted in 1929 to 13 percent of the total; the proportion had shrunk to 6 percent in 1968. Drugs accounted for 17 percent of all expenditures in 1929; the proportion was 11 percent in 1968. One growing item of current health expenditures—nursing-home care—was virtually nonexistent in 1929.

In 1929, private outlays constituted 86 percent of the total; by 1968 this proportion declined to 63 percent as the government paid for an increasing proportion of health care services over the years.

The substantial rise in national health expendi-

tures since 1929 is the result of many factors. One is simply the growth in population. Other factors are the rising costs or prices per unit of service, the increase in the average per capita utilization of health services and supplies, and the rising level and scope of services through new techniques, drugs, and treatment procedures.

By examining expenditures in terms of per capita amounts, one can eliminate population growth as a factor (table 6). With this factor eliminated, health expenditures still show a substantial increase from 1929 to 1968. During the 39-year period, per capita expenditures rose from \$29 to \$280, averaging an increase of 5.9 percent each year.

By eliminating price as well as population growth, one can determine the increase in expenditures that is the result of more utilization and a higher level of care. When per capita expenditures are converted to constant 1968 dollars by means of the medical care component of the Consumer Price Index of the Bureau of Labor Statistics, health expenditures still maintain considerable growth. Per capita constant dollars more than tripled from 1929—an average annual rate of 3.1 percent.

Although the above discussion indicates the effect of various factors on health expenditures, it does not show the proportion of the increase each of the factors produce. The calculation of these proportions is most meaningful in terms of personal health care expenditures, which rose from the 1929 amount of \$3.2 billion to the 1968

CHART 3.—Distribution of health expenditures, by type, 1929 and 1968

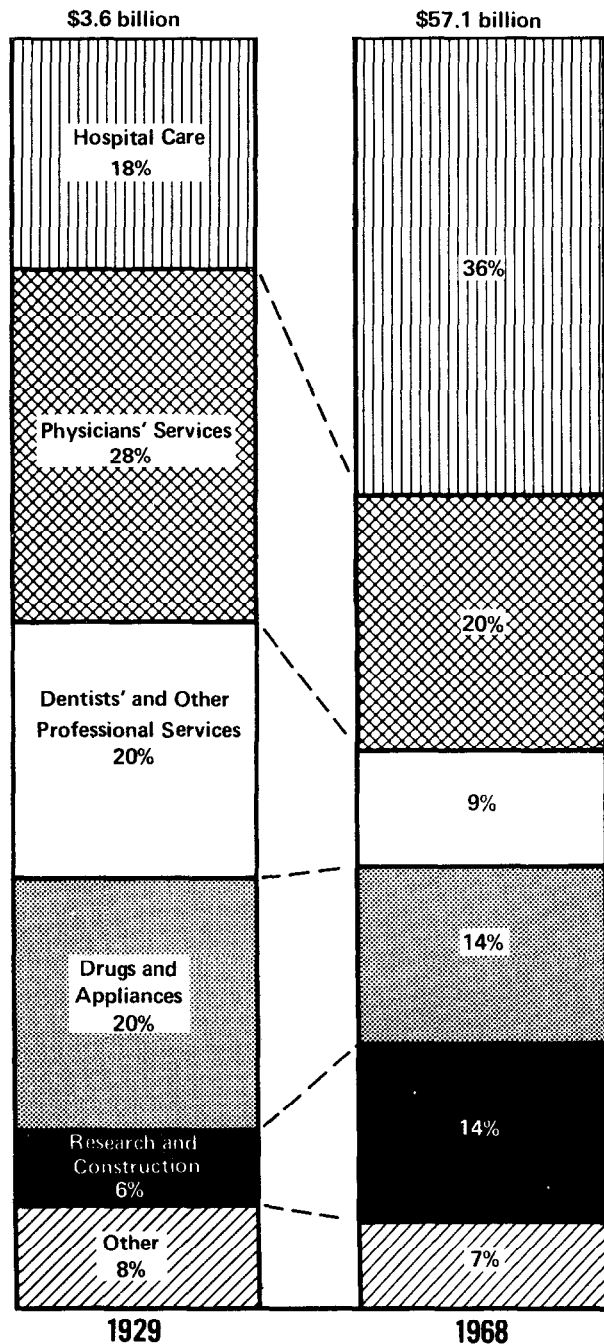


figure of \$49.9 billion. Personal health care expenditures, as defined here and in the social welfare series, represent all expenditures for health services and supplies except expenses for prepayment and administration, government pub-

lic health activities, and amounts spent by private voluntary agencies for fund-raising and general health services.

