

Private Health Insurance in 1972: Health Care Services, Enrollment, and Finances

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Newly established health maintenance organizations joined the traditional private insurers in 1972 to bring some protection against the costs of hospitalization and survey to about three-fourths of the civilian population. Lesser numbers were covered for other kinds of health care costs. This article reports that private insurance met only 42 percent of consumer expenditures for all personal health care services and only 7 percent of expenditures other than those for hospital care and physicians' services.

Insurance companies had about 60 percent of the gross enrollment in all private health insurance organizations. Blue Cross-Blue Shield plans held about 35 percent, with the remainder distributed among the independent community, employer-employee-union, and private group clinic plans. Roughly 7 million persons were receiving health care services in 1972 from HMO prototypes and from newly established HMO's.

In 1972, premium and subscription income of private insurers rose faster than claims. Private insurers collected \$22.3 billion in premiums (14 percent more than in 1971) but paid out only 10 percent more in benefits and claims—\$19.5 billion. The difference of \$2.8 billion is the net cost of private health insurance retained by the carriers to cover operating expenses, profits, and additions to reserves.

THE PRIVATE HEALTH INSURANCE industry became somewhat more responsive in 1972 to the needs of Americans for adequate health care services. Slightly larger numbers and percentages of the population were covered. A more comprehensive array of benefits was offered, and the conventional modes of delivery were showing some signs of being tempered.

The traditional private insurers—Blue Cross and Blue Shield, the commercial carriers, and the independent community, employer-employee-union, and private group clinic plans—were joined by newly established health maintenance organizations (HMO's) to bring some protection against the costs of hospital and surgical care to about three-fourths of the civilian population.

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Private insurance met some of the cost of in-hospital physicians' visits and of out-of-hospital X-ray and laboratory examinations for 72 percent of Americans, but far smaller numbers were reimbursed for other medical expenses. Only 53-56 percent of the civilian population was covered in any part for prescribed drugs, private-duty nursing, and visiting-nurse service, for example; only 22 percent had any insurance for nursing-home care; and less than 9 percent had any insurance to cover dental care. Insurance coverage for physicians' office and home visits, dental care, and drugs continues to be subject to deductible and coinsurance payments; consequently, the full cost of these health care services is almost never met through insurance.

Nearly all persons aged 65 and over have health insurance coverage, mainly through the Federal Government's Medicare program (health insurance for the aged and, beginning July 1973, for the disabled and persons with chronic kidney disease). The number of persons enrolled for hospital care under Medicare as of January 1, 1972, was 20.6 million; for supplementary medical insurance the number was 20.0 million. These figures are based on an actual count from the health insurance entitlement master file. In 1972, 11 million (53 percent) of the aged bought private hospitalization insurance to supplement or complement their Medicare coverage; 10 million (46 percent) paid for additional insurance protection against the costs of surgery. This complementary insurance was being extended by private carriers to the disabled and to certain individuals with chronic renal disease who became eligible in July 1973 for Medicare benefits under the Social Security Amendments of 1972. The supplementation by private carriers is intended mainly to fill some of the gaps in Medicare, such as those relating to deductibles and coinsurance, drugs, etc.

Despite the growth of private insurance in the health care field, 38 million Americans under age 65 still have no economic protection against hos-

pital costs; 43 million have no insurance for medical care costs. This article attempts to evaluate the kind of coverage and scope of protection afforded those who do have such a shelter.

Office of Research and Statistics (ORS) estimates of the net number and the proportion of the population having private health insurance coverage for hospital care and surgical services continue to be somewhat lower than estimates of the Health Insurance Association of America (HIAA), an association of insurance companies. Both estimates, however, show a continued growth during 1972 in the number and percentage of the population covered.

Consumer expenditures for private health insurance in 1972 totaled \$22.3 billion in premiums and subscription charges, up 13.2 percent from 1971. Benefit expenditures by private health insurance organizations reached \$19.5 billion, 10.2 percent higher than in 1971. The organizations paid out a little more than 87 percent of premium income in benefits; 14 percent went for operating expenses, with a resulting net underwriting loss of 1.3 percent of premiums.

POPULATION COVERAGE

Office of Research and Statistics estimates of the net number (of different persons) and the percentage of the population with some health insurance coverage of the various main types of health care are summarized in table 1. It should be noted that—although sizable proportions of the population are covered for physicians' office and home visits, prescribed drugs, private-duty nursing, and nursing-home care—actual protection for these services, as measured by the proportion of consumer expenditures for health services met by private insurance, varies widely. Although health insurance met 42 percent of all health care costs, it paid for only 7 percent of consumer expenditures for health services other than those for hospital care and physicians' services. The bulk of such coverage is under supplementary major medical and comprehensive group insurance policies and under the supplementary major medical and extended-benefit contracts of the Blue Cross-Shield plans.

As observed earlier, a fifth of the population

TABLE 1.—Estimates of net number of different persons under private health insurance plans and percent of population covered, by age and specified type of care, as of December 31, 1972

Type of service	All ages		Under age 65		Aged 65 and over	
	Number (in thousands)	Percent of civilian population	Number (in thousands)	Percent of civilian population	Number (in thousands)	Percent of civilian population
Hospital care.....	159,526	77.0	148,285	79.7	11,270	53.2
Physicians' services						
Surgical services.....	153,326	74.0	143,525	77.1	9,813	46.3
In-hospital visits.....	149,734	72.2	141,579	76.1	8,155	38.5
X-ray and laboratory examinations.....	149,444	72.1	141,694	76.1	7,750	36.6
Office and home visits.....	99,914	48.2	95,568	51.3	4,346	20.5
Dental care.....	17,904	8.6	17,603	9.5	296	1.4
Prescribed drugs (out-of-hospital).....	111,374	53.7	107,855	58.0	3,519	16.6
Private-duty nursing.....	108,959	52.6	105,518	56.7	3,441	16.3
Visiting-nurse service.....	115,904	55.9	111,416	59.9	4,488	21.2
Nursing-home care.....	45,460	21.9	39,987	21.5	5,473	25.8
HIAA estimates						
Hospital care.....	181,602	87.6	169,555	91.1	12,047	56.9
Surgical services.....	166,261	80.2	156,646	84.2	9,615	45.4

under age 65 has no financial shield against the hazards of illness. Still larger numbers have inadequate protection. Major deterrents are cost and nonaccessibility of health care services. Attempts to alleviate these problems are seen in the continuing national interest in a system of universal health insurance and in the current emphasis of the Federal Government and health insurance industry on the new health maintenance organizations.

HEALTH MAINTENANCE ORGANIZATIONS

Probably the greatest motivating influence toward a change in the traditional delivery system has been the development of the health maintenance organization concept—a commitment of the Administration first announced in February 1970. The intent was to reshape the health care delivery system, making it responsible for efficient and effective utilization of the Nation's health care resources to meet the health care needs of the American people. The HMO's are designed to do this by providing enrolled participants, either directly or through arrangements with others, comprehensive, quality-assured, and economical health care services (including preventive care) in return for a predetermined periodic payment.

HMO Prototypes

The HMO's are rooted in such longstanding, well-established prototypes in the private health care sector as the Kaiser Foundation Health Plan, Inc., in Oakland, California (1942); the Roos-Loos Medical Clinic in Los Angeles (1929); the Group Health Association, Inc., in Washington, D.C. (1937); the Group Health Cooperative of Puget Sound, Seattle (1947); and the Health Insurance Plan of Greater New York (1947). These plans and others in the "independent" category¹ provided health care for about 11 million persons in 1972, less than 6 percent of the population.

Private Insurer Involvement in HMO's and Prepaid Group Plans

Private health insurance organizations—particularly the Blue Cross-Blue Shield plans and the commercial carriers—reacted to the HMO concept by developing alternative delivery systems—both prepaid group-practice programs and HMO's—and offering them to their subscribers as an option to their traditional type of coverage.

The Blue Cross-Blue Shield plans have been active, for example, in forming, creating, and expanding HMO's where the sponsoring organizations have received Federal planning and development grants. In some instances Blue Cross plans have received Federal grants for studies to determine the feasibility of implementing the HMO concept and for setting up HMO programs. The Blue Cross-Blue Shield plans also have instituted pilot programs and group-practice experiments. They have contracted with existing clinics and medical centers to convert part of their fee-for-service programs into a prepaid group practice. They have served new HMO's in such functions as enrollments, marketing, administration, and underwriting; they have made HMO proposals to existing prepaid group-practice plans, groups of "solo practice" physicians,

¹ Community-consumer-sponsored prepaid group and individual practice plans, employer-employee-union self-insured plans, and prepaid group clinic plans are considered independent in the sense that they are not affiliated with or underwritten by the Blue Cross-Blue Shield associations or the commercial insurance companies.

and clinics. As of the end of 1972, they were involved in 28 prepaid group-practice plans, sometimes providing financial support for planning, developing, and implementing HMO prepaid group-practice programs.

By the end of 1972, more than 30 insurance companies had some degree of active involvement or exploratory interest in 50 operational or developmental HMO's in 22 States. Involvement ranged from planning, administration, and marketing to financial support and/or underwriting a portion of the prepaid program in communities of all sizes—from the large metropolis to the small community in a nonindustrial area.² Here, too, the pattern has been to offer the HMO type of coverage to policyholders as an option to indemnity coverage.

Federal Activity

On December 31, 1972, there were nine federally funded operational HMO's out of 110 original projects. Sixty-seven active grants for the planning and development of specific HMO's were in existence, in addition to 47 funded activities designed to provide technical assistance in evaluating program efforts, to study HMO resources nationally, and to identify key factors in HMO development. A total of \$25.9 million in grants and contracts has been obligated by the Federal Government since June 1971. Of this total, \$16.9 million was for the direct support of HMO projects.³

The HMO option for Medicare beneficiaries provided in the Social Security Amendments of 1972 was another Federal action that has aided in developing HMO's. Broad development on a national basis cannot be realized, however, until categorical HMO assistance and development legislation has been enacted by Congress and until the States, where necessary, have enacted HMO enabling legislation and have generally executed contracts to permit Medicaid beneficiar-

² "Prepaid Group Practice and HMO's: Present Degree of Insurance Company Involvement in HMO Developments as of February 1, 1973," *Medical Economics Bulletin No. 4*, Health Insurance Institute of America, February 14, 1973.

³ *Program Status as of December 1972*, Health Services and Mental Health Administration, Health Maintenance Organization Service, March 1973.

ies to join health insurance plans of the HMO type. Among the 13 States that have executed such contracts, California leads with 25 prepaid health plans covering more than 130,000 individuals, as of the end of 1972.

ENROLLMENT

Tables 2-4 show the number of persons enrolled by different types of health insurance organizations for each of 11 services, together with estimates of the net number of different persons with some coverage for each of these services. The gross enrollment total for persons of all ages for hospital care, reported by or estimated for all organizations, was 221 million (table 2). According to projections of the 1970 Household Interview Survey, 159 million different persons were covered for hospital care in 1972. Thus 62 million, or approximately 28 percent of gross enrollment, represented multiple or duplicatory coverage.

Multiple coverage occurs chiefly in these ways: (a) When husband and wife are both employed and both cover self, spouse, and dependents under the insurance plan at the workplace; (b)

when a person with group coverage under a health insurance plan purchases an individual insurance policy to supplement his group coverage; and (c) when a person not eligible for group coverage holds two or more insurance company individual policies (sometimes a second policy taken to supplement one that provides limited benefits). A significant share of the individual policies of insurance companies supplement other coverage, it is believed.

Blue Cross plans had 70 million persons under age 65 enrolled for hospital care at the end of 1972 (table 3). Blue Shield plans not cooperating or affiliated with Blue Cross plans reported an enrollment of 2 million for that type of care. Insurance companies accounted for 82 million persons covered for hospital care under group policies and for 45 million policy owners and dependents under individual policies.

