

# Medical Care Spending for Three Age Groups

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MEDICAL CARE SPENDING differs in amount, type, and source of funds according to one's age. This article examines the differences for persons in three age groups—the young (under age 19), the intermediate group (aged 19–64), and the aged (65 and over). Data are presented for each fiscal year from 1966 to 1971, with revisions of previous estimates through 1970. Summary highlights for fiscal year 1971<sup>1</sup> show that

- the total personal health care bill was \$65.1 billion, of which more than one-fourth was spent for the aged, who make up about 10 percent of the population
- the average expenditure for an aged person reached \$861, over six times that for a youth (\$140) and two and two-thirds times that for a person in the intermediate age group (\$323)
- public funds accounted for about one-fourth of the financing of health care for the two younger groups, compared with more than two-thirds for the aged
- third parties (government, private health insurance, philanthropy, and industry) paid a substantial part of the individual's medical bill—three-fifths for persons under age 65 and nearly three-fourths for the aged
- the aged person's average out-of-pocket payment dropped from more than one-half of his 1966 medical bill (before Medicare and Medicaid) to about one-fourth in 1971, but because of the increased use of services and higher prices the amount he paid directly in 1971 (\$225) is only slightly lower than the amount in the earlier year (\$234)
- for persons under age 65, the average out-of-pocket payment grew 31 percent, from \$79 in 1966 to \$104 in 1971
- tightening of utilization review and reimbursement procedures resulted in a slight reduction in Medicare's share of the aged's health bill, from 45 percent in fiscal year 1969 to 42 percent in fiscal year 1971
- the portion of the medical care bill spent for different types of services varied by age: hospital care was the largest expenditure for the two older age groups, and physicians' services was the greatest for the young; whatever the category of care, the amount was highest for the aged
- after adjustment for population and price increases, the 1967–71 growth in expenditures attributable to

increased use and improved technology was 17 percent for the youth, 10 percent for the intermediate ages, and more than 26 percent for the aged.

## EXPENDITURES IN 1971

The Nation's personal health care bill totaled \$65.1 billion in fiscal year 1971 (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.

As the following tabulation shows, 16 percent

Age	Percentage distribution	
	Health expenditures	Population
All persons.....	100 0	100.0
Under 19.....	16 1	35.7
19-64.....	56 5	54 4
65 and over.....	27 4	9 9

of the \$65.1 billion spent in 1971 was in behalf of persons under age 19, 57 percent went for persons aged 19–64, and 27 percent for persons aged

In fiscal year 1971 the Nation spent about \$65 billion for personal health care. Persons under age 19 accounted for about one-sixth of this amount; those aged 19–64, a little less than three-fifths; and those aged 65 and over, slightly more than one-fourth. Most medical bills were paid for by third parties—government, private health insurance, philanthropy, and industry. Third parties paid about 60 percent of the medical costs for persons under age 65 and about 75 percent for those aged 65 and over. Average out-of-pocket payments for those under age 65 amounted to about \$104. The aged person used out-of-pocket funds of \$225 for only one-fourth of his bill; in fiscal year 1966—the year before Medicare became operational—he had paid about \$234 or one-half his medical expenses from his own funds.

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<sup>1</sup> For detailed data on developments in fiscal year 1971, see Dorothy P. Rice and Barbara S. Cooper, "National Health Expenditures, 1929–71," *Social Security Bulletin*, January 1972.

65 and over. The share spent for the aged far exceeded their share of the population—10 percent—because of their greater use of medical care services and their costlier illnesses. The average aged person is twice as likely to suffer from one or more chronic conditions than a younger person, is much more likely to be limited in activity, is

admitted to hospitals much more frequently and stays longer, and uses physicians' services to a greater extent.

The average personal health care bill for all ages was \$311. The average \$861 bill for an aged person was over six times that for a young person and two and two-thirds times that for a person in

TABLE 1—Estimated personal health care expenditures, by type of expenditure and source of funds for three age groups, fiscal years 1967-71

[In millions]