As chart 4 shows, of the \$46.6 billion increase from 1929 to 1968, population growth accounted for 18 percent, prices produced about 38 percent and the remaining 44 percent resulted from greater utilization of services and the introduction of new medical techniques. When the three major categories of expenditures (short-term hospital care, physicians' services, and dental services) are looked at separately and appropriate measures of price increases are applied to each category, prices make a far greater contribution to the rise in expenditures and "all other" makes a correspondingly smaller contribution.⁴ For example, when the daily service charge is used as a measure of the change in short-term hospital care expenditures, the increase in prices during the period 1929-68 accounts for 61 percent of the entire rise.

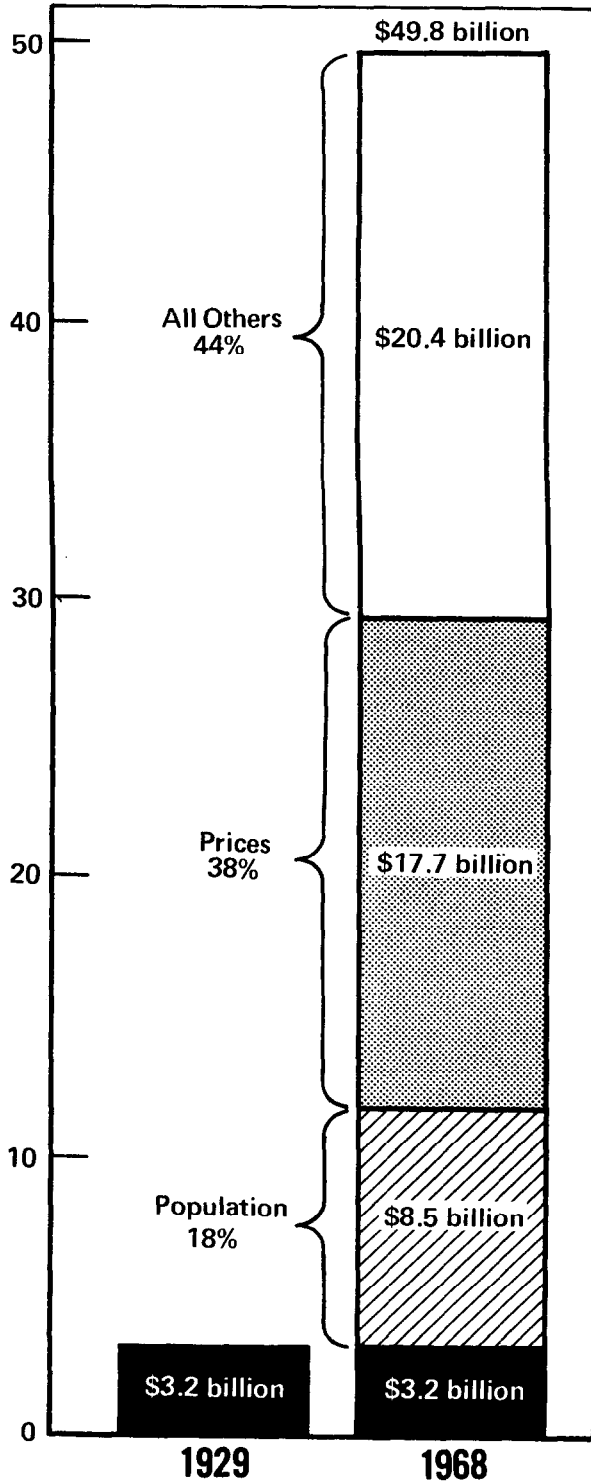
Consumer Expenditures

Private consumer expenditures for health services and supplies, as shown here, include all direct payments by private individuals for such care and benefit expenditures and administrative costs of private health insurance. These health insurance expenditures include premium payments by individuals and by employers for the purchase of health insurance for their employees. Consumer expenditures do not, however, reflect premium payments by aged persons enrolled under Medicare, payments for the medical care of injured workers under workmen's compensation programs, or payments for medical care made by the State funds under the California and New York temporary disability insurance programs. Such payments have been classified as government expenditures. Also classified separately are philanthropic contributions to hospitals or other health agencies and payments by philanthropic organizations, "united funds," "community chests," and similar organizations to hospitals, physicians, etc., for the care of needy or medically indigent patients.