Blue Shield plans reported 62 million persons under age 65 enrolled for surgical care at the end of 1972. Nonaffiliated Blue Cross plans had 4 million enrolled for this type of care. Group insurance policies covering surgical care were held by 84 million policyholders and their dependents; 31 million were covered by individual insurance policies.

TABLE 2—Enrollment under private health insurance plans for persons of all ages and estimates of the net number of different persons covered, by type of plan and specified type of care, as of December 31, 1972

(In thousands)

Type of plan	Hospital care	Physicians' services				Dental care	Pre-scribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care	Vision care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	Office and home visits						
Total gross enrollment.....	221,272	201,702	164,463	159,440	104,735	17,904	116,802	114,269	121,520	46,315	(1)
Blue Cross-Blue Shield.....	78,605	72,433	66,765	56,223	27,492	1,110	32,595	30,671	36,797	31,484	370
Blue Cross.....	76,322	4,020	3,603	(1)	1,205	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield.....	2,283	68,413	63,162	(1)	26,287	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies.....	133,677	117,779	87,068	91,987	66,733	9,087	78,691	76,673	76,673	12,181	(1)
Group policies.....	83,768	85,290	72,196	83,791	59,380	9,039	73,827	70,896	70,896	8,616	(1)
Individual policies.....	49,909	32,489	14,872	8,196	7,353	48	4,864	5,777	5,777	3,565	(1)
Independent plans.....	8,990	11,490	10,630	11,230	10,510	7,707	5,516	6,925	8,050	2,650	6,437
Community.....	3,370	5,350	5,350	5,250	1,060	2,520	4,080	4,700	620	3,960	
Employer-employee-union.....	5,560	6,000	5,140	5,840	5,120	1,810	2,970	2,830	3,340	2,030	2,350
Private group clinic.....	60	140	140	140	140	37	26	15	10		127
Dental service corporation.....						4,800					
Net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	159,526	153,326	149,734	149,444	99,914	17,904	111,374	108,959	115,904	45,460	(1)
Percent of civilian population ²	77.0	74.0	72.2	72.1	48.2	8.6	53.7	52.6	55.9	21.9	(1)
HIAA.....	181,602	166,261	142,985	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Percent of civilian population ²	87.6	80.2	69.0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Gross enrollment as percent of net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	138.7	131.6	109.8	106.7	104.8	100.0	104.9	104.9	104.8	101.9	(1)
HIAA.....	121.8	121.3	115.0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

¹ Data not available

² Based on Bureau of the Census estimate of 207,293,000 as of January 1, 1973

TABLE 3.—Enrollment under private health insurance plans for persons under age 65 and estimates of the net number of different persons covered, by type of plan and specified type of care, as of December 31, 1972

(In thousands)

Type of plan	Hospital care	Physicians' services				Dental care	Pre-scribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care	Vision care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	Office and home visits						
Total gross enrollment.....	207,451	191,023	155,737	151,613	100,346	17,608	113,248	110,794	116,987	40,787	6,332
Blue Cross-Blue Shield.....	71,677	65,642	60,953	51,529	25,390	1,100	31,291	29,437	34,669	28,409	318
Blue Cross.....	69,652	3,696	3,371	(1)	1,146	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield.....	2,025	61,946	57,582	(1)	24,244	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies.....	127,334	114,511	84,778	89,430	65,020	8,945	76,771	74,803	74,803	11,971	(1)
Group policies.....	82,261	83,786	70,936	81,507	57,876	8,897	72,026	69,167	69,167	8,406	(1)
Individual policies.....	45,073	30,725	13,842	7,923	7,144	48	4,745	5,636	5,636	3,565	(1)
Independent plans.....	8,440	10,870	10,006	10,604	9,936	7,563	5,186	6,554	7,515	2,407	6,014
Community.....	3,202	5,113	5,113	5,013	5,011	1,008	2,388	3,911	4,472	538	3,734
Employer-employee-union.....	5,191	5,635	4,771	5,489	4,803	1,801	2,790	2,630	3,033	1,869	2,164
Private group clinic.....	47	122	122	122	122	35	8	13	10	116	116
Dental service corporation.....						4,719					
Net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	148,285	143,525	141,579	141,694	95,568	17,608	107,855	105,618	111,416	39,987	(1)
Percent of civilian population ²	79.7	77.1	76.1	76.1	51.3	9.5	58.0	56.7	59.9	21.5	(1)
HIAA.....	169,555	156,646	134,608	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Percent of civilian population ²	91.1	84.2	72.3	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Gross enrollment as percent of net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	140.0	133.1	110.0	107.0	105.0	100.0	105.0	105.0	105.0	102.0	(1)
HIAA.....	122.4	121.9	115.7	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

¹ Data not available.

² Based on Bureau of the Census estimate of 186,116,000 as of January 1, 1973.

Independent plans covered an estimated 8 million persons of all ages for hospital care and 11 million for physicians' services. The vast majority of those enrolled were members of employment groups; only a small percentage were enrolled in these plans through individual memberships.

Total Enrollment

The distribution of gross total enrollment among the carriers in 1972 is shown in table 5. For persons of all ages, Blue Cross-Blue Shield plans had 36 percent of total enrollment for hospital care; insurance companies had 60 percent. For independent plans, the share of gross enrollment was 4 percent. Enrollment under group insurance policies was almost 70 percent greater than enrollment under individual policies.

The relationship runs somewhat the same for surgical services, with enrollment under group insurance policies more than two and one-half times that of individual policies. Independent plans had a larger share of total enrollment than they did for hospital care. For X-ray and laboratory examinations, insurance companies had 58 percent of the enrollment, with group policies 10

times as frequent as individual policies. Blue Cross-Blue Shield plans held 35 percent of the enrollment, and independent plans had 7 percent. On enrollment for in-hospital visits, the insurance companies lost some ground to other carriers in 1972.

Insurance companies had about two-thirds of the enrollment for all other services except nursing-home care and dental care. Blue Cross-Blue Shield plans accounted for 68 percent of the enrollment for nursing-home care. Independent plans held 43 percent of the enrollment for dental care and 10 percent of the coverage for physicians' office and home visits but had 7 percent or less for all other services.

The distribution pattern was somewhat the same for persons under age 65 as for those of all ages. Among those aged 65 and over, however, the pattern was reversed, with Blue Cross-Blue Shield plans accounting for a much larger share of enrollment for all types of services except dental care.

HMO Enrollment

Prepaid group-practice plans in the independent plans category, some of which have been in

TABLE 4.—Enrollment under private health insurance plans for persons aged 65 and over and estimates of the net number of different persons covered, by type of plan and specified type of care, as of December 31, 1972

[In thousands]

Type of plan	Hospital care	Physicians' services				Dental care	Pre-scribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care	Vision care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	Office and home visits						
Total gross enrollment.....	13,821	10,679	8,726	7,827	4,389	296	3,554	3,475	4,533	5,528	(1)
Blue Cross-Blue Shield.....	6,928	6,791	5,812	4,694	2,102	10	1,304	1,234	2,128	5,075	52
Blue Cross.....	6,670	324	232	(1)	59	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield.....	258	6,467	5,580	(1)	2,043	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies.....	6,343	3,268	2,290	2,507	1,713	142	1,920	1,870	1,870	210	(1)
Group policies.....	1,507	1,504	1,260	2,284	1,504	142	1,801	1,729	1,729	210	(1)
Individual policies.....	4,836	1,764	1,030	223	209	119	119	141	141	(1)	(1)
Independent plans.....	550	620	624	626	674	144	330	371	535	245	423
Community.....	168	237	237	237	239	52	132	169	228	82	228
Employer-employee-union.....	369	365	369	371	317	9	180	200	207	161	186
Private group clinic.....	13	18	18	18	18	2	18	2			11
Dental service corporation.....						81					
Net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	11,270	9,813	8,155	7,750	4,346	296	3,519	3,441	4,488	5,473	(1)
Percent of civilian population ¹	52.2	46.3	38.5	36.6	20.5	1.4	16.6	16.3	21.2	25.8	(1)
HIAA.....	12,047	9,615	8,377	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Percent of civilian population ²	56.9	45.4	39.6	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Gross enrollment as percent of net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	122.6	108.8	107.0	101.0	101.0	100.0	101.0	101.0	101.0	101.0	(1)
HIAA.....	114.7	111.1	104.2	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

¹ Data not available

² Based on Bureau of the Census estimate of 21,177,000 as of January 1, 1973

existence for as long as 40 years, continue to hold the vast majority of the market for the HMO type of organization. Insurance companies had 64,000 subscribers enrolled in HMO's by the end of 1972; 756,000 Blue Cross-Blue Shield subscribers received their health care from prepaid group-practice programs. The number of enrol-

lees in new federally funded HMO's that fall in the independent plans category is not known at this time. These data will be obtained from a survey of all known independent health insurance plans now being conducted by the Social Security Administration.

More important than the distribution of HMO

TABLE 5.—Percentage distribution of total gross enrollment under private health insurance plans, by age, type of plan, and specified type of care, as of December 31, 1972

Age group and type of plan	Hospital care	Physicians' services				Dental care	Pre-scribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	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.....	35.5	35.9	40.6	35.3	26.3	8.2	27.9	26.8	30.3	68.0
Insurance companies.....	60.4	58.4	52.9	57.7	63.7	50.8	67.4	67.1	63.1	28.3
Group policies.....	37.9	42.3	43.9	52.6	56.7	50.5	63.2	62.0	58.3	18.6
Individual policies.....	22.5	16.1	9.0	5.1	7.0	.3	4.2	5.1	4.8	7.7
Independent plans.....	4.1	5.7	6.5	7.0	10.0	43.0	4.7	6.1	6.6	5.7
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.....	34.6	34.4	39.2	34.0	25.3	6.2	27.6	26.6	29.6	64.7
Insurance companies.....	61.3	59.9	54.4	59.0	64.8	50.8	67.8	67.5	64.0	29.4
Group policies.....	39.6	43.8	45.5	53.7	57.7	50.5	63.6	62.4	59.2	20.7
Individual policies.....	21.7	16.1	8.9	5.3	7.1	.3	4.2	5.1	4.8	8.7
Independent plans.....	4.1	5.7	6.4	7.0	9.9	43.0	4.6	5.9	6.4	5.9
Age 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.....	50.1	63.6	66.6	60.0	47.9	3.4	36.7	35.5	46.9	91.8
Insurance companies.....	45.9	30.6	26.2	32.0	39.0	48.0	54.0	53.8	41.3	3.8
Group policies.....	10.9	14.1	14.4	29.2	34.2	48.0	50.7	49.7	38.2	3.8
Individual policies.....	35.0	16.5	11.8	2.8	4.8		3.3	4.1	3.1	
Independent plans.....	4.0	5.8	7.2	8.0	13.1	48.6	9.3	10.7	11.8	4.4

business is the effect of these organizations on the mode of health care delivery. To what extent is the population now served by comprehensive group-practice plans on a prepaid capitation basis, whether or not the plan operates through an insurance carrier, is underwritten by Blue Cross-Blue Shield, or operates independently? Are more people covered for physicians' office visits, diagnostic X-ray and laboratory examinations, drugs, and nursing services as a result of HMO activity?