Type of expenditure	All ages			Under 19			19-64			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public
1967												
Total.....	\$41,323	\$28,863	\$12,461	\$6,980	\$5,370	\$1,610	\$24,352	\$19,147	\$5,205	\$9,990	\$4,347	\$5,644
Hospital care.....	16,921	8,486	8,435	1,651	933	718	11,074	7,186	3,888	4,196	367	3,829
Physicians' services.....	9,738	8,348	1,390	2,298	2,133	165	5,395	4,908	487	2,045	1,306	739
Dentists' services.....	3,158	3,077	81	780	748	32	2,118	2,083	35	259	246	13
Other professional services.....	1,139	1,059	80	260	252	17	631	606	25	239	202	37
Drugs and drug sundries.....	5,480	5,270	210	1,085	1,054	31	3,126	3,062	64	1,268	1,154	114
Eyeglasses and appliances.....	1,514	1,478	36	250	244	6	937	909	28	327	325	2
Nursing-home care.....	1,692	785	907	13	6	7	140	50	90	1,540	730	810
Other health services.....	1,680	360	1,320	634	-----	634	931	343	588	116	17	99
1968												
Total.....	\$46,323	\$30,118	\$16,205	\$7,662	\$5,738	\$1,922	\$26,560	\$20,459	\$6,102	\$12,102	\$3,923	\$8,179
Hospital care.....	19,384	9,141	10,243	1,861	987	874	12,115	7,774	4,341	5,408	380	5,028
Physicians' services.....	10,734	8,414	2,320	2,533	2,310	223	5,861	5,172	689	2,340	932	1,408
Dentists' services.....	3,498	3,295	203	888	801	87	2,327	2,231	96	284	234	20
Other professional services.....	1,210	1,069	141	286	248	38	661	632	29	284	190	74
Drugs and drug sundries.....	5,864	5,594	270	1,164	1,119	45	3,338	3,250	88	1,362	1,225	137
Eyeglasses and appliances.....	1,665	1,621	44	276	267	9	1,029	997	32	360	357	3
Nursing-home care.....	2,070	604	1,466	16	6	10	150	38	112	1,904	860	1,344
Other health services.....	1,897	380	1,517	638	-----	638	1,079	365	714	180	15	165
1969												
Total.....	\$52,020	\$33,309	\$18,711	\$8,493	\$6,232	\$2,261	\$29,478	\$22,741	\$6,737	\$14,049	\$4,333	\$9,714
Hospital care.....	22,446	10,726	11,720	2,197	1,158	1,039	13,072	8,894	4,778	6,577	674	5,903
Physicians' services.....	11,707	8,887	2,820	2,763	2,448	315	6,486	5,674	812	2,458	765	1,693
Dentists' services.....	3,821	3,589	232	983	872	111	2,521	2,430	91	318	287	31
Other professional services.....	1,306	1,106	200	308	244	64	724	681	43	274	180	94
Drugs and drug sundries.....	6,448	6,100	348	1,282	1,220	62	3,650	3,544	106	1,515	1,336	179
Eyeglasses and appliances.....	1,770	1,719	51	296	284	12	1,094	1,057	37	381	378	3
Nursing-home care.....	2,465	762	1,703	18	6	12	154	58	96	2,292	696	1,596
Other health services.....	2,057	420	1,637	646	-----	646	1,177	403	774	234	17	217
1970												
Total.....	\$58,752	\$38,225	\$20,526	\$9,499	\$7,036	\$2,461	\$33,242	\$25,802	\$7,440	\$16,012	\$5,387	\$10,625
Hospital care.....	26,090	13,335	12,755	2,614	1,440	1,174	15,936	10,655	5,281	7,540	1,240	6,300
Physicians' services.....	12,966	9,700	3,266	3,060	2,740	320	7,183	6,275	908	2,723	684	2,039
Dentists' services.....	4,245	4,041	204	1,069	982	87	2,826	2,736	90	350	323	27
Other professional services.....	1,384	1,162	222	327	263	64	767	720	47	291	180	111
Drugs and drug sundries.....	6,971	6,527	444	1,382	1,305	77	3,926	3,792	134	1,662	1,429	233
Eyeglasses and appliances.....	1,850	1,792	58	309	296	13	1,145	1,102	43	337	394	3
Nursing-home care.....	2,875	1,208	1,667	22	10	12	180	79	101	2,674	1,120	1,554
Other health services.....	2,369	460	1,909	716	-----	716	1,279	443	836	375	17	358
1971												
Total.....	\$65,132	\$41,841	\$23,291	\$10,465	\$7,654	\$2,813	\$36,804	\$28,407	\$8,396	\$17,863	\$5,782	\$12,082
Hospital care.....	29,628	14,871	14,757	3,077	1,606	1,471	18,048	12,086	5,962	8,503	1,180	7,323
Physicians' services.....	14,245	10,700	3,545	3,362	2,983	379	7,892	6,860	1,032	2,991	857	2,134
Dentists' services.....	4,660	4,400	260	1,171	1,069	102	3,103	2,979	124	386	352	34
Other professional services.....	1,475	1,253	222	348	295	53	817	762	55	310	197	113
Drugs and drug sundries.....	7,470	6,930	540	1,477	1,386	91	4,189	4,026	163	1,804	1,518	286
Eyeglasses and appliances.....	1,915	1,849	66	316	305	13	1,187	1,137	50	410	407	3
Nursing-home care.....	3,365	1,338	2,027	25	10	15	210	77	133	3,129	1,251	1,878
Other health services.....	2,375	500	1,875	687	-----	687	1,358	480	878	330	20	310

the intermediate age group, as shown in table 2.