⁴ See Herbert E. Klarman, Dorothy P. Rice, Barbara S. Cooper, and H. Louis Stettler, *Sources of Increase in Expenditures for Selected Health Services, 1929-69*, paper presented at the 97th annual meeting of the American Public Health Association, November 11, 1969.

CHART 4.—Factors affecting the increase in personal health care expenditures, 1929 and 1968

Billions Of Dollars



Private consumer expenditures for health services and supplies amounted to \$33.2 billion in 1968—9 percent higher than the total in the previous year. The 1967 increase was only 2 percent. Consumer expenditures for health accounted for 5.6 percent of the national disposable income—the same as the 1967 proportion but less than the 1966 proportion of 5.9 percent (table 7). The year 1966 marked the first time in the history of the series when the health portion of disposable income declined from the previous year. The 1967 drop from the preceding year was substantially larger, however, than the 1966 decline. The downward trend since 1965 indicates that public health programs are, in fact, taking over some of the burden on consumers for financing the high costs of medical care and are leaving a greater proportion of the consumers' income for other items.

Per capita consumer expenditures—amounting to \$163 in 1968—were seven times the figure for 1929 and three times the 1950 figure. They were \$12 more than the 1967 figure. When adjustments are made for the rise in medical care prices, consumer spending for health purposes in 1968 were only two and one-half times the 1929 figure and one and one-half times the 1950 figure. In 1967, there was a decrease from the previous year, when it went from \$171 to \$160. This drop was the result of the increasing shift to public financing of health.

Also indicative of the shift is the declining proportion of all expenditures for personal health care that consumer expenditures for this purpose represent. In 1965, this proportion was 77 percent; by 1968 it had declined to 63 percent (table 8).

Third-Party Payments

Third-party payments include private health insurance benefit payments, government expenditures (including those for Medicare), and philanthropy and the expenditures of employers to maintain industrial in-plant health facilities.

In aggregate terms, third-party payments rose \$4.7 billion, or 19 percent over the amount in the previous year. Government outlays contributed more than three-fifths of the 1-year increase and private health insurance the remaining portion.

TABLE 6.—Per capita national health expenditures, selected years, 1929–68¹

Type of expenditure	1929	1935	1940	1950	1955	1960	1965	1966	1967	1968
Total national health expenditures.....	\$29.45	\$22.65	\$29.39	\$83.19	\$107.11	\$147.20	\$205.55	\$225.75	\$252.03	\$279.68
Health services and supplies.....	27.77	22.17	28.51	77.00	101.55	137.86	188.43	208.06	233.69	259.97
Hospital care.....	5.37	5.89	7.53	24.86	35.21	49.35	68.47	77.49	89.21	101.63
Physicians' services.....	8.12	5.97	7.23	17.81	21.85	31.02	44.28	45.82	50.90	56.63
Dentists' services.....	3.90	2.33	3.11	6.30	9.06	10.79	14.22	14.83	16.63	17.69
Other professional services.....	2.03	1.17	1.29	2.55	3.32	4.70	5.26	5.62	6.08	6.57
Drugs and drug sundries.....	4.90	3.67	4.73	11.18	14.16	19.96	24.56	26.57	28.08	30.12
Eyeglasses and appliances.....	1.07	1.03	1.40	3.17	3.55	4.23	6.23	7.07	7.91	8.41
Nursing-home care.....				.92	1.32	2.87	6.72	7.64	9.19	11.18
Expenses for prepayment and administration.....	.87	.72	1.23	1.94	3.65	4.71	6.57	8.11	8.72	9.05
Government public health activities.....	.78	.90	1.14	2.33	2.24	2.25	3.52	4.43	4.70	4.75
Other health services.....	.74	.50	.83	5.93	7.19	7.98	8.60	10.50	12.29	13.94
Total national health expenditures in 1968 prices ²	83.93	66.59	84.64	164.72	175.66	197.25	244.60	257.36	267.15	279.68

¹ Based on total population including Armed Forces and Federal civilian employees abroad as of July 1, and the civilian population of outlying areas.

² Based on medical care component of the Consumer Price Index.

The proportion of personal health care expenditures met by third parties has increased significantly since 1950, rising from 35 percent to 59 percent in 1968 (table 9). This proportion has jumped 9 percentage points in the 2-year period 1966–68.

