

# Medical Care Outlays for Aged and Nonaged Persons, 1966-69

by BARBARA S. COOPER\*

THE TREND toward spiraling medical care prices and large outlays for medical care in the United States was continued in the fiscal year 1969. The article that follows examines for two broad age groups—those under age 65 and those aged 65 and older—the impact of these outlays on the public purse and the individual pocketbook. These highlights of medical care expenditures in fiscal year 1969 point up some of the major significant findings:

—Personal health care expenditures from all sources amounted to \$52.6 billion, and about a fourth of this total was spent for the aged, who make up only a tenth of the population.

—For each aged person, the average medical bill was \$692, with an out-of-pocket outlay of \$163.

—The average medical bill for each person under age 65 was \$210, and nearly half of it (\$98) came directly out of the individual's pocket.

—During Medicare's third year, that program paid close to half the total personal health care expenditures of the aged.

—Medicare met 66 percent of the aged's hospital bill and 72 percent of their physicians' bill in the 12 months.

—For persons under age 65, public funds paid for one-third of hospital expenditures but only a tenth of professional services, and a very low proportion of drugs and drug sundries. More than three-fifths of the small amount expended for nursing-home care came from public funds.

—Differences in the amounts spent for medical care for the aged and the nonaged vary considerably with type of expenditure: per capita hospital care expenditures for the aged were nearly four times those of persons under age 65, but for physicians' services for the aged they were only about twice those of the younger group.

—Total personal health care expenditures were about 12 percent higher than they were in the preceding year. For the aged, these outlays rose 16 percent; for the nonaged, they rose 11 percent.

—After adjustment for population and medical care price increases, personal health care expenditures for the aged have grown from fiscal year 1966 to fiscal year 1969 at more than three times the annual rate of those for the younger population.

—Since 1966, the financing of medical care for the aged has shifted dramatically from the private to the public sector; for the nonaged, the contribution of each sector has remained relatively stable.

## EXPENDITURES IN 1969

The Nation's personal health care bill totaled \$52.6 billion in fiscal year 1969 (table 1). Personal health care expenditures include all expenditures for health and medical care services received by individuals and exclude expenditures for medical-facilities construction, medical research, public health activities not of direct benefit to individuals (disease prevention and control), and some expenses of philanthropic organizations. Also excluded is the net cost of insurance (the difference between health insurance premiums and benefits paid), as well as administrative expenses of several public programs.

Of the \$52.6 billion spent in 1969, three-fourths (\$39.1 billion) went for the medical care of the nonaged population and one-fourth (\$13.5 billion) went for the 9.5 percent of the population who are aged. For all persons, the average personal health care bill was \$256 (table 2). The bill for the average aged person was three and one-fourth times that of the younger person—\$692, compared with \$210.

## Source of Funds

The largest part of the personal health care dollar is spent by private sources. Private health insurance, philanthropy, industry, and direct payments by individuals contributed 64 percent of the total. Federal, State, and local governments contributed the remainder. When government outlays were combined with those of private health insurance and other third parties, two-fifths still remained to be paid directly by the individual (table 3).

*Expenditures for the aged.*—With the advent of health insurance for the aged (Medicare), the Government assumed a major share of the per-

\* Division of Health Insurance Studies, Office of Research and Statistics.

sonal health care bill for persons aged 65 and over. In the fiscal year 1969, Medicare and other Government programs paid \$9.7 billion or 72 percent of the health bill for the aged (chart 1). Private insurance payments and the small amount in philanthropic and industrial expenditures amounted to almost \$600 million, or 4 percent of the total. Direct out-of-pocket payments accounted for \$3.2 billion or 24 percent. The average aged person therefore had a direct outlay of \$162. These direct payments do not include the premium payments under private health insurance or the supplementary medical insurance part of Medicare. All Medicare benefit payments are classified here as expenditures under a public program even though consumers pay the premiums with matching contributions from general revenues.

Medicare is the chief source of public funds for health care of the aged, paying \$6.3 billion in

benefits in fiscal year 1969 (table 4). Public assistance, primarily Medicaid, is the next largest public program financing the aged's health care, contributing about 22 percent or \$2.1 billion of the 1969 public expenditures.

*Expenditures for the nonaged.*—The financing of the health care of the population under age 65 differs significantly from that of the elderly. The Government's share is less than one-fourth; health insurance contributes more than one-fourth. After payments by industry and philanthropy, individuals paid the remainder—nearly one-half the total—in direct payments. Despite the relatively larger proportion the nonaged individual must pay directly, the average amount (\$98) is about three-fifths of the direct expenditure for the aged person (\$163).

Of the \$9 billion spent by the Government for the nonaged, one-fourth came from the Medi-

TABLE 1.—Estimated personal health care expenditures, by type of expenditure, source of funds, and age, fiscal years 1966–69