Since 1971, some increase has occurred in the number of persons who receive their health care under a prepaid group-practice plan providing comprehensive physicians' services either directly by their own salaried staffs of physicians or through groups of physicians with whom they contract, as the figures below indicate. The rate

[In thousands]

Type of plan	Enrollment	
	1971	1972
Blue Cross-Blue Shield.....	735	756
Insurance companies.....	15	64
Independent plans ¹	5,630	5,865
Community.....	3,450	3,700
Employer-employee-union.....	2,050	2,025
Private group clinic.....	130	140

¹ Enrollment for office, clinic, and health center visits used

of growth of the independent HMO prototypes has taken an upturn, and there has been some impact by Blue Cross-Blue Shield plans. It is too early, however, to tell whether plans of the HMO type will mushroom and eventually bring prepaid group-practice plans into a competitive role in the health insurance industry.

Although employer-employee-union prepaid group-practice plans are closed plans in the sense that they generally serve only employees or union members, like HMO plans they do provide comprehensive care service on a predetermined periodic payment basis. They are self-insured, and they have a comparable economic interest in keeping the member healthy and well, thus minimizing the need for expensive hospitalization. Physicians are motivated to increase the efficiency of medical care and to avoid costly duplication of services. Enrollment in these plans has dropped slightly; some have turned to private carriers.

Group-practice plans continue to be cited for

their savings in cost through more efficient utilization of both hospital facilities and physicians' services and for their provision of comprehensive and preventive care. As seen in the tabulation below, experience under the Federal Employees Health Benefits program shows that enrollees in group-practice plans use hospital care at less than half the rate of enrollees in the Blue Cross-Blue Shield plan for Federal employees and of those under the nationwide indemnity plan provided by the Aetna Life Insurance Company. Enrollees under individual practice plans also have a low utilization rate for hospital care.

Type of plan	Hospital days per 1,000 covered persons ¹
Blue Cross-Blue Shield.....	948
Indemnity.....	942
Individual practice.....	447
Group practice.....	417

¹ The number of days reflect the number of days for which benefits are provided by high option plans. They are not necessarily the total patient days.

Source: Tables D-4, Government-wide and Employee Organization Plans—Summary of benefit experience, calendar year 1972, and D-5, Individual and Group Practice Plans—Summary of benefit experience, calendar year 1972. U.S. Civil Service Commission, Bureau of Retirement, Insurance and Occupational Health, *Federal Employees Health Benefits Program, Annual Report of Financial and Statistical Data for Fiscal year ending June 30, 1973*.

HISTORICAL DATA

The data in tables 6 and 7 give, for all ages, the gross enrollment of health insurance organizations and estimates of the net number of persons and percentage of population with some coverage for hospital care and surgical services during 1940-72. Blue Cross-Blue Shield enrollment for hospital and surgical care rose more rapidly in 1972 than in 1971. In previous years the rate of growth had been about 3 percent except for a drop in 1971 to a 1-percent gain for hospital care and to 2 percent for surgical care. Insurance company enrollment for hospital care continued to rise at a faster rate in individual business than in group business during 1972. Independent plans continued a favorable growth pattern as more community plans added hospital care.

In 1971, HIAA revised downward its estimates of net coverage for 1965-71 to reflect more current information with respect to the extent of duplicate coverage and other relevant factors. In 1972, HIAA made a further revision of its net

TABLE 6.—Hospital benefits: Gross enrollment under private health insurance plans for persons of all ages and estimates of the net number of different persons covered, by type of plan, 1940-72

[In thousands]

End of year	Gross enrollments											Net number of different persons covered, as estimated by—				Gross enrollment as percent of net, estimated by—		
	Total	Blue Cross-Blue Shield			Insurance companies			Independent plans					Household surveys ¹		HIAA		Household surveys	HIAA
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	Total	Community	Employer-employee union	Medical society	Private group clinic	Number	Percent of civilian population	Number ²	Percent of civilian population		
1940	12,022	6,072	6,012	80	3,700	2,500	1,200	2,250	140	1,560	110	440	-----	-----	12,312	9 3	-----	97.6
1945	32,135	18,961	18,881	80	10,504	7,804	2,700	2,670	420	1,660	200	390	-----	-----	32,068	24 0	-----	100 2
1950	81,691	37,845	37,435	210	39,601	22,305	17,296	4,445	1,445	2,280	500	220	-----	-----	76,639	50 7	-----	106 6
1955	118,629	48,924	47,719	1,205	63,160	39,029	24,131	6,545	2,920	3,220	360	45	-----	-----	105,452	64.1	-----	112 5
1960	148,863	57,464	55,938	1,526	85,405	55,218	30,187	5,994	1,604	4,000	340	50	-----	-----	130,007	72 3	-----	114 5
1961	153,026	57,960	56,489	1,471	87,964	57,013	30,951	7,102	1,851	4,850	344	57	-----	-----	134,417	73 7	-----	113 8
1962	158,629	59,618	58,133	1,485	92,074	59,153	32,921	6,937	1,830	4,703	344	60	129,800	70 0	139,176	75 1	122 2	114 0
1963	165,142	60,698	59,141	1,557	97,279	62,817	34,462	7,165	1,954	4,814	344	60	126,047	67.0	144,575	76 8	131 0	114 2
1964	169,632	62,429	60,478	1,951	100,363	64,506	35,857	6,840	1,859	4,785	8	188	-----	-----	148,338	77 8	-----	114.4
1965	175,122	63,662	61,651	2,012	104,476	67,104	37,372	6,984	1,964	4,971	8	51	-----	-----	151,483	78 5	-----	115 6
1966	180,482	65,638	63,408	2,230	108,211	69,570	38,641	6,633	1,964	4,618	-----	51	-----	-----	155,864	80 1	-----	115.8
1967	185,822	67,513	65,188	2,325	111,259	73,351	39,708	7,050	2,300	4,700	-----	50	145,454	73 9	160,649	81 6	127 8	115 7
1968	193,555	70,510	67,958	2,552	115,768	76,059	39,709	7,277	2,507	4,749	-----	20	150,888	75 9	167,209	84 1	128 3	115 8
1969	202,475	73,211	70,620	2,591	121,562	80,093	41,469	7,702	2,672	5,000	-----	30	-----	-----	170,855	85 0	-----	118.5
1970	209,787	75,464	72,942	2,522	126,192	82,712	43,480	8,131	2,900	5,200	-----	31	154,063	75 9	175,382	86 4	136 2	119.6
1971	214,274	76,349	74,383	1,966	129,380	82,853	46,527	8,545	3,100	5,400	-----	45	³ 157,186	76 5	178,938	87.1	136 3	119.7
1972	221,272	78,605	76,322	2,283	133,677	83,768	49,909	8,990	3,370	5,560	-----	60	⁴ 159,526	77.0	181,602	87.6	138 7	121.8

¹ Number estimated by applying percentages to total civilian population. Percentages projected to end of year and rounded for years 1962 and 1963.
² Estimate exceeds gross enrollment for early years because HIAA data include estimated enrollment of college and university health services. Estimates for years 1965 and later have been revised.

³ Estimated by applying HIAA percentage increase in net enrollment from 1970 to 1971 to the NCHS figures for 1970.
⁴ Estimated by applying HIAA percentage increase in net enrollment from 1971 to 1972 to the 1971 estimate.

TABLE 7.—Surgical benefits: Gross enrollment under private health insurance plans for persons of all ages and estimates of the net number of different persons covered, by type of plan, 1940-72

[In thousands]

End of year	Gross enrollments											Net number of different persons covered, as estimated by—				Gross enrollment as percent of net, estimated by—		
	Total	Blue Cross-Blue Shield			Insurance companies			Independent plans					Household surveys ¹		HIAA		Household surveys	HIAA
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	Total	Community	Employer-employee union	Medical society	Private group clinic	Number	Percent of civilian population	Number ²	Percent of civilian population		
1940	4,790	260	-----	260	2,280	1,430	850	2,250	200	1,480	110	460	-----	-----	5,350	4.1	-----	89.5
1945	12,092	2,335	-----	127	7,337	5,537	1,800	2,420	350	1,460	200	470	-----	-----	12,890	9 6	-----	93 8
1950	55,950	17,253	-----	1,151	34,937	21,219	13,718	3,760	940	1,950	600	210	-----	-----	54,156	35 8	-----	100 3
1955	101,819	37,395	-----	3,194	58,494	39,725	18,769	5,930	2,130	3,200	430	170	-----	-----	88,856	54.0	-----	114 6
1960	134,118	48,266	-----	3,773	78,516	55,504	23,012	7,336	2,760	4,020	346	210	-----	-----	117,304	65.2	-----	114 3
1961	140,103	49,374	-----	3,048	82,235	57,373	24,862	8,494	3,026	4,891	346	231	116,788	64.0	122,951	67 4	120.0	114 0
1962	144,441	50,876	-----	2,814	85,278	59,787	25,491	8,287	3,003	4,695	346	243	120,528	65 0	126,900	68 4	119.8	113 8
1963	151,240	52,371	-----	2,740	90,261	63,288	26,973	8,608	3,206	4,806	346	250	-----	-----	131,954	70 1	-----	114.6
1964	155,215	54,473	-----	3,222	92,445	64,939	27,506	8,297	3,111	4,968	10	208	-----	-----	135,433	71 0	-----	114 6
1965	161,810	56,330	-----	3,660	96,796	67,557	29,239	8,684	3,400	5,068	10	206	-----	-----	139,437	72 3	-----	116 0
1966	165,810	57,916	-----	3,417	99,569	70,268	29,301	8,325	3,526	4,601	-----	198	-----	-----	143,284	73 6	-----	115.7
1967	172,050	60,433	-----	3,416	103,037	74,318	28,719	8,580	3,900	4,500	-----	180	142,082	72 2	148,729	75 6	121.1	115.7
1968	177,647	63,279	-----	3,464	105,616	77,415	28,201	8,752	4,132	4,476	-----	143	148,082	74 5	153,977	77 5	120 0	115.4
1969	187,005	66,595	-----	3,629	102,966	74,363	29,097	9,950	4,500	5,300	-----	150	-----	-----	158,584	78 9	-----	117 9
1970	193,903	69,110	-----	3,874	114,261	84,133	30,128	10,532	4,900	5,500	-----	132	150,001	73 9	162,655	80 1	129 3	119 2
1971	196,459	70,395	-----	3,831	115,204	84,394	30,810	10,860	5,100	5,630	-----	130	³ 161,604	73 8	164,491	80 0	129 6	119 4
1972	201,702	72,433	-----	4,020	117,779	85,290	32,489	11,490	5,350	6,000	-----	140	⁴ 153,326	74 0	166,261	80.2	131.6	121.3

¹ See footnote 1, table 6.
² See footnote 2, table 6.

³ See footnote 3, table 6.
⁴ See footnote 4, table 6.

figures for 1971 to take into account revised estimates of nonreporting companies. Nevertheless, the difference of several points between the HIAA estimates and ORS estimates of the proportion of the net population with health insurance continues to stand out very clearly.

The HIAA estimates did not take duplicate coverage into account until 1947. By 1960, the Association's ratio of gross enrollment to net enrollment had leveled off at about 114 percent, increasing gradually to about 122 percent in 1972. In various household surveys the ratio has been substantially larger in the past few years—128–139 percent for hospital benefits and 120–132 percent for surgical care. The difference between HIAA estimates and the household survey figures may result from a combination of HIAA overstatement of enrollments reported by health insurance organizations and underreporting in the household surveys.

For persons under age 65 and for those aged 65 and over, data on enrollments and estimates of the net population covered are presented separately in tables 8 and 9. The changing health insurance picture since Medicare began in mid-1966 makes the separate presentation for the two age groups significant.

The net number of different persons covered are estimates of household interview surveys in 1962, 1967, and 1970, and projections, based on HIAA reported percentages of net increases, for the years 1971 and 1972. For persons under age 65, the increases for 1972 amounted to 1.2 percent for hospital care and 1.1 percent for surgical care. The corresponding figures for aged persons were 6.1 percent and 0.5 percent, respectively.