The rise in recent years in third-party payments has taken place mainly in the area of government expenditures. Government payments as a proportion of personal health care expenditures have grown from 23 percent in 1950 to 25 percent in 1966 and 35 percent in 1968. Other third-party payments have shown a reverse trend. For private health insurance payments the proportion

declined from 25 percent in 1965 to 22 percent in 1967 and increased one percentage point in 1968. The diminishing role played by private health insurance is primarily with respect to hospital care. Private insurance payments represented 35 percent of hospital care expenditures in 1968, compared with 43 percent in 1965 (table 8). In paying for physicians' services, the decline was nominal; for other health services there has been a slight rise.

The substantial government payments for hospital care of the aged clearly has reduced the need for major private health insurance outlays for such purposes among this large population

TABLE 7.—Aggregate and per capita amounts of private consumer expenditures for health services and supplies, by type of expenditure, selected years, 1929–68¹

Type of expenditure	1929	1935	1940	1950	1955	1960	1965	1966	1967	1968
Amount (in millions)										
Total.....	\$2,937	\$2,288	\$3,018	\$8,501	\$12,421	\$18,911	\$28,174	\$29,938	\$30,447	\$33,209
Hospital care.....	403	406	527	1,965	3,244	5,188	8,251	8,890	8,612	9,916
Physicians' services.....	959	731	913	2,597	3,433	5,309	8,184	8,362	8,302	9,040
Dentists' services.....	482	302	419	961	1,508	1,974	2,773	2,907	3,235	3,374
Other professional services.....	250	151	173	370	531	826	980	1,046	1,094	1,166
Drugs and drug sundries.....	604	474	635	1,716	2,355	3,598	4,708	5,120	5,440	5,851
Eyeglasses and appliances.....	131	131	186	482	586	760	1,201	1,380	1,558	1,671
Nursing-home care.....				110	150	411	805	811	646	640
Expenses for prepayment.....	108	93	165	300	614	845	1,272	1,422	1,560	1,551
Total consumer expenditures as a percent of national disposable personal income.....	3.5	3.9	4.0	4.1	4.5	5.4	6.0	5.9	5.6	5.6
Per capita ¹										
Total.....	\$23.74	\$17.65	\$22.42	\$54.96	\$73.77	\$103.20	\$142.67	\$149.81	\$150.65	\$162.65
Hospital care.....	3.26	3.13	3.92	12.70	19.27	28.31	41.78	44.48	42.61	48.57
Physicians' services.....	7.75	5.64	6.78	16.79	20.39	28.97	41.44	41.84	41.08	44.28
Dentists' services.....	3.90	2.33	3.11	6.21	8.96	10.77	14.04	14.55	16.01	16.53
Other professional services.....	2.02	1.17	1.29	2.39	3.15	4.51	4.96	5.23	5.41	5.71
Drugs and drug sundries.....	4.88	3.66	4.72	11.09	13.99	19.03	23.84	25.62	26.92	28.66
Eyeglasses and appliances.....	1.06	1.01	1.38	3.12	3.48	4.15	6.08	6.91	7.71	8.18
Nursing-home care.....				.71	.89	2.24	4.08	4.06	3.20	3.13
Expenses for prepayment.....	.87	.72	1.23	1.94	3.65	4.61	6.44	7.12	7.72	7.60
Total per capita consumer expenditures in 1968 prices ²	67.66	51.89	64.57	108.82	120.98	138.29	169.78	170.78	159.69	162.65

¹ Based on total population including Armed Forces and Federal civilian employees abroad as of July 1, and the civilian population of outlying areas.

² Based on medical care component of the Consumer Price Index.

TABLE 8.—Amount and percent of personal health care expenditures and consumer expenditures for personal health care met by private insurance, selected years, 1950–68