Type of expenditure	All ages			Under age 65			Aged 65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public
1966									
Total.....	\$36,398	\$28,512	\$7,886	\$28,570	\$23,080	\$5,490	\$7,829	\$5,432	\$2,397
Hospital care.....	14,157	9,000	5,157	10,797	7,279	3,518	3,360	1,721	1,639
Physicians' services.....	8,866	8,274	592	7,556	7,061	495	1,309	1,213	96
Other professional services <sup>1</sup> .....	4,006	3,926	80	3,609	3,548	61	396	378	18
Drugs and drug sundries.....	5,032	4,867	165	3,877	3,800	77	1,155	1,067	88
Nursing-home care.....	1,407	823	584	202	71	131	1,204	752	452
Other health services <sup>2</sup> .....	2,932	1,622	1,310	2,529	1,321	1,208	404	301	103
1967									
Total.....	\$41,594	\$29,143	\$12,451	\$32,104	\$25,300	\$6,804	\$9,489	\$3,843	\$5,647
Hospital care.....	16,814	8,713	8,101	12,644	8,363	4,281	4,170	349	3,821
Physicians' services.....	9,738	8,363	1,375	8,121	7,480	641	1,617	883	734
Other professional services <sup>1</sup> .....	4,332	4,171	161	3,877	3,768	110	454	404	50
Drugs and drug sundries.....	5,491	5,282	209	4,220	4,125	95	1,271	1,157	114
Nursing-home care.....	1,692	782	910	169	72	97	1,523	710	813
Other health services <sup>2</sup> .....	3,527	1,832	1,695	3,073	1,492	1,581	454	340	114
1968									
Total.....	\$46,917	\$30,756	\$16,161	\$35,277	\$27,266	\$8,011	\$11,640	\$3,490	\$8,150
Hospital care.....	19,248	9,440	9,808	13,859	9,050	4,809	5,389	389	5,000
Physicians' services.....	10,919	8,626	2,293	9,041	8,143	898	1,878	483	1,395
Other professional services <sup>1</sup> .....	4,770	4,435	335	4,267	4,018	249	503	417	86
Drugs and drug sundries.....	5,912	5,642	270	4,477	4,344	133	1,435	1,298	137
Nursing-home care.....	2,070	618	1,452	207	86	121	1,863	533	1,330
Other health services <sup>2</sup> .....	3,998	1,995	2,003	3,426	1,625	1,801	572	370	202
1969									
Total.....	\$52,564	\$33,835	\$18,729	\$39,076	\$30,072	\$9,003	\$13,490	\$3,762	\$9,726
Hospital care.....	22,531	11,268	11,263	15,997	10,800	5,371	6,534	641	5,893
Physicians' services.....	11,916	9,214	2,702	9,831	8,919	1,031	2,085	414	1,671
Other professional services <sup>1</sup> .....	5,115	4,687	428	4,578	4,261	317	538	426	112
Drugs and drug sundries.....	6,278	5,952	326	4,729	4,583	146	1,549	1,369	180
Nursing-home care.....	2,412	614	1,798	241	92	149	2,171	522	1,649
Other health services <sup>2</sup> .....	4,313	2,100	2,213	3,700	1,710	1,990	613	390	223

<sup>1</sup> Includes expenditures for dentists' and other professional services.

<sup>2</sup> Includes expenditures for eyeglasses and appliances and other health services.

caid program. Another fourth came from Government outlays for general hospital and medical care, about a fifth came from the Department of Defense, and the remainder from a variety of public programs such as those for veterans, workmen's compensation, maternal and child health services, etc.

### Type of Expenditure

The largest single item of personal health care expenditure is for hospital care. About \$22.5 billion (43 percent of the total) went for this purpose in the fiscal year 1969, and half of that amount was financed privately. For physicians' services—the second largest component of personal health care spending (23 percent of the total)—a significantly larger share is financed

from private sources: Of the \$11.9 billion expended for these services, \$9.2 billion or about three-fourths represented private outlays. The financing of these two major components of health care, however, differs substantially according to age group served.

*Expenditures for the aged.*—For the aged, too, hospital care expenditures are by far the largest health expenditure item. They accounted for nearly half the total medical care expenditures for the aged in fiscal year 1969.

Hospital care of the aged is financed primarily through public funds. Approximately \$5.9 billion or nine-tenths of the \$6.5 billion total for hospital care expenditures for the aged in fiscal year 1969 came from the public sector, primarily from Medicare. In that program's third year, it paid out \$4.3 billion or two-thirds of the hospital bill

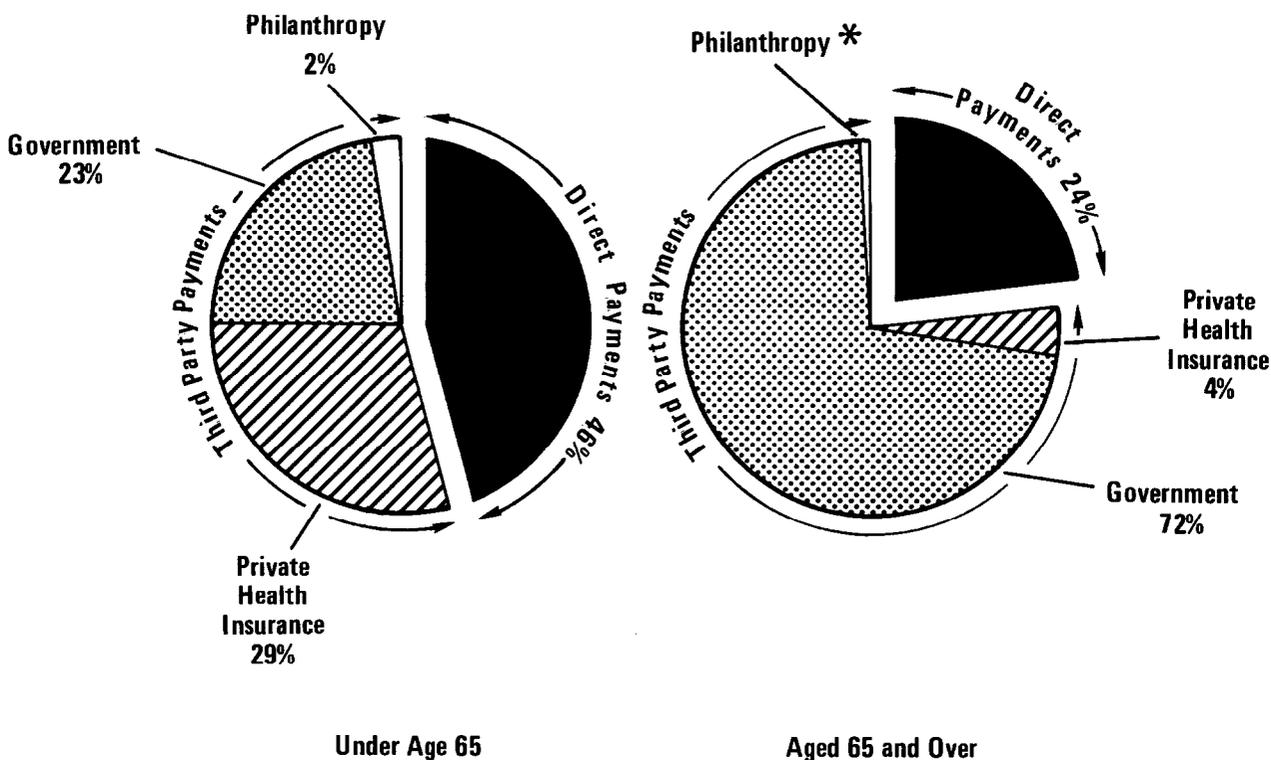
TABLE 2.—Estimated per capita personal health care expenditures, by type of expenditure, source of funds, and age, fiscal years 1966-69