For the population under age 65, gross total enrollments for hospital and surgical care rose 50 percent from 1960 to 1972. The 1972 increase in

TABLE 8—Hospital benefits: Gross enrollment under private health insurance plans and estimates of the net number of different persons covered, by age and type of plan, 1960–72

[In thousands]

End of year	Gross enrollments					Net number of different persons covered, as estimated by—				Gross enrollment as percent of net, estimated by—	
	Total	Blue Cross-Blue Shield	Insurance companies		Independent plans	Household surveys		HIAA		Household surveys	HIAA
			Group policies	Individual policies		Number	Percent of civilian population	Number	Percent of civilian population		
Under age 65											
1960.....	139,855	53,070	53,718	27,487	5,580	-----	-----	120,772	74.1	-----	115.6
1961.....	142,576	52,750	55,263	27,951	6,612	-----	-----	124,595	75.4	-----	114.4
1962.....	146,626	54,194	56,833	29,121	6,458	-----	-----	128,877	78.8	122.0	114.0
1963.....	152,822	55,072	60,417	30,662	6,671	-----	-----	133,267	78.2	-----	114.7
1964.....	157,083	56,663	62,006	32,057	6,357	-----	-----	(¹)	-----	-----	-----
1965.....	162,461	57,894	64,504	33,572	6,501	-----	-----	140,219	80.3	-----	115.9
1966.....	170,053	60,575	67,546	35,729	6,203	-----	-----	146,507	83.3	-----	116.1
1967.....	175,672	62,103	71,279	35,670	6,320	136,907	77.0	151,628	85.3	128.3	115.9
1968.....	182,440	65,086	74,128	36,451	6,775	141,672	78.9	157,128	87.6	128.9	116.1
1969.....	190,320	67,251	78,194	37,621	7,234	-----	-----	160,189	88.3	-----	118.8
1970.....	197,038	69,128	80,685	39,595	7,630	143,611	78.6	164,210	89.9	137.2	120.0
1971.....	201,365	69,704	81,047	42,589	8,025	*146,656	79.4	167,588	90.7	137.4	120.2
1972.....	207,451	71,677	82,261	45,073	8,440	*148,285	79.7	169,555	91.1	140.0	122.4
Aged 65 and over											
1960.....	9,008	4,394	1,500	2,700	414	-----	-----	9,235	54.8	-----	97.5
1961.....	10,450	5,210	1,750	3,090	490	-----	-----	9,822	57.2	-----	106.4
1962.....	12,003	5,424	2,300	3,800	479	9,125	54.1	10,299	59.1	131.5	116.5
1963.....	12,320	5,626	2,400	3,800	494	-----	-----	11,308	63.8	-----	108.9
1964.....	12,538	5,766	2,500	3,800	472	-----	-----	(¹)	-----	-----	-----
1965.....	12,661	5,778	2,600	3,800	483	-----	-----	11,264	61.5	-----	112.4
1966.....	10,439	5,073	2,024	2,912	430	-----	-----	9,357	50.1	-----	111.6
1967.....	10,150	5,410	2,072	2,238	430	8,547	45.0	9,021	47.5	118.8	112.5
1968.....	11,115	5,424	1,931	3,258	502	*0,316	48.2	10,081	52.2	119.3	110.3
1969.....	12,155	5,960	1,899	3,848	448	-----	-----	10,666	54.3	-----	114.0
1970.....	12,749	6,336	2,027	3,885	501	10,452	51.4	11,172	54.9	122.0	114.1
1971.....	12,909	6,645	1,806	3,938	520	*10,618	51.1	11,350	54.6	121.6	113.7
1972.....	13,821	6,928	1,507	4,836	550	*11,270	*53.2	12,047	56.9	122.6	114.7

¹ Data not available

² See footnote 3, table 6

³ See footnote 4, table 6

⁴ Estimated on basis of percentage increase in gross enrollment from the preceding year.

⁵ Estimated on basis of HIAA percentage increase in net enrollment from the preceding year.

⁶ In the Current Medicare Survey of the Social Security Administration, 57.6 percent of those enrolled for supplementary medical insurance were reported as having private hospital insurance as of January 1, 1973.

TABLE 9.—Surgical benefits: Gross enrollment under private health insurance plans and estimates of the net number of different persons covered, by age and type of plan, 1960-72

[In thousands]

End of year	Gross enrollments					Net number of different persons covered, as estimated by—				Gross enrollment as percent of net, estimated by—	
	Total	Blue Cross-Blue Shield	Insurance companies		Independent plans	Household surveys		HIAA		Household surveys	HIAA
			Group policies	Individual policies		Number	Percent of civilian population	Number	Percent of civilian population		
Under age 65											
1960.....	127,386	45,226	54,104	21,212	6,844	-----	-----	109,452	67.2	-----	116.4
1961.....	132,209	45,649	55,673	22,962	7,925	-----	-----	114,645	69.3	-----	115.3
1962.....	134,609	46,599	57,487	22,791	7,732	113,599	68.3	(1)	(1)	118.5	-----
1963.....	139,278	46,066	60,888	24,273	8,031	-----	-----	122,112	71.6	-----	114.1
1964.....	144,811	49,825	62,439	24,806	7,741	-----	-----	(1)	(1)	-----	-----
1965.....	150,946	51,348	64,957	26,539	8,102	-----	-----	129,514	74.2	-----	116.5
1966.....	157,504	53,613	68,574	27,479	7,838	-----	-----	136,062	77.4	-----	115.8
1967.....	163,643	56,020	72,583	26,965	8,075	133,706	75.2	141,208	79.4	122.4	115.9
1968.....	168,588	58,390	75,619	26,300	8,279	139,061	77.5	145,553	81.1	121.2	115.8
1969.....	176,716	60,499	79,571	27,196	9,450	-----	-----	149,847	82.6	-----	117.9
1970.....	183,587	63,066	82,201	28,347	9,973	140,505	76.9	153,352	83.9	130.7	119.7
1971.....	185,865	63,891	82,548	29,144	10,282	*141,944	76.0	154,023	83.9	130.9	120.0
1972.....	191,023	65,642	83,786	30,725	10,870	*143,523	77.1	156,646	84.2	133.1	122.0
Aged 65 and over											
1960.....	6,732	3,040	1,400	1,800	492	-----	-----	7,852	46.6	-----	85.7
1961.....	7,894	3,725	1,700	1,900	569	-----	-----	8,306	48.4	-----	95.0
1962.....	9,832	4,277	2,300	2,700	555	7,792	46.2	(1)	(1)	126.2	(1)
1963.....	9,962	4,285	2,400	2,700	577	-----	-----	9,842	55.6	-----	101.2
1964.....	10,404	4,648	2,500	2,700	556	-----	-----	(1)	(1)	-----	(1)
1965.....	10,864	4,982	2,600	2,700	582	-----	-----	9,923	54.2	-----	109.5
1966.....	8,307	4,304	1,694	1,824	487	-----	-----	7,222	38.7	-----	115.0
1967.....	8,407	4,413	1,735	1,754	505	8,376	44.1	7,521	39.6	100.4	111.8
1968.....	9,059	4,889	1,796	1,901	473	*9,021	46.7	8,424	43.6	100.4	107.5
1969.....	10,289	6,096	1,792	1,901	500	-----	-----	8,737	44.5	-----	117.8
1970.....	10,316	6,044	1,932	1,781	559	9,496	46.7	9,303	45.8	108.6	110.9
1971.....	10,594	6,504	1,846	1,666	578	*9,766	47.0	9,568	46.0	108.5	110.7
1972.....	10,679	6,791	1,504	1,764	620	*9,813	*46.3	9,615	45.4	108.8	111.1

¹ Data not available

² See footnote 3, table 6

³ See footnote 4, table 6.

⁴ See footnote 4, table 8.

⁵ See footnote 5, table 8

⁶ In the Current Medicare Survey of the Social Security Administration, 46.7 percent of those enrolled for supplementary medical insurance were reported as having private surgical insurance as of January 1, 1973.

hospital coverage held to the fairly steady growth rate for this period—2-4 percent a year.

The picture is different for persons aged 65 and over. The number covered by private health insurance reached a peak (13 million) in 1965, then fell off with the advent of Medicare. Total gross enrollments for hospital care at the end of 1966, however, were still 83 percent of the 1965 total—an indication that the great majority of the aged with private health insurance retained their insurance, shifting to health insurance policies or plans complementary to Medicare. After a further slight decline in 1967, enrollment has risen gradually to a total of 14 million in 1972. The percentage of the aged population with private insurance coverage also increased in those years but still remained below the coverage level reached in 1965.

The steadily broadening scope of benefits under private health insurance is shown in table

10, which gives data on net enrollment and the percentage of the population covered, by type of health care benefit. For all ages, coverage for X-ray and laboratory examinations, prescribed drugs, and private-duty nursing and visiting-nurse service has more than doubled since 1962. Net enrollment for physicians' office and home visits went up 75 percent. Nursing-home care covered nine times as many persons, and dental care increased almost eighteen times.

The expansion in the areas of physicians' office and home visits, private-duty nursing, and, to some extent, X-ray and laboratory examinations and prescribed drugs comes largely through increased coverage under major medical plans of insurance companies and Blue Cross-Blue Shield extended-benefit plans. Independent self-insured plans, however, can claim a good portion of the expansion in coverage for dental care, although Blue Cross-Blue Shield and insurance company

plans have also accounted for substantial gains. A very high proportion of dental care is known to have been union-negotiated. It is clear that all private health insurance organizations are broadening the scope of their coverage.

Table 11 reveals, for coverage of persons of all ages, the annual growth since 1955 in the number of persons under major medical policies of insurance companies and under supplementary major medical and comprehensive extended-benefit contracts of Blue Cross-Blue Shield plans. In 1972, 110 million persons were covered by major medi-

cal insurance, almost 5 million more than in 1971. More than three-fourths of the expansion in major medical coverage was in Blue Cross-Blue Shield supplementary major medical plans.

The rapid growth of this kind of coverage demonstrates the continuing demand for basic health care plans that adequately meet the costs of personal health care needs. The fact that group insurance policies far outnumber individual policies is an indication that most major medical coverage is obtained through the workplace, most often by employee choice of a high-

TABLE 10.—Estimates of the net number of different persons under private health insurance plans and percent of population covered, by age and specified type of care, 1962-72