Year	Personal health care expenditures ¹ (in millions)	Consumer expenditures for personal health care		Private insurance payments		
		Amount (in millions)	Percent	Amount ² (in millions)	As a percent of—	
					Personal health care	Consumer expenditures
All types of service						
1950	\$11,109	\$8,201	73.8	\$992	8.9	12.1
1955	15,933	11,807	74.1	2,536	15.9	21.5
1960	23,758	18,066	76.0	4,996	21.0	27.7
1965	34,942	26,902	77.0	8,729	25.0	32.4
1966	38,794	28,516	73.5	9,142	23.6	32.1
1967	44,202	28,887	65.4	9,544	21.6	33.0
1968	49,895	31,658	63.4	11,310	22.7	35.7
Hospital care						
1950	\$3,845	\$1,965	51.1	\$680	17.7	34.6
1955	5,929	3,244	54.7	1,679	28.3	51.8
1960	9,044	5,188	57.4	3,304	36.5	63.7
1965	13,520	8,251	61.0	5,790	42.8	70.2
1966	15,485	8,890	57.4	5,093	38.7	67.4
1967	18,029	8,612	47.8	6,133	34.0	71.2
1968	20,751	9,916	47.8	7,308	35.2	73.7
Physicians' services ³						
1950	\$2,755	\$2,597	94.3	\$312	11.3	12.0
1955	3,680	3,433	93.3	857	23.3	25.0
1960	5,684	5,309	93.4	1,593	28.0	30.0
1965	8,745	8,184	93.6	2,680	30.6	32.7
1966	9,156	8,362	91.3	2,831	30.9	33.9
1967	10,287	8,302	80.7	2,964	28.8	35.7
1968	11,562	9,040	78.2	3,472	30.0	38.4
Other						
1950	\$4,509	\$3,639	80.7	(⁴)	(⁴)	(⁴)
1955	6,324	5,130	81.1	(⁴)	(⁴)	(⁴)
1960	9,030	7,569	83.8	\$99	1.1	1.3
1965	12,677	10,467	82.6	259	2.0	2.5
1966	14,153	11,264	79.6	318	2.2	2.8
1967	15,886	11,973	75.4	447	2.8	3.7
1968	17,582	12,702	72.2	530	3.0	4.2

¹ All expenditures for health services and supplies other than (1) expenses for prepayment and administration, (2) government public health activities, and (3) expenditures of private voluntary agencies for other health services.
² Based on data from annual articles on private health insurance coverage

and financial experience in the *Social Security Bulletin*.

³ Includes insurance payments of small amounts for other types of professional services for 1950 and 1955.

⁴ Included in physicians' services.

group. For those under age 65, private insurance payments have continued, however, to play an increasing role in terms of consumer expenditures for personal health care. As a proportion of all consumer expenditures, private health insurance payments have risen from 12 percent in 1950 to 36 percent in 1968. Insurance benefits met 74 percent of consumer expenditures for hospital care, 38 percent of those for physicians' services, and 4 percent of those for all other types of care.

The personal health care expenditures contributed by philanthropy and "other" third parties have been dropping steadily since 1950. In that year, their share was 2.9 percent; in 1960, it was 2.3 percent; and in 1968 it had declined to 1.6 percent.

The difference between total personal health

care expenditures and third-party payments is the amount the consumer must pay directly. In 1967, direct payments amounted to \$19.3 billion, representing 44 percent of all personal health care outlays. In 1968, the amount increased to \$20.3 billion but the proportion dropped to 41 percent.

Consumer expenditures for health care include some expenditures for health care that probably should not be covered by health insurance: For example, expenditures for nonprescribed drugs, drug sundries, and the cost of private-room accommodations when not medically necessary. If the estimated expenditures for these items were deducted from consumer health expenditures, the proportion of such expenditures met by insurance would be three or four percentage points higher.

TABLE 9.—Amount and percent of expenditures for personal health care met by third parties, selected years, 1950–68

[Amounts in millions]

Year	Personal health care expenditures ¹	Direct payments		Third-party payments							
				Total		Private health insurance		Government		Philanthropy and others	
		Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
1950.....	\$11,109	\$7,209	64.9	\$3,900	35.1	\$992	8.9	\$2,588	23.3	\$320	2.9
1955.....	15,933	9,271	58.2	6,662	41.8	2,536	15.9	3,705	23.3	421	2.6
1960.....	23,758	13,068	55.0	10,690	45.0	4,996	21.0	5,157	21.7	537	2.3
1965.....	34,942	18,171	52.0	16,771	48.0	8,729	25.0	7,345	21.0	697	2.0
1966.....	38,794	19,374	49.9	19,420	50.1	9,142	23.6	9,534	24.6	744	1.9
1967.....	44,202	19,342	43.8	24,860	56.2	9,545	21.6	14,550	32.9	765	1.7
1968.....	49,895	20,348	40.8	29,550	59.2	11,310	22.7	17,455	35.0	785	1.6

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

(c) expenditures of private voluntary agencies for other health services. ² Includes benefit payments under health insurance for the aged (Medicare).

DEFINITIONS, METHODOLOGY, AND SOURCES OF DATA

The national health expenditures estimates for fiscal and calendar years are prepared together. The social welfare series presented in the December issues of the BULLETIN present detailed data for fiscal years on expenditures in the public sector by government program and those in the private sector by major category of expenditure (direct payments, insurance benefits, etc.). The national health expenditures shown here are reported by type of expenditure (hospital care, physicians' and dentists' services, etc.) and by source of funds.