Type of expenditure	All ages			Under age 65			Aged 65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public
1966									
Total.....	\$183.12	\$143.44	\$39.67	\$158.49	\$128.04	\$30.46	\$423.01	\$293.49	\$129.51
Hospital care.....	71.22	45.28	25.94	59.90	40.38	19.52	181.54	92.99	88.56
Physicians' services.....	44.60	41.63	2.98	41.92	39.17	2.75	70.73	65.54	5.19
Other professional services <sup>1</sup> .....	20.15	19.75	.40	20.02	19.68	.34	21.40	20.42	.97
Drugs and drug sundries.....	25.32	24.49	.83	21.51	21.08	.43	62.41	57.65	4.75
Nursing-home care.....	7.08	4.14	2.94	1.12	.39	.73	65.05	40.63	24.42
Other health services <sup>2</sup> .....	14.75	8.16	6.59	14.03	7.33	6.70	21.83	16.26	5.57
1967									
Total.....	\$206.85	\$144.93	\$61.92	\$176.15	\$138.82	\$37.33	\$503.98	\$204.11	\$299.93
Hospital care.....	83.62	43.33	40.29	69.38	45.89	23.49	221.48	18.54	202.94
Physicians' services.....	48.43	41.59	6.84	44.56	41.04	3.52	85.88	46.90	38.98
Other professional services <sup>1</sup> .....	21.54	20.74	.80	21.27	20.67	.60	24.11	21.40	2.60
Drugs and drug sundries.....	27.31	26.27	1.04	23.16	22.63	.52	67.51	61.45	6.05
Nursing-home care.....	8.41	3.89	4.53	.93	.40	.53	80.89	37.71	43.18
Other health services <sup>2</sup> .....	17.54	9.11	8.43	16.86	8.19	8.67	24.11	18.06	6.05
1968									
Total.....	\$230.84	\$151.32	\$79.51	\$191.63	\$148.11	\$43.52	\$607.71	\$182.21	\$425.50
Hospital care.....	94.70	46.45	48.26	75.28	49.16	26.12	281.35	20.31	261.04
Physicians' services.....	53.72	42.44	11.28	49.11	44.23	4.88	98.05	25.22	72.83
Other professional services <sup>1</sup> .....	23.47	21.82	1.65	23.18	21.83	1.35	26.26	21.77	4.49
Drugs and drug sundries.....	29.09	27.76	1.33	24.32	23.60	.72	74.92	67.77	7.15
Nursing-home care.....	10.18	3.04	7.14	1.12	.47	.66	97.26	27.83	69.44
Other health services <sup>2</sup> .....	19.67	9.82	9.85	18.61	8.83	9.78	29.86	19.32	10.55
1969									
Total.....	\$256.04	\$164.81	\$91.23	\$210.30	\$161.84	\$48.45	\$692.22	\$193.04	\$499.08
Hospital care.....	109.75	54.89	54.86	86.09	57.19	28.91	335.28	32.89	302.39
Physicians' services.....	58.04	44.88	13.16	52.91	47.36	5.55	106.99	21.24	85.75
Other professional services <sup>1</sup> .....	24.92	22.83	2.08	24.64	22.93	1.71	27.61	21.86	5.75
Drugs and drug sundries.....	30.58	28.99	1.59	25.45	24.66	.79	79.48	70.25	9.24
Nursing-home care.....	11.75	2.99	8.76	1.30	.50	.80	111.40	26.79	84.62
Other health services <sup>2</sup> .....	21.01	10.23	10.78	19.91	9.20	10.71	31.46	20.01	11.44

<sup>1</sup> Includes expenditures for dentists' and other professional services.

<sup>2</sup> Includes expenditures for eyeglasses and appliances and other health services.

CHART 1.—Third-party payments for personal health care of aged and nonaged persons, fiscal year 1969



\* Less than 1 percent.

TABLE 3.—Amount and percent of expenditures for personal health care met by third parties, by age, fiscal year 1969

Age	Total	Direct payments	Third-party payments			
			Total	Private health insurance	Government	Philanthropy and other
Amount (in millions)						
Total.....	\$52,564	\$21,315	\$31,249	\$11,726	\$18,729	\$794
Under age 65.....	39,076	18,132	20,944	11,223	9,003	718
Aged 65 and over..	13,490	3,184	10,306	504	9,726	76
Per capita						
Total.....	\$256.04	\$103.82	\$152.21	\$57.12	\$91.23	\$3.87
Under age 65.....	210.30	98.22	112.72	60.40	48.45	3.86
Aged 65 and over..	692.22	157.28	528.84	25.86	499.08	3.90
Percentage distribution						
Total.....	100.0	40.6	59.4	22.3	35.6	1.5
Under age 65.....	100.0	46.4	53.6	28.7	23.0	1.8
Aged 65 and over..	100.0	23.6	76.4	3.7	72.1	.6

for care of those aged 65 and older (table 5).