End of year	Hospital care	Physicians' services				Dental care	Prescribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	Office and home visits					
All ages										
Number (in thousands)										
1962.....	129,800	120,528	(1)	65,671	56,986	1,006	47,907	46,143	43,203	4,975
1965.....	(1)	(1)	(1)	79,500	63,400	3,100	53,200	56,000	60,100	9,900
1966.....	(1)	(1)	(1)	90,000	73,706	4,227	65,544	68,722	79,004	17,814
1967.....	145,454	142,082	(1)	92,480	78,565	4,679	71,201	76,080	81,771	18,754
1968.....	150,888	148,082	128,174	97,703	85,311	5,821	79,280	83,485	90,523	19,046
1969.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1970.....	154,263	150,001	145,589	142,441	91,581	12,210	100,966	100,235	106,882	32,392
1971.....	157,186	151,694	148,514	145,207	95,825	15,345	106,985	104,730	110,215	38,636
1972.....	159,526	153,326	149,734	149,444	99,914	17,904	111,374	108,959	115,904	45,460
Percent of civilian population										
1962.....	70.0	65.0	(1)	35.0	31.0	5	26.0	25.0	23.0	3.0
1965.....	(1)	(1)	(1)	41.2	32.9	1.6	27.6	29.0	31.2	5.1
1966.....	(1)	(1)	(1)	48.0	37.9	2.2	33.7	35.0	40.6	9.2
1967.....	73.9	72.2	(1)	47.0	39.9	2.4	36.2	38.7	41.6	9.2
1968.....	75.9	74.5	64.5	49.2	42.9	2.9	39.9	42.0	45.5	9.6
1969.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1970.....	75.9	73.9	71.7	70.2	45.1	6.0	49.7	49.4	52.6	16.0
1971.....	76.5	73.8	72.3	70.7	46.6	7.5	52.1	51.0	53.6	18.8
1972.....	77.0	74.0	72.2	72.1	48.2	8.6	53.7	52.6	55.9	21.9
Under age 65										
Number (in thousands)										
1967.....	136,907	133,706	116,656	88,926	75,785	4,596	69,363	73,857	79,302	15,873
1968.....	141,572	139,061	121,104	93,714	82,295	5,719	76,748	81,309	87,697	16,921
1969.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1970.....	143,611	140,505	137,229	134,839	87,625	12,079	97,736	97,017	103,064	27,371
1971.....	146,565	141,944	140,685	137,463	91,493	15,155	103,672	101,450	106,190	33,434
1972.....	148,285	143,523	141,579	141,694	95,568	17,608	107,855	105,518	111,416	39,987
Percent of civilian population										
1967.....	77.0	75.2	65.6	50.0	42.6	2.6	39.0	41.5	44.6	8.9
1968.....	78.9	77.5	67.5	52.2	45.9	3.2	42.8	45.3	48.9	9.4
1969.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1970.....	78.6	76.9	75.1	73.8	48.0	6.6	53.5	53.1	56.4	15.4
1971.....	79.4	76.9	76.2	74.4	49.5	8.2	56.1	54.9	57.5	18.1
1972.....	79.7	77.1	76.1	76.1	51.3	9.5	58.0	56.7	59.9	21.5
Aged 65 and over										
Number (in thousands)										
1967.....	8,547	8,376	5,905	3,554	2,780	83	1,838	2,223	2,470	2,881
1968.....	9,316	9,021	7,070	3,989	3,016	102	2,532	2,176	2,826	2,125
1969.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1970.....	10,452	9,496	6,360	7,602	3,956	131	3,230	3,218	3,818	5,021
1971.....	10,618	9,766	7,829	7,744	4,332	193	3,313	3,280	4,025	5,202
1972.....	11,270	9,813	8,155	7,750	4,346	296	3,519	3,441	4,488	5,473
Percent of civilian population										
1967.....	45.0	44.1	31.1	18.7	14.6	.4	9.7	11.7	13.0	15.2
1968.....	48.2	46.7	36.6	20.6	15.6	.5	13.1	11.3	14.6	11.0
1969.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1970.....	51.4	46.7	41.1	37.4	19.5	.6	15.9	15.8	18.8	24.7
1971.....	51.1	47.0	37.7	37.3	20.8	.9	15.9	15.8	19.4	25.0
1972.....	53.2	46.3	38.5	36.6	20.5	1.4	16.6	16.3	21.2	25.8

¹ Data not available

TABLE 11—Number of persons covered under major medical policies of insurance companies and under supplementary major medical and comprehensive extended-benefits contracts of Blue Cross-Blue Shield plans, 1955-72

[In thousands]

End of year	Insurance companies					Blue Cross-Blue Shield plans ¹		
	Total	Group policies			Individual policies	Total	Supplementary 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	³ 14,600	(²)	(²)
1966.....	56,742	52,002	39,685	12,317	4,740	14,352	10,409	3,943
1967.....	62,226	57,447	43,899	13,548	4,779	16,279	12,408	3,871
1968.....	66,861	61,738	46,935	14,803	5,123	17,807	14,078	3,729
1969.....	72,292	66,630	49,875	16,755	5,662	20,328	16,666	3,662
1970.....	78,217	72,315	54,085	18,230	5,902	24,905	21,658	3,247
1971.....	78,709	72,937	53,703	19,234	5,772	26,780	23,429	3,351
1972.....	79,897	73,868	54,277	19,591	6,028	30,082	26,879	3,203

¹ Comparable data not available for earlier years; before 1965, data shown are for Blue Cross plans only, beginning 1965, data jointly developed by Blue Cross Association and National Association of Blue Shield Plans on unduplicated number of persons covered

² Data not available
³ Data for Blue Cross plans plus an estimated 1,600,000 in Blue Shield plans not affiliated with Blue Cross.

option plan. Individual policies are frequently purchased, however, by employees who do not have high-option plans available to them or by others whose basic coverage is inadequate.

Enrollment in independent group-practice prepayment plans for the period 1953-72 is shown in table 12. The average annual growth rate during the past 5 years has been substantially higher than in the previous 14 years for all types of medical care. Enrollment for hospital care has been increasing at an average annual growth rate of 9 percent since 1967, compared with a rate of 4 percent from 1954 to 1967. Enrollment for physicians' services has been rising 6-7 percent per year since 1967; the annual rate averaged

only 3-4 percent during the previous 14 years. For drugs, coverage rose on an average of 17 percent a year since 1969. Thus, the group-practice prepayment plans have been offering a constantly wider array of health care services.

FINANCIAL EXPERIENCE

In 1972, the private health insurance industry collected \$22.3 billion in premiums and subscription charges from their policyholders and subscribers. A little more than 87 percent of the total (\$19.5 billion) was returned in claims and benefits (table 13). Operating expenses amounted to \$3.1 billion, or 14 percent of premium income. The net underwriting loss was a little more than 1 percent of premium income, a loss made up for the most part in income from investment of reserves. Because total income figures for the commercial carriers are not available, the net income for all private health insurance organizations cannot be determined.

Although insurance companies received almost \$11 billion in premium income and Blue Cross-Blue Shield plans received only about \$1 billion less, the operating expense of insurance companies was more than three times that of Blue Cross-Blue Shield plans—\$2.3 billion or 21.4 percent of premium income, compared with 6.9 percent for Blue Cross-Blue Shield plans. The rate for the latter was accounted for mostly by the

TABLE 12.—Private health insurance enrollment under independent group-practice prepayment plans, by specified type of care, 1953-72

[In thousands]

Year	Hospital care	Physicians' services			Dental care	Drugs
		Surgical services	In-hospital visits	Office, clinic, or health clinic		
1953.....	1,802	2,410	2,507	2,853	452	(¹)
1956.....	2,428	3,177	3,399	3,395	248	(¹)
1959.....	2,526	3,280	3,400	3,694	318	(¹)
1961.....	2,586	3,484	3,643	3,643	398	518
1964.....	2,695	3,504	3,176	3,844	438	889
1966.....	2,771	3,763	3,430	4,158	(¹)	(¹)
1967.....	3,060	4,130	3,760	4,480	(¹)	(¹)
1968.....	3,043	4,051	3,730	4,404	518	1,382
1969.....	3,730	4,750	4,210	5,050	800	1,720
1970.....	4,131	5,032	4,532	5,432	910	2,121
1971.....	4,415	5,230	4,890	5,630	965	2,321
1972.....	4,679	5,473	5,123	5,865	965	2,543

¹ Data not available.

TABLE 13.—Financial experience of private health insurance organizations, 1972

[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 premium income
Total.....	(1)	\$22,326 8	\$19,492.2	87.3	\$3,134 9	14 0	-\$300 3	-1.3	(1)	-----
Blue Cross-Blue Shield.....	\$10,079 3	9,923 3	8,990 9	90.6	689 0	6.9	243 4	2 5	\$399.4	4 0
Blue Cross.....	7,175 1	7,066 9	6,501 3	92.0	364 9	5 2	200 7	2 8	308.9	4.4
Blue Shield.....	2,904 2	2,856 4	2,489 6	87.2	324 1	11 3	42 7	1.5	90.5	3.2
Insurance companies.....	(1)	10,905 0	9,120 0	83 6	2,333 5	21.4	-548.5	-5.0	(1)	-----
Group policies.....	(1)	8,309 0	7,754 0	93 3	1,113 4	13 4	-558.4	-6 7	(1)	-----
Individual policies.....	(1)	2,596 0	1,366 0	52 6	1,220.1	47 0	9.9	.4	(1)	-----
Independent plans.....	1,517 3	1,498 5	1,381 3	92 2	112 4	7.5	4.8	.3	23.6	1 6
Community.....	630 0	620.0	570 0	91.9	40 0	6 5	10.0	1.6	20.0	3 2
Employer-employee-union.....	715 0	709 0	666 0	93.9	54 0	7 6	-11.0	-1.5	-5.0	-7
Private group clinic.....	20 4	19 5	15 3	78.5	3 1	15 9	1.1	5.6	2.0	10.3
Dental service corporation.....	151.9	150 0	130 0	86 7	15 3	10 2	4 7	3.1	6.6	4.4

¹ Data not available.

low 5.2-percent operating expense ratio of the Blue Cross plans. The relatively high rate for insurance companies reflected mainly the operating expense ratio of 47 percent for individual business.

As noted earlier, insurance companies have relatively high acquisition costs and selling expenses and must pay Federal and State taxes not required of the Blue Cross-Blue Shield plans. Insurance companies also write more than twice as much major medical insurance as do the Blue Cross-Blue Shield plans, and 41 percent of their total benefits paid are for surgical-medical claims, compared with 30 percent for Blue Cross-Blue Shield plans. It is generally recognized that the operating expense ratio on surgical-medical coverage is higher than the ratio on hospital coverage mainly because of the lower premium, the larger number of claims per enrollee, the smaller amount per claim, and the greater complexity of administering and paying surgical-medical claims in comparison with handling hospital claims. Major medical insurance is regarded as the most costly type of coverage to administer.

Insurance company group business and self-insured employer-employee-union plans had the highest claims ratios; they returned 93 percent of premium income and 94 percent of subscription income, respectively, in benefits. The rate of return on Blue Cross plans was close to that—92 percent. Individual insurance company policies paid only 53 cents in benefits for every premium dollar.

The net income of Blue Cross-Blue Shield

plans rose from \$137 million in 1971 to almost \$400 million or 4 percent of premium income in 1972 as a result of their income from investments and their underwriting gain of \$243 million. Insurance company group business showed a net underwriting loss of 6.7 percent; individual business a net underwriting gain of 0.4 percent. Neither of these figures takes into account investment income, for which data are not available.

Subscription and premium income rose 14 percent in 1972; claims rose only 10 percent. Operating expenses remained stable. As a result, the health insurance industry was able to reduce its net underwriting loss from \$792 million in 1971 to \$300 million (1.3 percent of premium income) in 1972.

Blue Cross-Blue Shield plans had a 13-percent increase in income in 1972 but paid out only 10 percent more in benefits. And since their operating expense ratio remained stable, their net underwriting gain jumped from less than \$3 million in 1971 to \$243 million in 1972.

Insurance company premium income rose 14 percent in 1972, considerably more than claims (9 percent). This fact, together with only a nominal increase in their operating expense ratio, enabled the companies to reduce their net underwriting loss from \$775 million in 1971 to \$548 million in 1972. Individual business showed a 10-percent rise in premium income but paid out in benefits only 7 percent more than in 1971; its operating expense ratio remained the same. Individual business thus had a net underwriting gain in 1972 of \$10 million, compared with a net underwriting loss of \$20 million in 1971.

Independent plans received 18 percent more in subscription income in 1972 than in 1971; benefits rose 16 percent. Their operating expense ratio remained the same. They, too, shifted to a net underwriting gain—\$5 million in 1972, compared with a net underwriting loss of \$20 million in 1971.

Total Premium and Subscription Income and Benefits

Of the total premium and subscription income of the industry, insurance companies received 49 percent, Blue Cross-Blue Shield plans received 44 percent and independent plans 7 percent (table 14). The distribution of business among the organizations remained almost the same as in 1971. The commercial carriers' share of claims expense continued to be somewhat smaller than their share of premium income. For independent plans and Blue Cross-Blue Shield plans, however, the share of benefit expense was larger than

their share of subscription income. Distribution of benefit outlays changed nominally. The shares of the commercial carriers and of Blue Cross-Blue Shield plans were reduced by less than 1 percent; the independent plans picked up the difference.