The health and medical expenditures under public programs in the social welfare series are calculated by adding to fiscal-year expenditures for health programs the medical care expenditures under programs for social insurance, public assistance, veterans' programs, and other programs.⁵ Data for several health programs—including those of the Department of Defense and the Public Health Service—are taken from the Bureau of the Budget special analyses of Federal health programs.⁶

In the private sector, the data are estimated first on a calendar-year basis by type of expenditure and then presented in summary form in the fiscal-year report. The general method is to estimate the total outlays for each type of medical service or expenditure and to deduct the amounts paid to public and private hospitals, physicians in private

practice, etc., under the public programs reported in the social welfare expenditure series. Except for a few programs where calendar-year figures are available, the fiscal-year figures from the social welfare series are averaged to obtain calendar-year figures and then 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 expenditures from philanthropic and government sources 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, projected to represent data for the calendar year in question 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 the costs of hospital operations.

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 cost of drugs used in hospitals are also included in hospital care. Anesthesia and

⁵ For a complete description of these public programs, see Research Report No. 25, *op. cit.*

⁶ See "Special Analysis I, Federal Health Programs," *Special Analyses, Budget of the United States, Fiscal Year 1970*.

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 expenses 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, partnerships, and offices organized as corporations. The total also includes the estimated gross receipts of medical and dental laboratories estimated to represent patient payments to medical laboratories, and the estimated expenses of group-practice 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 dispensaries and field services of the Armed Forces and Indian health activities 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 now provides data on the income of other health professionals in private practice. Salaries of visiting nurse associations, estimated from surveys conducted by the National League for Nursing, are added to the private income of other health professionals. Deductions and exclusions are made in the same manner as for expenditures for physicians' and dentists' services.

Drugs, Drug Sundries, Eyeglasses, 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, vendor payments under workmen's compensation programs are subtracted. 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 the Department of Commerce estimates and the expenditures under all public programs for these products.

Nursing-Home Care

Only rough estimates of national expenditures for nursing-home care can be made from available data. Baseline data for 1965 were estimated from the number of long-term general beds reported by State hospital planning agencies under the Hill-Burton hospital construction program, with adjustments to exclude long-term beds in non-Federal general hospitals. Occupancy

rates for the various ownership groups of nursing homes, as reported in a U.S. Public Health Service inventory, were applied to yield the estimated number of days of care provided in nursing homes. Application of the average cost per day to total days of care provided the baseline total expenditures. The annual percentage increases in total expenditures reported in the annual nationwide survey of *Professional Nursing Home* for 1966-68 were then applied to the baseline data to obtain the figures used in this report.

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 charges 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 a BULLETIN article on private health insurance.⁷

The administration component represents the administrative expenses (where they are reported) of federally financed health programs. Such data were available for the following programs: Medicare, maternal and child health services, and 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

⁷ See Louis S. Reed, *op. cit.*

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, National Institutes of Health, and Consumer Protection and Environmental Health Service 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 expenditures 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 programs, at one time listed separately: (1) industrial in-plant services, (2) school health services, (3) medical activities in Federal units other than hospitals, and (4) those of private voluntary health agencies.

Industrial in-plant services consist of amounts spent for maintaining in-plant health services and are based on estimates made by the Bureau of Occupational Safety and Health, Consumer Protection and Environmental Health Service. This item is classified as a private expenditure in the "other" category.

School health services are readily identified as they are the only State and local expenditure in this category. Expenses for these services, estimated by the Office of Education, are reported as a separate item in the social welfare expenditure series. The amounts reported here are an average of the fiscal-year data.

Medical activities in Federal units other than hospitals are residual amounts that represent

primarily the cost of maintaining outpatient facilities (separately from hospitals), dispensaries, 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 reported here represent the averages of the fiscal-year data for medical research reported in the *Special Analyses of the Budget*. The amounts shown for State and local governments and private expenditures are based on published

and unpublished estimates prepared by the Resources Analysis Branch of the National Institutes of Health, primarily in the periodic publications, *Resources for Medical Research* and *Basic Data Relating to the National Institutes of Health*.

Construction of Medical Facilities

Expenditures for construction represent "value put in place" for 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, as reported in the social welfare expenditure series, are converted to a calendar-year basis and subtracted from the total. The residual represents the amount coming from private funds.