About one-fourth of the hospital bill for the

aged (\$1.6 billion) came from public funds other than Medicare: Medicaid payments of deductible and coinsurance amounts, State and local outlays for mental hospital care of the aged, and Veterans Administration outlays for this purpose.

Medicare also paid a sizable share of the physician bill for those aged 65 and over. About 72 percent of the \$2.1 billion spent for physicians' services for that group came from Medicare. With these funds and those from other public programs, all but one-fifth was financed publicly.

Together, expenditures for hospital care and for physicians' services—the two primary components of the health care bill for the aged—accounted for \$8.6 billion or nearly two-thirds of the total bill. With the advent of Medicare, the burden on the private sector for these major items has been shifted largely to the public sector. In the fiscal year 1969, Medicare paid 67 percent of these expenditures, other public programs financed 21 percent, and the private sector was responsible for only 12 percent.

The third largest health expenditure for the aged is that for nursing-home care (including extended-care services), which totaled \$2.2 billion in fiscal year 1969. Medicare has been playing an increasing role in this area of health care, too, with payments under the program for posthospital extended-care benefits reaching \$400 million or 18 percent of all expenditures for nursing-home care of the aged. With other public programs (Medicaid and the Veterans Administration) contributing 58 percent, the private sector's share of the nursing-home bill was only 24 percent.

For other personal health care services and supplies (dentists, nurses, therapists, drugs, eyeglasses, appliances, etc.) the private sector still bears a large portion of the burden of the bill for the aged. Private outlays in the fiscal year 1969 constituted 81 percent of the total (\$2.7 billion) for these services and supplies.

*Expenditures for the nonaged.*—For those under age 65—as well as for the aged—hospital care is the largest personal health expenditure item. It represents two-fifths of their total medical bill, with a substantial share financed from public funds. Public outlays in the fiscal year 1969 accounted for one-third of the total hospital expenditures for those not yet aged 65.

For this population group, services of physicians and of other professionals and drugs and drug sundries are financed mainly from private sources. Public outlays financed only 10 percent of total physician expenditures, 7 percent of the expenditures for other professional services, and 3 percent of the total for drugs and drug sundries. Expenditures for nursing-home care of persons under age 65 amounted to \$241 million in fiscal year 1969, with 62 percent from public funds—mainly from public assistance programs.

TABLE 4.—Estimated amount and percentage distribution of personal health care expenditures under public programs, by program and age, fiscal years 1966–69

Program	Amount (in millions)				Percentage distribution			
	1966	1967	1968	1969	1966	1967	1968	1969
All ages								
Total.....	\$7,886	\$12,451	\$16,161	\$18,729	100.0	100.0	100.0	100.0
Health insurance for the aged.....	—	3,172	5,126	6,299	—	25.5	31.7	33.6
Temporary disability insurance (medical benefits).....	54	54	55	58	—	.7	.3	.3
Workmen's compensation (medical benefits).....	630	695	765	850	8.0	5.6	4.7	4.6
Public assistance (vendor medical payments).....	1,710	2,383	3,581	4,421	21.7	19.2	22.2	23.6
General hospital and medical care.....	2,721	2,322	2,895	3,027	34.5	22.7	17.9	16.2
Defense Department hospital and medical care.....	1,107	1,432	1,648	1,766	14.0	11.5	10.2	9.4
Maternal and child health services.....	257	308	335	380	3.3	2.5	2.1	2.0
School health programs.....	157	178	190	204	2.0	1.4	1.2	1.1
Veterans' hospital and medical care.....	1,155	1,237	1,361	1,465	14.6	9.9	8.4	7.8
Medical vocational rehabilitation.....	48	67	102	124	.6	.5	.6	.7
Office of Economic Opportunity.....	48	103	104	134	.6	.8	.7	.7
Under age 65								
Total.....	\$5,426	\$6,804	\$8,011	\$9,003	100.0	100.0	100.0	100.0
Temporary disability insurance (medical benefits).....	54	54	55	58	1.0	.8	.7	.6
Workmen's compensation (medical benefits).....	602	664	735	817	11.1	9.8	9.2	9.1
Public assistance (vendor medical payments).....	540	1,113	1,815	2,294	10.0	16.4	22.6	25.5
General hospital and medical care.....	2,003	1,970	2,035	2,101	36.9	28.9	25.4	23.3
Defense Department hospital and medical care.....	1,084	1,389	1,599	1,713	20.0	20.4	20.0	19.0
Maternal and child health services.....	257	308	335	380	4.7	4.5	4.2	4.2
School health programs.....	157	178	190	204	2.9	2.6	2.4	2.3
Veterans' hospital and medical care.....	636	965	1,048	1,187	11.7	14.2	13.1	13.2
Medical vocational rehabilitation.....	47	66	100	122	.9	1.0	1.2	1.4
Office of Economic Opportunity.....	46	98	99	127	.8	1.4	1.2	1.4
Aged 65 and over								
Total.....	\$2,461	\$5,647	\$8,150	\$9,726	100.0	100.0	100.0	100.0
Health insurance for the aged.....	—	3,172	5,126	6,299	—	56.2	62.9	64.8
Workmen's compensation (medical benefits).....	28	31	30	33	1.1	.5	.4	.3
Public assistance (vendor medical payments).....	1,170	1,270	1,765	2,126	47.5	22.5	21.6	21.9
General hospital and medical care.....	718	852	859	926	29.2	15.1	10.5	9.5
Defense Department hospital and medical care.....	23	43	49	53	.9	.8	.6	.5
Veterans' hospital and medical care.....	519	272	313	278	21.1	4.8	3.9	2.9
Medical vocational rehabilitation.....	1	1	2	2	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Office of Economic Opportunity.....	2	5	5	7	.1	.1	.1	.1

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

As chart 2 graphically portrays, the difference between the average expenditures for the aged and those for the nonaged varies considerably by type. Per capita hospital care expenditures for the aged—\$335 in fiscal year 1969—are nearly four times those for persons under age 65 (\$86) but per capita expenditures for physicians' services for the aged (\$107) are only about twice those for the younger age group (\$53).