Since 1948, insurance companies have consistently received the largest share of all premium and subscription income. Beginning in 1955, their share of claims expense ran higher than that of Blue Cross-Blue Shield plans. Group business has accounted for much of the increase in benefit expenditures. From 1961 to 1967, for example, the group business share was about four times the share of individual business; since 1967 it has been running about 5 to 1.

Benefit Expenditures and Types of Care

Sixty-three percent of benefits paid by private health organizations were for hospital care and 31 percent were for physicians' services (table

TABLE 14.—Percentage distribution of subscription or premium income and claims expense, by type of private health insurance organization, 1948-72

Year	Total	Blue Cross-Blue Shield plans			Insurance companies			Independent plans				
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	Total	Community	Employer-employee-union	Private group clinic	Dental service corporation
Subscription or premium income												
1948.....	100 0	42.3	36.5	5 8	48 8	24 6	24.2	8.8	(2)	(2)	(2)	(2)
1950.....	100 0	44.4	33.8	10 6	46.8	25 8	21.1	8.7	(2)	(2)	(2)	(2)
1955.....	100 0	41.0	28.9	12 1	51.7	32 5	19.2	7.3	(2)	(2)	(2)	(2)
1960.....	100 0	42 5	30.4	12 1	51.8	36.0	15.8	5.7	2.3	3.2	0.2	(2)
1961.....	100 0	42 0	30 0	12.0	51.4	36.2	15.2	6 6	2.2	3 8	.2	0.1
1962.....	100.0	42.1	29.9	12.2	51.4	36 5	14 9	6 5	2.2	3 8	.1	(2)
1963.....	100 0	42.2	30 3	11.9	51.4	36 2	15 2	6.4	2 3	3 6	.2	.1
1964.....	106 0	42.1	30 0	12.1	51.8	36.7	15 1	6.1	2.2	3.7	.1	.1
1965.....	100 0	41.7	29.9	11.8	52.2	36.6	15 6	6.1	2.2	3.7	.1	.1
1966.....	100 0	41.0	29.2	11.8	52.9	37.7	15.2	6.1	2.3	3.5	.1	.2
1967.....	100 0	41 0	29.1	11 9	52 8	38.5	14.3	6.2	2.5	3.3	.1	.3
1968.....	100.0	40 2	28 4	11.8	53.7	40.0	13.7	6.1	2.5	3.2	.1	.3
1969.....	100.0	42 0	29.8	12 2	51.6	38.8	12.8	6.4	2.6	3 3	.1	.4
1970.....	100.0	42 9	30.0	12 9	50.9	39.4	11 5	6 2	2.6	3 1	.1	.4
1971.....	100.0	44 7	31.7	13 0	48.8	36 8	12.0	6 5	2.7	3.3	.1	.4
1972.....	100 0	44 4	31.6	12 8	48.8	37.2	11 6	6.8	2 8	3.2	.1	.7
Claims expense												
1948.....	100 0	50 8	44.4	6 4	37.6	24 4	13 2	11.6	(2)	(2)	(2)	(2)
1950.....	100 0	49 5	38.6	10.9	40.3	25 9	14 4	10.2	(2)	(2)	(2)	(2)
1955.....	100 0	45.2	32 8	12.4	46 5	33 8	12 7	8 3	(2)	(2)	(2)	(2)
1960.....	100.0	45.8	32 9	12 8	47.8	38 0	9 8	6 4	(2)	(2)	(2)	(2)
1961.....	100 0	45 4	32.8	12 6	47.5	38.1	9.4	7.1	(2)	(2)	(2)	(2)
1962.....	100.0	45.6	32 5	15.1	47.5	38 7	8.8	6 9	(2)	(2)	(2)	(2)
1963.....	100.0	45.6	33 2	12.4	47.7	38 3	9.5	6 7	(2)	(2)	(2)	(2)
1964.....	100 0	45.6	33 1	12.5	48.0	38 6	9.4	6 3	(2)	(2)	(2)	(2)
1965.....	100.0	44.8	32.7	12.1	48.9	39 1	9.8	6 3	2 3	3 8	0.1	0.1
1966.....	100.0	43.5	31.5	12 0	50.2	40 6	9.6	6.4	2 4	3 6	.1	.2
1967.....	100 0	42.8	31.0	11.7	50.7	41.9	8.8	6.5	2.6	3.5	.1	.3
1968.....	100.0	42.7	31.1	11.6	51.0	42.7	8.3	6.3	2.6	3 3	.1	.3
1969.....	100.0	45.2	32 7	12 5	48.2	40.9	7 3	6 6	2.7	3 4	.1	.4
1970.....	100.0	44.9	31.9	13 0	48 6	41.3	7.3	6.5	2.7	3 4	.1	.3
1971.....	100 0	46.2	33.4	12 8	47.1	39 9	7.2	6.7	2.9	3 4	.1	.3
1972.....	100 0	46.1	33.3	12.8	46 8	39.8	7.0	7.1	2.9	3.4	.1	.7

¹ Medical society data not included.

² Data not available

³ Less than 0.05 percent.

15). Only 6 percent of total expenses went for other types of care. The consumer had little financial protection from his health insurance plan for dental care, drugs, nursing services, and other types of out-of-hospital care.

The comprehensive services offered by the independent plans are demonstrated by the allocation of 18 percent of their expenditures for dental care, prescribed drugs, vision care, nursing services, and other types of care. Blue Cross-Blue Shield plans laid out 70 percent of their expenditures for hospital care, compared with 39 percent by independent plans and 59 percent by commercial insurers. Only 28 percent of the Blue Cross-Blue Shield benefit expense was for physicians' services; the proportion was 33 percent for insurance companies and 43 percent for independent plans.

Trends

Data are presented in table 16 on the premium income and benefit expenditures of private health insurance organizations from 1948 to 1972. Premium income for all plans rose 14 percent in 1972 as it did in 1971; in the previous 5 years it

had increased at an average annual rate of 11 percent. After increasing by only 10 percent in 1971 (the slowest rate of increase among the health insurers), the premium income of insurance companies showed a rapid rise of 14 percent in 1972. Independent plans continued to increase the fastest—18 percent above the 1971 figure. Except for the initial period of Medicare, all plans have shown rapid annual rates of growth.

Benefit expenditures for all plans slowed for the second year. Claims expenditures increased by 20 percent from 1969 to 1970, contrasted with 12 percent from 1970 to 1971 and 10 percent from 1971 to 1972.

The decline can be attributed chiefly to the insurance companies, which dropped from a 21-percent advance in 1970 to a rise of only 9 percent in 1971 and in 1972, and to the Blue Cross-Blue Shield plans, which dropped from a 20-percent growth rate in benefits in 1970 to a 16-percent rise in 1971 and a 10-percent rise in 1972. The independent plans were more stable; they paid 20 percent more in benefits in 1970 than in the previous year and showed a 16-percent rise in 1972, as they had in 1971.

The economic stabilization program was also a factor in the slower rate of growth. During

TABLE 15.—Benefit expenditures of private health insurance organizations, by specified type of care, 1972

Type of plan	Total	Hospital care	Physicians' services	Dental care	Prescribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care	Vision care	Other types of care
Amount (in millions)										
Total.....	\$19,492.2	\$12,222.1	\$6,082.1	\$389.4	\$440.5	\$179.4	\$7.0	\$11.4	\$4.6	\$155.7
Blue Cross-Blue Shield.....	8,990.9	6,274.6	2,475.9	13.3	117.7	12.9	7.0	11.0	1.6	76.9
Blue Cross.....	6,501.3	6,131.3	260.4	8.2	52.2	7.6	5.7	10.8	.7	24.4
Blue Shield.....	2,489.6	143.3	2,215.5	5.1	65.5	5.3	1.3	.2	.9	52.5
Insurance companies.....	9,120.0	5,403.5	3,016.1	207.0	263.8	166.5	(1)	(1)	(1)	63.1
Group policies.....	7,754.0	4,471.1	2,646.3	207.0	261.7	105.8	(1)	(1)	(1)	62.1
Individual policies.....	1,366.0	932.4	369.8	—	2.1	60.7	(1)	(1)	(1)	1.0
Independent plans.....	1,381.3	544.0	590.1	169.1	59.0	(1)	(1)	.4	3.0	15.7
Community.....	570.0	172.7	359.8	19.4	13.0	(1)	(1)	.1	1.7	3.3
Employer-employee-union.....	666.0	368.6	219.7	18.2	46.0	(1)	(1)	.3	1.2	12.0
Private group clinic.....	15.3	2.7	10.6	1.5	—	(1)	(1)	—	.1	.4
Dental service corporation.....	130.0	—	—	130.0	—	—	—	—	—	—
Percentage distribution										
Total.....	100.0	62.7	31.2	2.0	2.3	0.9	(2)	0.1	(2)	0.8
Blue Cross-Blue Shield.....	100.0	69.8	27.5	.1	1.3	.1	.1	.1	(3)	.9
Blue Cross.....	100.0	94.3	4.0	—	.8	—	.1	.2	(3)	.4
Blue Shield.....	100.0	5.8	89.0	.2	2.6	.2	—	—	(3)	2.1
Insurance companies.....	100.0	59.2	33.1	2.3	2.9	1.8	(1)	(1)	(1)	.7
Group policies.....	100.0	57.6	34.1	2.7	3.4	1.4	(1)	(1)	(1)	.8
Individual policies.....	100.0	68.3	27.1	—	.2	4.4	(1)	(1)	(1)	.1
Independent plans.....	100.0	39.4	42.8	12.2	4.3	(1)	(1)	(2)	.2	1.1
Community.....	100.0	30.3	63.1	3.4	2.3	(1)	(1)	(2)	.3	.6
Employer-employee-union.....	100.0	55.4	33.0	2.7	6.9	(1)	(1)	(2)	.2	1.8
Private group clinic.....	100.0	17.6	69.3	9.8	—	(1)	(1)	—	.7	.2
Dental service corporation.....	100.0	—	—	100.0	—	—	—	—	—	—

¹ Included in "other types of care."

² Less than 0.05 percent.

TABLE 16—Subscription or premium income and benefit expenditures of private health insurance organizations, 1948-72

[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	330.3	272.0	112.5
1955	3,149.6	1,292.4	910.7	381.7	1,626.9	1,022.5	604.4	230.9
1960	5,841.0	2,482.0	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	1,176.3	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
1968	12,898.7	5,187.1	3,665.0	1,522.1	6,933.0	5,159.0	1,774.0	778.6
1969	14,657.7	6,155.6	4,365.2	1,790.4	7,569.0	5,685.0	1,884.0	933.1
1970	17,184.8	7,370.9	5,147.1	2,223.8	8,746.0	6,774.0	1,972.0	1,067.9
1971	19,659.1	8,790.2	6,239.6	2,550.6	9,601.0	7,231.0	2,370.0	1,267.9
1972	22,326.8	9,923.3	7,066.9	2,856.4	10,905.0	8,309.0	2,596.0	1,498.5
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
1968	11,343.6	4,840.6	3,529.2	1,311.4	5,791.0	4,841.0	930.0	712.0
1969	13,068.5	5,903.1	4,271.4	1,631.7	6,306.0	5,349.0	937.0	859.4
1970	15,743.5	7,090.2	5,009.3	2,050.9	7,656.0	6,510.0	1,146.0	1,027.4
1971	17,713.1	8,178.7	5,906.9	2,271.8	8,341.0	7,067.0	1,274.0	1,193.4
1972	19,492.2	8,990.9	6,501.3	2,489.6	9,120.0	7,754.0	1,366.0	1,381.3

Phase II—November 1971 to January 1973—medical care prices rose at an annual rate only half that reported during the pre-freeze period.⁴

⁴Loucele A. Horowitz, "Medical Care Price Changes under the Economic Stabilization Program," *Social Security Bulletin*, June 1973.