## TRENDS

Personal health care expenditures showed sizable increases from the fiscal year 1966—the year before Medicare and Medicaid began—to fiscal year 1969. This was a period when government pumped a significant amount of additional funds into the health care system, prices jumped at a faster rate and expenditures rose 44 percent.

CHART 2.—Estimated per capita personal health care expenditures, by type of expenditure and age, fiscal year 1969

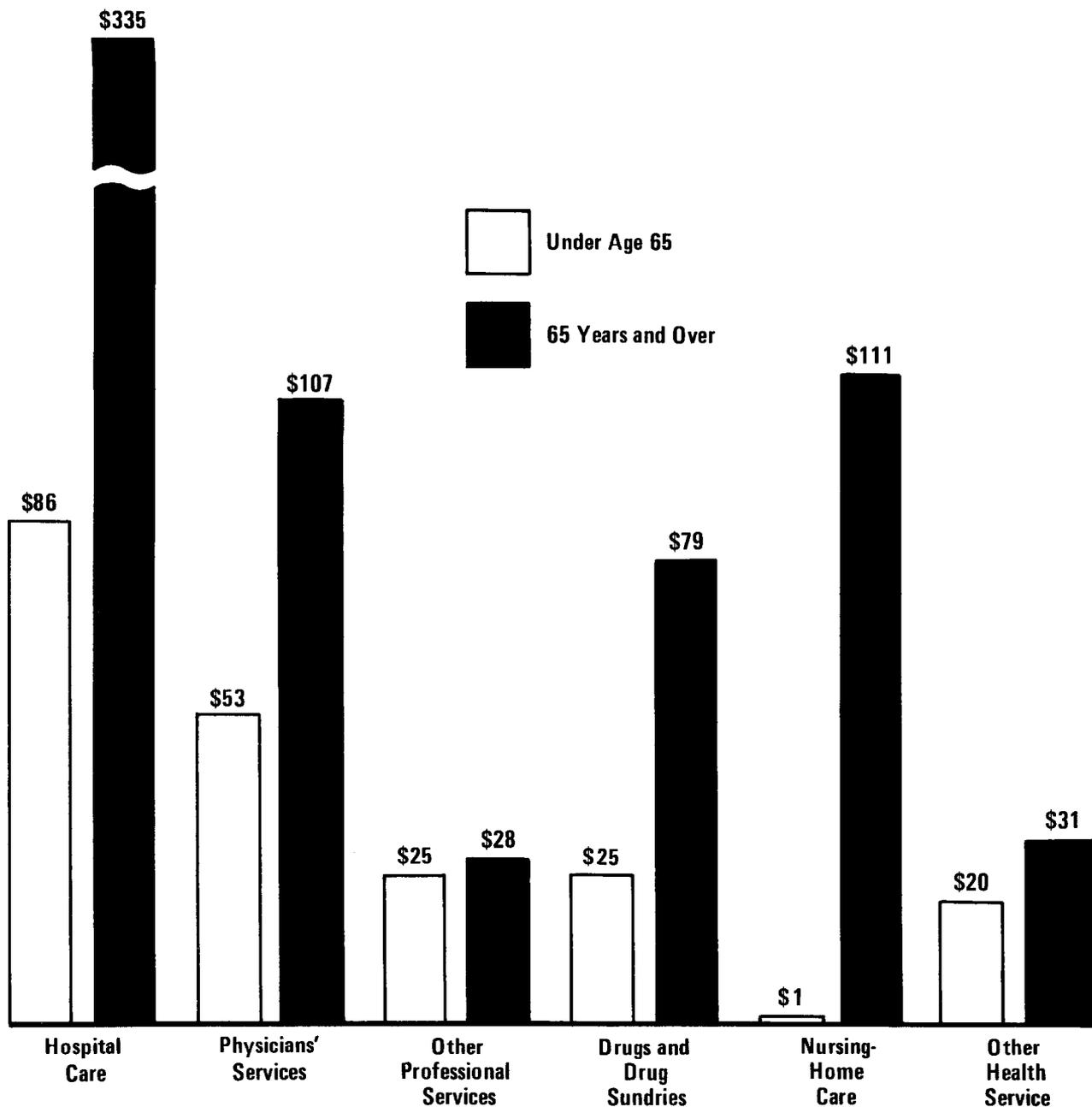


TABLE 5.—Estimated amount and percentage distribution of personal health care expenditures for the aged, by type of expenditure and source of funds, fiscal years 1967–69

Type of expenditure	Amount (in millions)					Percentage distribution				
	Total	Private	Public			Total	Private	Public		
			Total	Medicare <sup>1</sup>	Other			Total	Medicare <sup>1</sup>	Other
1967										
Total.....	\$9,489	\$3,843	\$5,647	\$3,172	\$2,475	100.0	40.5	59.5	33.4	26.1
Hospital care.....	4,170	349	3,821	2,406	1,415	100.0	8.4	91.6	57.7	33.9
Physicians' services.....	1,617	883	734	626	108	100.0	54.6	45.4	38.7	6.7
Other professional services <sup>2</sup> .....	454	404	50	22	28	100.0	89.0	11.0	4.8	6.2
Drugs and drug sundries.....	1,271	1,157	114	-----	114	100.0	91.0	9.0	-----	9.0
Nursing-home care.....	1,523	710	813	100	713	100.0	46.6	53.4	6.6	46.8
Other health services <sup>3</sup> .....	454	340	114	17	97	100.0	74.9	25.1	3.7	21.4
1968										
Total.....	\$11,640	\$3,490	\$8,150	\$5,126	\$3,024	100.0	30.0	70.0	44.0	26.0
Hospital care.....	5,389	389	5,000	3,414	1,586	100.0	7.2	92.8	63.4	29.4
Physicians' services.....	1,878	483	1,395	1,291	104	100.0	25.7	74.3	68.7	5.5
Other professional services <sup>2</sup> .....	503	417	86	54	32	100.0	82.9	17.1	10.7	6.4
Drugs and drug sundries.....	1,435	1,298	137	-----	137	100.0	90.5	9.5	-----	9.5
Nursing-home care.....	1,863	533	1,330	330	1,000	100.0	28.6	71.4	17.7	53.7
Other health services <sup>3</sup> .....	572	370	202	38	164	100.0	64.7	35.3	6.6	28.7
1969										
Total.....	\$13,490	\$3,762	\$9,726	\$6,299	\$3,427	100.0	27.9	72.1	46.7	25.4
Hospital care.....	6,534	641	5,893	4,301	1,592	100.0	9.8	90.2	65.8	24.4
Physicians' services.....	2,085	414	1,671	1,492	179	100.0	19.9	80.1	71.6	8.6
Other professional services <sup>2</sup> .....	538	426	112	72	40	100.0	79.2	20.8	13.4	7.4
Drugs and drug sundries.....	1,549	1,369	180	-----	180	100.0	88.4	11.6	-----	11.6
Nursing-home care.....	2,171	522	1,649	400	1,249	100.0	24.0	76.0	18.4	57.5
Other health services <sup>3</sup> .....	613	390	223	35	188	100.0	63.6	36.4	5.7	30.7

<sup>1</sup> Includes premium payments under the supplementary medical insurance program.

<sup>2</sup> Includes expenditures for dentists' and other professional services.

<sup>3</sup> Includes expenditures for eyeglasses and appliances and other health services.

The substantial rise in personal health care expenditures in the period 1966–69 is the result of many factors. One is simply the growth in population. Other factors are the rising costs or prices per unit of service, the increase in the average per capita utilization of health services and supplies, and the rising level and scope of services through new techniques, drugs, and treatment procedures. Of the \$16.2 billion increase, more than half (\$8.2 billion) was produced by the rise in prices and two-fifths resulted from greater utilization of services and the introduction of new medical techniques. Population growth accounted for only 9 percent of the total increase.

The annual rate of increase in expenditures, has been decreasing slightly since the first year of Medicare, when it rose 14.3 percent. The increase was 12 percent from fiscal year 1968 to fiscal year 1969. The largest increases have been in expenditures for the aged. During the first 2 years of Medicare, their expenditures rose about twice as fast as those for the nonaged. In the

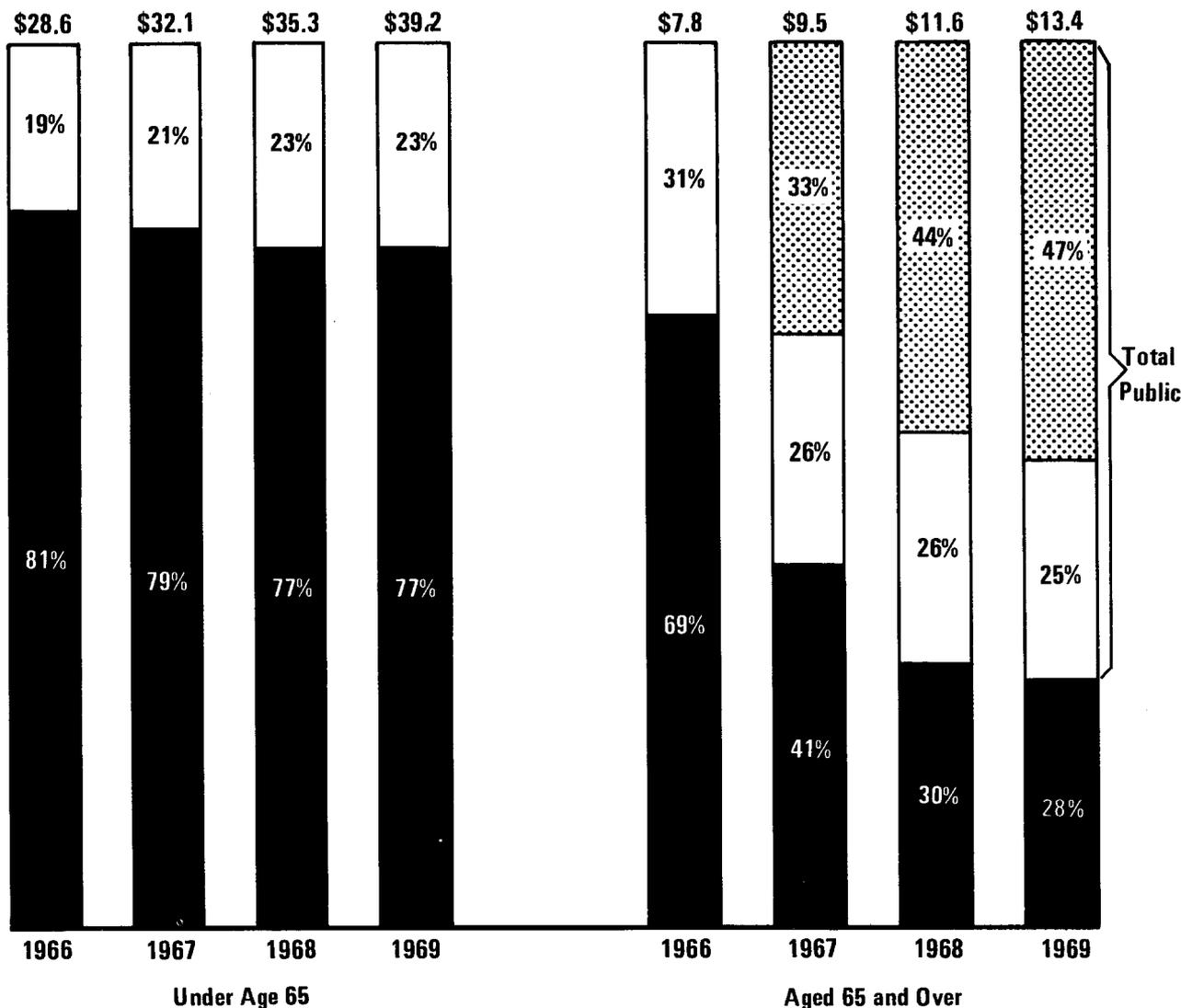
third year, however, the difference in the rate of increase for the two groups was not as great, as the figures below indicate:

Age group	Personal health care expenditures (in millions)				Percentage increase from previous year			
	1966	1967	1968	1969	1966	1967	1968	1969
Total.....	\$36,398	\$41,594	\$46,917	\$52,564	-----	14.3	12.8	12.0
Under 65.....	28,570	32,104	35,277	39,076	-----	12.4	9.9	10.8
65 and over...	7,829	9,489	11,640	13,490	-----	21.2	22.7	15.9

### Source of Funds

The most significant trend since 1966 has been the shift in source of funds with respect to the aged. For all persons, public financing of personal health care has increased from 22 percent of the total in fiscal year 1966 to 36 percent in fiscal year 1969. As chart 3 dramatically illustrates, however, the shift has been almost entirely in the financing of health care of the aged, where

CHART 3.—Distribution of personal health care expenditures, by source of funds and age, fiscal years 1966-69



Public-Other than Medicare

Medicare

Private

the private share declined from 69 percent to 28 percent. Medicare was responsible for the sizable change, assuming a significant portion of the expenditures formerly made by the private sector and a small portion of the expenditures previously made by other public programs.

The portion of the aged's health bill met by Medicare has grown from 33 percent in its first year and 44 percent in its second year to 47 percent in 1969. The large growth in Medicare's share from 1966 to 1967 reflected primarily the lags in benefit payments and the introduction of

extended-care benefits beginning January 1, 1967.<sup>1</sup>

The third-year rise in Medicare's share was not the result of any new benefits but mirrored, for the most part, the increase in charges for physicians' services and hospital care and a slight overall rise in utilization.

In fiscal year 1968, Medicare had paid 69 per-

<sup>1</sup> For a detailed explanation of the rising portion met by Medicare from 1967 to 1968, see Dorothy P. Rice and Barbara S. Cooper, "Outlays for Medical Care of Aged and Nonaged Persons, Fiscal Years 1966-68," *Social Security Bulletin*, September 1969.

cent of the \$1.9 billion for physicians' services for the aged. In fiscal year 1969, Medicare's share rose to 72 percent of the total amount of \$2.1 billion. During this period, physicians' fees, as reported in the Consumer Price Index of the Bureau of Labor Statistics, increased 6.1 percent. Because of the higher fees and the static supplementary medical insurance deductible, more people reached the \$50 deductible in fiscal year 1969 than in 1968. As Medicare pays 80 percent above the deductible, with the increase in fees that program paid out a larger proportion of the bill for a larger proportion of people.

For hospital care, Medicare's share rose from 63 percent of the total amount (\$5.4 billion) in 1968 to 66 percent of the total (\$6.5 billion) in 1969. While the hospital daily-service charge rose 13.2 percent during this period, the deductible and coinsurance amounts were raised 10 percent in the last half of the fiscal year.<sup>2</sup> As a result, Medicare assumed all of the price rise above the increased deductible and coinsurance amounts and thus assumed a larger portion of the total.

In addition, there was a slight growth in hospital utilization by the aged. According to the American Hospital Association, days of care for the aged in community hospitals rose from 73.1 million in fiscal year 1968 to 78.0 million in fiscal year 1969—an increase of 6.8 percent.<sup>3</sup> This factor, too, would increase Medicare's share of the aged's hospital bill.

### Type of Expenditure

Another trend in expenditures since 1966 has been the increasing proportion spent for hospital care. In 1966, this service represented 39 percent of the total. Three years later, it had risen to 43 percent. The increasing role played by hospital care is a reflection, in large part, of the substantial rise in hospital costs. As measured by expense per patient day, rising prices for hospital care ate up 83 percent of the \$8.4 billion increase in hospital care expenditures. Population growth and increased level of output (increased utilization

<sup>2</sup> On January 1, 1969, the hospital insurance deductible rose from \$40 to \$44 and the coinsurance amount rose from \$5.00 to \$5.50.

<sup>3</sup> See "Hospital Indicators," *Hospitals* (Journal of the AHA), mid-month issues.

and improved technology) accounted for about 7 percent and 10 percent of the increase, respectively.

Rising prices have also played a significant role in the growth of expenditures for physicians' services. In the 1966-69 period, these outlays increased \$3 billion and higher prices, in terms of physicians' fees, accounted for 64 percent of this growth.