Benefit expenditures continued to grow more slowly than premium income. In 1970, benefits had risen 20 percent, premium income 17 percent. In 1971 and 1972 the trend was reversed, with premium income rising 14 percent for each year and benefits rising only 13 percent in 1971 and 10 percent in 1972.

TABLE 17.—Financial experience of Blue Cross plans, 1950-72¹

[Amounts in thousands]

Year	Reserves	Earned subscription income	Total earned income	Claims expense	Operating expense	Total net income	As percent of subscription income			Net income as percent of total income
							Claims expense	Operating expense	Underwriting gain	
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	0.9	2.1
1963	492,872	2,467,195	2,487,377	2,343,231	115,228	38,918	95.0	4.7	0.4	1.6
1964 ²	511,112	2,731,380	2,766,829	2,624,302	124,969	17,558	96.1	4.6	-	1.7
1965 ²	561,906	3,031,470	3,074,551	2,887,187	134,559	52,805	95.2	4.5	0.3	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	3,270,622	3,327,677	2,996,773	177,632	153,266	91.6	5.4	1.0	4.6
1968	801,359	3,711,798	3,776,457	3,571,767	211,698	-7,008	96.2	5.7	-1.9	-2.2
1969	711,274	4,419,296	4,489,266	4,322,341	256,227	-89,302	97.8	5.8	-3.6	-2.0
1970	651,655	5,385,835	5,467,512	5,220,662	302,463	-55,613	96.9	5.6	-2.5	-1.0
1971	747,230	6,390,127	6,477,615	6,053,537	338,610	85,168	94.7	5.3	(³)	1.8
1972	1,053,428	7,280,243	7,386,914	6,681,619	385,029	320,266	91.8	5.3	2.9	4.4

¹Data in all years exclude Health Services, Inc., and are not adjusted for duplication between Blue Cross and Blue Shield

²Includes Puerto Rico
³Less than -0.05 percent

TABLE 18.—Financial experience of Blue Shield plans, 1950–72 ¹

[Amounts in thousands]

Year	Reserves	Earned subscription income	Total earned income	Claims expense	Operating expense	Total net income	As percent of subscription income			Net income as percent of total income
							Claims expense	Operating expense	Underwriting gain	
1950.....	\$34,954	\$140,817	\$141,594	\$111,039	\$18,653	\$11,902	78.8	13.2	7.9	3.4
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	761,529	670,776	76,245	4,508	90.5	10.3	-1.8	1.6
1961.....	236,101	837,773	848,992	752,695	82,741	13,556	89.8	9.9	.3	1.6
1962 ²	266,536	974,086	965,373	838,816	91,136	25,421	89.2	9.4	1.5	2.6
1963 ²	289,440	1,086,356	1,101,745	977,147	99,662	24,936	89.9	9.2	.9	2.3
1964 ²	317,528	1,209,394	1,227,557	1,095,713	108,691	23,153	90.6	9.0	.4	1.9
1965 ²	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	1,399,890	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
1968.....	578,390	1,709,548	1,747,867	1,481,070	180,154	86,643	86.6	10.5	2.8	5.0
1969.....	555,079	2,007,970	2,054,571	1,834,495	222,514	-2,438	91.4	11.1	-2.5	-1.1
1970.....	491,066	2,320,877	2,369,600	2,165,572	254,726	-50,698	93.3	11.0	-4.3	-2.1
1971.....	628,202	2,814,696	2,868,368	2,530,826	295,282	42,260	89.9	10.5	-1.4	1.5
1972.....	691,445	3,282,927	3,342,586	2,864,633	346,861	131,095	87.3	10.6	2.2	3.9

¹ Data in all years exclude Medical Indemnity of America and are not adjusted for duplication between Blue Cross and Blue Shield.

² Includes Jamaica.

³ Includes Puerto Rico but excludes Jamaica.

The financial experience of Blue Cross and Blue Shield plans is shown in tables 17 and 18. The data, based on reports of the 74 Blue Cross and 70 Blue Shield plans, exclude data for the insurance companies owned by the associations. The data are based on the financial experience of the individual Blue Cross and Blue Shield plans and are not adjusted to eliminate the duplication with respect to the six joint plans that are both Blue Cross and Blue Shield and report identical data to the two national organizations.

A stabilized operating expense ratio coupled with a lower claims expense ratio (92 percent, compared with 95 percent in 1971) brought the net income of Blue Cross plans up to \$320 million from \$85 million in 1971. Reserves were also increased substantially (41 percent)—from \$747 million to \$1.05 billion.

Blue Shield plans also paid a lower return in benefits than in the previous year. The operating expense ratio remained about the same as in 1971. Subscription income rose 17 percent. Thus, the Blue Shield plans shifted from an underwriting loss to an underwriting gain. Their net income, including investment income, tripled from the previous year.

Table 19 depicts the distribution of benefit expenditures for hospital care, physicians' services, and other types of health care by private health insurers. A gradually increasing share of expenditures going to nonhospital, nonphysicians' services suggests a broadening and deepening coverage of health insurance plans over the years. Thus, in 1972 other types of care received

a little more than 7 percent of outlays, compared with less than 6 percent in 1971, and under 3 percent in the earlier years.

The data also reveal how dollar expenditures have fluctuated during the 1950–72 period. In 1966 and 1967, private health insurance benefits slowed their rate of growth substantially with the advent of Medicare. By 1968, insurance poli-

TABLE 19.—Benefit expenditures of all private health insurance organizations, by specified type of care, 1950–72

Year	Total	Hospital care	Physicians' services	Other types of care
Amount (in millions)				
1950.....	\$992	\$680	\$312	(¹)
1955.....	2,536	1,679	857	(¹)
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	186
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	6,134	2,964	447
1968.....	11,344	7,329	3,477	538
1969.....	13,069	8,356	4,029	684
1970.....	15,744	10,008	4,908	828
1971.....	17,713	11,279	5,430	1,004
1972.....	19,492	12,022	6,082	1,388
Percentage distribution				
1950.....	100.0	68.5	31.5	(¹)
1955.....	100.0	66.2	33.8	(¹)
1960.....	100.0	66.1	31.9	2.0
1961.....	100.0	66.1	31.6	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	65.5	31.0	3.5
1967.....	100.0	64.3	31.0	4.7
1968.....	100.0	64.6	30.7	4.7
1969.....	100.0	63.9	30.8	5.3
1970.....	100.0	63.6	31.2	5.2
1971.....	100.0	63.7	30.6	5.7
1972.....	100.0	61.7	31.2	7.1

¹ Included in physicians' services.

cies supplementing Medicare benefits were becoming widespread. In addition, insurance benefits took a sharp upturn as they sought to adjust to the inflationary trend in hospital and medical care costs. Economic controls in the latter half of 1971 slowed the rapid escalation and brought the rate down to 13 percent in 1971, and to 10 percent in 1972.

Operating Expense

As the data below indicate, operating expense as a percent of premium income for all health insurance organizations moved upward slightly in 1972. Blue Cross plans, which have generally

Year	Operating expense as percent of premium income									
	Total	Blue Cross-Blue Shield ¹			Insurance companies			Independent plans		
		Total	Blue Cross	Blue Shield	Total	Group	Individual	Total	Community	Employment-union
1961.....	(3)	(3)	(3)	(3)	23.2	13.4	46.5	(2)	(2)	(2)
1962.....	(3)	(3)	(3)	(3)	22.6	13.0	46.1	(2)	(2)	(2)
1963.....	(2)	(2)	(3)	(3)	22.8	13.1	45.7	(2)	(2)	(2)
1964.....	14.5	5.9	4.6	9.2	22.4	12.9	45.4	7.6	8.4	7.0
1965.....	14.2	5.7	4.5	8.8	21.8	12.4	44.0	6.4	7.6	5.6
1966.....	14.4	6.3	4.9	9.3	21.5	12.8	43.2	6.1	7.2	5.4
1967.....	14.5	6.9	5.4	10.0	21.4	13.1	43.7	6.0	6.9	5.4
1968.....	14.8	7.2	5.7	10.5	21.5	12.8	46.7	6.0	6.5	5.3
1969.....	14.6	7.4	5.8	11.1	21.3	13.2	45.6	7.1	7.2	7.2
1970.....	14.0	7.2	5.6	11.0	20.4	12.8	46.6	7.7	7.2	7.7
1971.....	13.3	6.9	5.2	11.0	21.2	12.7	47.1	7.5	6.7	7.8
1972.....	14.0	6.9	5.2	11.3	21.4	13.4	47.0	7.5	6.5	7.6

¹ Blue Cross-Blue Shield data are adjusted for duplication, except where noted.
² Data for operating costs separate from net underwriting gain or loss are not available.
³ Only data reported to national Blue Cross and Blue Shield organizations are available; these do not take into account duplication of data reported by joint plans.

had the lowest operating expense ratio, continued to have a ratio that was 5.2 percent of premium income.

The trend in operating expenses of private health insurance organizations expressed in terms of per enrollee cost should also be examined. It will be seen from the tabulation that follows that insurance companies have consistently had the highest administrative cost per enrollee: the group rate was more than three times the Blue Cross rate in 1961 and more than two and one-half times the Blue Cross rate in 1972. The dollar cost per Blue Cross enrollee rose \$3.29 during

Year	Operating expense per enrollee				
	Blue Cross ¹	Blue Shield ¹	Insurance companies		Independent plans
			Group	Individual	
1961.....	\$1.76	\$1.79	\$5.67	\$15.19	\$4.38
1962.....	1.85	1.89	5.95	15.44	5.34
1963.....	1.95	2.01	6.08	16.20	5.86
1964.....	2.07	2.12	6.59	17.13	6.14
1965.....	2.18	2.20	6.77	18.34	4.46
1966.....	2.43	2.38	7.33	18.01	4.75
1967.....	2.72	2.61	7.62	18.31	4.85
1968.....	3.11	3.01	8.68	20.87	5.31
1969.....	3.63	3.53	9.37	20.70	6.65
1970.....	4.15	3.91	10.48	21.13	7.82
1971.....	4.56	4.44	10.82	23.99	8.68
1972.....	5.05	5.07	13.05	24.45	9.77
Percentage change, 1961-72					
Total.....	186.9	183.2	130.2	61.0	123.1
Average annual.....	10.0	9.9	7.9	4.5	7.6

¹ Duplication due to the fact that some plans are joint Blue Cross and Blue Shield plans and report the same data to both national organizations has not been eliminated.

Source: Derived from the data on gross enrollment and financial experience in the annual articles on private health insurance, *Social Security Bulletin*, February issues.

the period 1961-72; insurance company cost for group business went up \$7.38.

In relative terms, however, the increases for the period were 187 percent for Blue Cross and only 130 percent for insurance company group business. The average annual increase during the period was 10 percent for Blue Cross and 8 percent for insurance company group business. Such factors as intensity of claims review, an increase in the number of claims, the number and types of plans offered, the demographic characteristics of the enrollees, and the efficiency of the carrier's administrative procedures all have a bearing on the rise in dollar costs per enrollee.