The amounts and percentages attributed to the factors affecting the growth in the total and the two major types of expenditures are shown below:

Factor	Increase (in millions) from 1966-69			Percentage distribution		
	Total	Hospital care	Physicians' services	Total	Hospital care	Physicians' services
Total.....	\$16,166	\$8,374	\$3,050	100.0	100.0	100.0
Price.....	8,212	6,992	1,964	50.8	83.5	64.4
Population.....	1,407	561	333	8.7	6.7	10.9
All other.....	6,547	821	753	40.5	9.8	24.7

### Per Capita Amounts

By examining expenditures in terms of per capita amounts, one can eliminate population growth as a factor. With this factor eliminated, personal health care expenditures still show a substantial increase from fiscal year 1966 to fiscal year 1969. During this period, per capita expenditures rose from \$183 to \$256, averaging a rise of about 12 percent each year. For the aged, per capita expenditures went from \$423 to \$692, or

TABLE 6.—Per capita personal health care expenditures in 1969 dollars,<sup>1</sup> by source of funds and age, fiscal years 1966-69

Source of funds	1966	1967	1968	1969
All ages				
Total.....	\$220.83	\$234.37	\$245.59	\$256.04
Private.....	172.98	164.21	160.99	164.81
Public.....	47.84	70.16	84.59	91.23
Under age 65				
Total.....	\$191.13	\$199.58	\$203.87	\$210.30
Private.....	154.41	157.29	157.57	161.84
Public.....	36.73	42.30	46.30	48.45
Aged 65 and over				
Total.....	\$510.13	\$571.02	\$646.53	\$692.22
Private.....	353.93	231.26	193.85	193.04
Public.....	156.18	339.83	452.68	499.08

<sup>1</sup> Based on medical care component of the Consumer Price Index.

18 percent each year. For the nonaged, the annual rate of increase was almost three-fifths that for the aged—10 percent.

By eliminating price as well as population growth, one can determine the increase in expenditures that is the result of more utilization and a higher level of care. When per capita expenditures are converted to constant fiscal year 1969 dollars by means of the medical care com-

ponent of the Consumer Price Index, personal health expenditures—especially those for the aged—still maintained considerable growth. Per capita constant dollars for all ages increased at the annual rate of 5.1 percent (table 6). For persons aged 65 and over, the annual rate of increase was 10.7 percent; for younger persons, it was 3.3 percent or more than one-third the rate for the older group.

## Recent Publications\*

### SOCIAL SECURITY ADMINISTRATION

OFFICE OF RESEARCH AND STATISTICS. *Social Security Sources in Federal Records: 1934-1950*, by Abe Bortz. (Research Report No. 30.) Washington: U.S. Govt. Print. Off., 1968. 118 pp. 65 cents.

A research tool that discusses location and availability of early social security records of old-age and survivors insurance, public assistance, and unemployment compensation programs. Includes an archives guide through 1949. Description and evaluation of records is on a box-by-box basis.

OFFICE OF RESEARCH AND STATISTICS. *Health Insurance for the Aged, 1966—Section 2: Persons Enrolled in the Health Insurance Program. Section 3.1: Participating Hospitals. Section 3.2: Participating Home Health Agencies*. Washington: U.S. Govt. Print. Off. Vols. priced individually.

The first three volumes in a 12-part series containing detailed statistics on the first 6 months of Medicare.

OFFICE OF RESEARCH AND STATISTICS. *Macroeconomic Effects of Social Insurance on Aggregate Demand*, by Wayne G. Vroman. (Staff Paper No. 2.) Washington: The Office, 1969. 95 pp. Limited free distribution; apply to the Social Security Administration, Office of Research and Statistics, Publications Staff, Washington, D.C. 20201.

Focuses on the impact of social security on the national economy and on the effect of changes in contribution rates, in the taxable earnings maximum per employee, and in benefit amounts on demand.

OFFICE OF RESEARCH AND STATISTICS. *The Benefit Structure of Private Health Insurance, 1968*, by Louis Reed and Willine Carr. (Research Report No. 32.) Washington: U.S. Govt. Print. Off., 1970. 111 pp. \$1.

"Benefit provisions of private health insurance organizations in the United States as of early 1968."

\*Prepared in the Library, Department of Health, Education, and Welfare. Orders for items listed should be directed to publishers and booksellers; Federal publications for which prices are listed should be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

### SOCIAL AND REHABILITATION SERVICE

*Characteristics of Staff Development Provisions in State Plans Under the Social Security Act: Public Assistance, Medical Assistance, Child Welfare Services*. (Public Assistance Report No. 51, 1967 ed.) Washington: U.S. Govt. Print. Off. 200 pp. \$2.25.

Provisions in State plans to improve the competence of agency staffs in providing, supervising, and directing services.

EPPLEY, DAVID B. "OAA Recipients in 1965: Health Conditions and Health Services." *Welfare in Review*, vol. 7, Nov.-Dec. 1969, pp. 20-24. 36 cents.

Findings of the 1965 national survey of old-age assistance recipients.

### GENERAL

DOUBLET, JACQUES. *Sécurité Sociale*. 4th ed. Paris: Presses Universitaires de France, 1967. 663 pp. \$1.90.

Includes history of modern social security concept, with emphasis on French system and a section on systems of other countries.

EPSTEIN, ABRAHAM. *Insecurity: A Challenge to America*. (2d rev. ed., reissued with foreword by Paul Douglas.) New York: Agathon Press, Inc., 1968. 939 pp. \$24.

Basic study of social insurance in the United States and abroad up to 1938, by one of the pioneer advocates of social insurance legislation.

JENKINS, SHIRLEY, ed. *Social Security in International Perspectives: Essays in Honor of Eveline M. Burns*. (Columbia University School of Social Work, Social Work and Social Issues.) New York: Columbia University Press, 1969. 225 pp. \$9.

HARRIS, ROBERT. "Selecting a System of Income Maintenance for the Nation." *Social Work*, vol. 14, Oct. 1969, pp. 5-13.

Pro and con features of guaranteed annual income, negative income tax, and children's allowance programs.

KATONA, GEORGE, and others. *1968 Survey of Consumer Finances*. Ann Arbor: University of Michigan, Survey Research Center, 1969. 287 pp. \$7.

Findings, many in tabular form, on distribution of family income, debt, housing, automobile purchases and ownership, vacations, household durables, and financial transactions.

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