Net Cost of Private Health Insurance

In 1972 the net cost of private health insurance to the American public was \$2.8 billion, up from \$1.9 billion in the preceding year. This amount is the difference between earned premium or subscription income and benefit expenditures (claims expense) and is made up of operating expense and net underwriting gain or loss. It represents the retentions by the carriers to cover operating expenses, profits, and such additions to reserves not accounted for by deductions from premium income or inclusion in claims expense. The net underwriting gain is used for additions to reserves and profits. In years when there is a

TABLE 20.—Retentions¹ of private health insurance organizations as a percent of subscription or premium income, 1948-72²

Year	Total	Blue Cross-Blue Shield			Insurance companies			Independent plans ³			Private group clinic	Dental service corporation
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	Total	Com-munity	Employer-union		
1948	29.7	15.6	14.6	22.0	45.8	30.2	61.7	7.9	(3)	(3)	(3)	(3)
1950	23.2	14.5	12.3	21.6	33.9	22.8	47.4	10.0	(3)	(3)	(3)	(3)
1955	19.5	11.3	8.6	17.6	27.5	16.1	46.9	8.8	(3)	(3)	(3)	(3)
1960	14.5	7.9	7.2	9.6	21.1	9.6	47.1	3.5	(3)	(3)	(3)	(3)
1961	14.7	7.8	6.8	10.3	21.0	10.1	47.1	8.4	(3)	(3)	(3)	(3)
1962	14.4	7.2	5.7	11.0	20.9	9.4	49.3	9.2	(3)	(3)	(3)	(3)
1963	13.3	6.5	5.0	10.3	19.4	8.3	46.0	9.7	(3)	(3)	(3)	(3)
1964	12.8	5.6	3.9	9.7	19.1	8.3	45.5	9.5	(3)	(3)	(3)	(3)
1965	12.7	6.1	4.7	9.9	18.4	6.9	45.3	9.4	8.2	10.2	10.7	6.9
1966	13.5	8.1	6.6	12.0	18.1	6.9	45.6	9.3	8.0	10.2	11.8	6.5
1967	14.0	10.4	8.3	15.5	17.4	6.4	47.2	9.7	8.4	10.8	13.3	6.2
1968	12.1	6.7	3.7	13.8	16.5	6.2	46.4	8.6	6.2	9.7	5.8	17.2
1969	10.8	4.1	2.2	8.9	16.7	5.9	49.2	7.9	6.9	8.2	12.9	10.8
1970	8.4	4.2	2.7	7.8	12.5	3.9	41.9	3.8	4.5	1.6	18.0	14.7
1971	9.9	7.0	5.3	10.9	13.1	2.3	46.2	5.9	5.3	4.3	19.1	20.0
1972	12.7	9.4	8.0	12.8	16.4	6.7	47.4	7.8	8.1	6.1	21.5	13.3

¹ Amounts retained by the organizations for operating expenses, addition to reserves, and profits

² Derived from table 16

³ Data by type of plan before 1965 not available.

net underwriting loss, part of the retention is a deficit that is met from previously accumulated reserves or by borrowing. Thus, in 1972 retentions (\$2.8 billion)—made up of \$3.1 billion in operating expenses and \$300 million in net underwriting loss—amounted to 12.7 percent of premium income (table 20).

Retentions for Blue Cross-Blue Shield plans were \$932 million, over 50 percent higher than the amount a year ago. Blue Cross plans were responsible for most of the increase; Blue Shield increased its retentions by only \$65 million. About \$1.8 billion was retained by insurance companies, compared with \$1.3 billion in 1971; group insurance retentions tripled. Independent plans increased their retentions to \$117.2 million from \$74.5 million in 1971. Historically, retentions have been greater for insurance carriers than for the Blue Cross-Blue Shield plans because of the role played by individual policies.

include the net cost of obtaining health insurance protection—the difference between health insurance premiums or subscription costs and benefits—since prepayment expense is regarded as a non-personal health care expenditure.

The proportion of expenditures met by private health insurance varies with the type of care, as the data below indicate. The proportion of con-

Year	Total	Hospital care	Physicians' services	Other types of care
1950	12.2	37.1	12.0	(1)
1955	21.7	56.0	25.0	(1)
1960	27.8	64.7	30.0	1.3
1961	30.1	67.4	32.8	1.7
1962	31.0	69.4	33.0	1.9
1963	31.8	68.2	33.6	2.1
1964	31.6	68.9	32.2	2.3
1965	32.6	71.2	32.8	2.5
1966	32.3	69.0	33.9	2.8
1967	33.5	73.3	35.8	3.8
1968	36.9	76.6	40.7	4.3
1969	37.3	73.3	41.6	4.9
1970	39.8	76.3	44.4	5.4
1971	41.8	81.9	44.3	6.1
1972	41.7	78.1	45.3	6.7

¹ Included in physicians' services.

PROPORTION OF CONSUMER EXPENDITURES MET BY INSURANCE

Forty-two percent of consumer expenditures for personal health care were met by private health insurance in 1972.⁵ This figure does not

sumer expenditures for hospital care met by private insurance was 78 percent in 1972 and 82 percent in 1971. These ratios represented a return to the previous high 1968 level of protection. For physicians' services the proportion met by private health insurance was 45 percent in 1972, compared with 44 percent in 1971. For other types of health care the proportion increased from 6.1 percent in 1971 to 6.7 percent in 1972.

The estimates of consumer expenditures for health care include some items that are not cov-

⁵ See Barbara S. Cooper, Nancy L. Worthington, and Paula A. Piro, *National Health Expenditures, Calendar Years 1929-72* (Research and Statistics Note No. 3), Office of Research and Statistics, Social Security Administration, 1974.

ered by health insurance—nonprescribed drugs, various drug sundries, and sunglasses. If these kinds of health care expenditures were to be deducted from consumer health care expenditures, the proportion met by insurance would probably be three or four percentage points higher than that shown above. If, however, health insurance premiums in lieu of benefits (claims paid) were included as consumer expenditures for personal health care, the proportion covered by insurance benefits would be lower.

PROPORTION OF ALL NATIONAL EXPENDITURES MET BY INSURANCE

Total national expenditures for personal health care (excluding expenditures for insurance premiums and administrative expenses of public programs, as well as for research, construction, and government public health activities and fund-raising expenses of philanthropic organizations) amounted to \$76.5 billion in 1972.⁶ Private health insurance met 25.5 percent of this amount (compared with 25.9 percent in 1971); 35.6 percent came from direct out-of-pocket payments by consumers, 37.5 percent was met by public funds, and 1.4 percent came from philanthropy and industry. Thus, in 1972, private payments by consumers—out-of-pocket and through private health insurance—made up approximately 61 percent of the total national expenditures for personal health care.

TECHNICAL NOTE

Sources of Enrollment Data

Blue Cross and Blue Shield data are supplied by the Blue Cross Association and the National Association of Blue Shield plans from data reported to them by the individual plans. The data for insurance companies were compiled by the Health Insurance Association of America from its annual survey of the number of persons covered by insurance companies under group and individual policies.

⁶ Barbara S. Cooper, Nancy L. Worthington, and Paula A. Piro, *ibid.*

For independent health insurance plans, the data are Office of Research and Statistics estimates based on preliminary findings in its 1973 survey of all known independent plans. Estimates for 1972⁷ have been made on the basis of changes from 1971 to 1972 in the larger plans represented in the 1973 survey. The results of the full survey will be presented in a research report to be published in 1975. The gross enrollments are the total of enrollments for all carriers with no deduction for duplication among carriers.

ORS estimates of net coverage.—The ORS estimates of net coverage for hospital and surgical care in 1970 are based on figures obtained from the Health Interview Survey of the National Center for Health Statistics (NCHS) conducted during the first and fourth quarters of 1970. According to the survey, 77.8 percent of the civilian noninstitutional population under age 65 reported that they had hospital insurance, 21.2 percent reported they did not have such coverage, and 1 percent did not know whether they had insurance or not. Corresponding results for surgical insurance were 75.2 percent with insurance, 22.6 percent without, and 2.2 percent who did not know whether they were insured. The “don’t knows” were distributed in the same proportion as those who reported having or not having insurance, and the results were then adjusted to apply to the total civilian population on the assumption that none of the institutional population had insurance. No reliable data are available on the number of persons in institutions who have insurance, but it is believed that the overall proportion is very small. The data were next adjusted to reflect the situation at the end of 1970. The estimates did not assume any change in the rate of coverage between the periods covered by the National Center for Health Statistics Household Interview Survey and the end of the year.

The data on the net number of persons covered before 1970 are those reported by various NCHS household surveys from time to time during the period. The projections for years after 1970 are derived from percentage increases from year to year that were reported by HIAA and its revised estimates of net coverage.

⁷ Marjorie Smith Mueller, *Independent Health Insurance Plans in 1972, Preliminary Estimates* (a forthcoming Research and Statistics Note), Office of Research and Statistics, Social Security Administration, 1974.

NCHS figures for hospital and surgical insurance coverage based on household interviews conducted in 1972 will be published in early 1974. Those figures will then become the base for ORS estimates of net coverage for 1973.

Estimates of the net number of persons with coverage of other services have been made by assuming the ratios of gross enrollment to the number covered. For those under age 65, these ratios were 110 percent for in-hospital visits of physicians; 107 percent of X-ray and laboratory examinations; 105 percent for physicians' office and home visits, drugs, private-duty nursing, and visiting-nurse service; and 102 percent for nursing-home care. (It is assumed that no duplication of dental care exists as yet.) The ratios are believed to be reasonable since the extent of multiple coverage is presumably much greater for hospital care and surgical services than it is for other types of health care.

For persons aged 65 and over who are covered for services other than hospital care and surgery, estimates of the net numbers are derived in a similar manner but with the assumption of a lower rate of multiple coverage: 107 percent for physicians' in-hospital visits and 101 percent for X-ray and laboratory services, physicians' office and home visits, private-duty nursing, visiting-nurse service, nursing-home care, and drugs. For persons of all ages, the estimates are obtained by combining the calculations for persons under age 65 and for persons aged 65 and over.

HIAA estimates of net coverage.—Insurance company estimates are reported as in past years. The HIAA provides estimates of net coverage of persons under age 65 and those aged 65 and over for hospital, surgical, and nonsurgical, medical expense coverage (basic coverage of physicians' visits in the hospital, physicians' visits in the office, home, and hospital, and out-of-hospital X-ray and/or laboratory examinations). The nonsurgical medical expense estimate is used for in-hospital medical visits. HIAA revised its 1971 net figures as a result of new estimates for nonreporting companies.

Sources of the Financial Data

In table 13, the data for Blue Cross and Blue Shield plans are based on financial statements for all plans supplied by the Blue Cross Association and the National Association of Blue Shield plans. Duplication resulting from the fact that six joint Blue Cross-Blue Shield plans report identical data to both national organizations has been eliminated. Data for Health Services, Incorporated, and for Medical Indemnity of America—insurance companies owned by the Blue Cross and Blue Shield associations, respectively—have been included.

The data on premium income and benefit expense of insurance companies were provided by HIAA. Premium income data come from the National Underwriter Company's annual survey of accident and health insurance and from HIAA's annual surveys of companies in this field. The division of group and individual accident and health business between health care and wage loss is based on HIAA's annual survey of enrollment, premium income, and benefits paid under group and individual business. Operating expenses were estimated by applying the ratio of operating expense to premium income derived from the National Underwriter Company aggregates⁸ to the HIAA figures for premium income. The data for independent plans, as mentioned earlier, are preliminary estimates of the Office of Research and Statistics based on its 1973 survey.

Data in tables 17 and 18 show the financial experience of Blue Cross plans and Blue Shield plans, respectively, based on reports of the 74 Blue Cross plans and the 70 Blue Shield plans. These data exclude Health Services, Inc., and Medical Indemnity of America, insurance companies owned by the national associations. The data are not adjusted to eliminate the duplication with respect to the six joint plans that report identical data to the two national organizations.

⁸ 1973 *Argus Chart of Health Insurance*, National Underwriter Publication, Cincinnati, 1973, page 112.