The amount spent for the personal health care of all people in 1971 was up 10.9 percent from the previous year. The rise in expenditures was greatest for the aged—11.6 percent—compared with 10.2 percent and 10.7 percent for the young and intermediate age groups, respectively.

### Source of Funds

For all persons, the largest part of the personal health care dollar comes from private sources—64 percent in fiscal year 1971. Federal, State, and local governments contributed the remainder. For each of the three age groups, however, the source

TABLE 2.—Estimated per capita<sup>1</sup> personal health care expenditures, by type of expenditure and source of funds, for three age groups, fiscal years 1967-71

Type of expenditure	All ages			Under 19			19-64			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public
1967												
Total.....	\$205 43	\$143 49	\$61.95	\$92.53	\$71.19	\$21.34	\$227.99	\$179 26	\$48 73	\$528 35	\$229 90	\$298.50
Hospital care.....	84.12	42 19	41 93	21 89	12 37	9 52	103 68	67.28	36 40	221.92	19 41	202 51
Physicians' services.....	48 41	41 50	6 91	30.46	28 28	2.19	50.51	45 95	4.56	108 16	69 07	39 08
Dentists' services.....	15 70	15 30	.40	10 34	9 92	.42	19 83	19 50	.33	13 70	13 01	1 69
Other professional services.....	5 66	5 26	.40	3 57	3 34	.23	5 91	5 67	.23	12 64	10 68	1 96
Drugs and drug sundries.....	27.24	26 20	1 04	14.38	13 97	.41	29.27	28 67	.60	67.06	61.03	6 03
Eyeglasses and appliances.....	7 53	7 35	.18	3 31	3 23	.08	8 77	8 51	.26	17.29	17.19	.11
Nursing-home care.....	8 41	3 90	4 51	17	.08	.09	1 31	1 47	.84	81 45	38 61	42 84
Other health services.....	8.35	1.79	6 56	8 40		8 40	8 72	3.21	5 50	6 13	.90	5 24
1968												
Total.....	\$227.87	\$148 16	\$79 72	\$101 59	\$70 08	\$25.48	\$244 67	\$188 47	\$56 21	\$626 66	\$203 14	\$423 52
Hospital care.....	95 35	44 97	50 39	24.68	13 09	11.59	111 60	71 61	39 99	280 03	19.68	260 36
Physicians' services.....	52 80	41.39	11 41	33.59	30.63	2 96	53 99	47.64	6 35	121.17	48 26	72 91
Dentists' services.....	17.21	16 21	1.00	11 77	10 62	1 15	21 44	20 55	.88	14 71	13 67	1 04
Other professional services.....	5 95	5 26	.69	3 79	3 29	.50	6 09	5 82	.27	13 67	9 84	3 83
Drugs and drug sundries.....	28.85	27.52	1 33	15 43	14 84	.60	30.75	29 94	.81	70 53	63 43	7.09
Eyeglasses and appliances.....	8 19	7 97	.22	3 66	3 54	.12	9 48	9 18	.29	18 64	18 48	.16
Nursing-home care.....	10 18	2 97	7 21	.21	.08	.13	1 38	1 35	1 03	98.59	29 00	69 59
Other health services.....	9.33	1.87	7 46	8 46		8 46	9 94	3 36	6 58	9.32	.78	8 54
1969												
Total.....	\$253 43	\$162 28	\$91.16	\$112 44	\$82 50	\$29 93	\$267 43	\$206 31	\$61.12	\$720 46	\$222.21	\$498 15
Hospital care.....	109.35	52 26	57.10	29 09	15 33	13 76	124 04	80 69	43 35	337.28	34 56	302 72
Physicians' services.....	57 03	43 30	13 74	36 68	32 41	4 17	58 84	51.48	7.37	126 05	39 23	86 82
Dentists' services.....	18 62	17 48	1.13	13 01	11 54	1 47	22 87	22.05	.83	16 31	14 72	1 59
Other professional services.....	6 36	5 39	.97	4 08	3 23	.85	6 57	6 18	.39	14 05	9 23	4 82
Drugs and drug sundries.....	31.41	29 72	1.70	16 97	16 15	.82	33 11	32 15	.96	77 69	68.51	9 18
Eyeglasses and appliances.....	8 82	8 37	.25	3 92	3 76	.16	9 93	9 59	.34	19 54	19 38	.15
Nursing-home care.....	12 01	3 71	8 30	.24	.08	.16	1 40	1 53	.87	117 54	35 69	81.85
Other health services.....	10 02	2 05	7 98	8 55		8 55	10 68	3 66	7 02	12 00	.87	11.13
1970												
Total.....	\$283 30	\$184 32	\$98 97	\$126 53	\$93 72	\$32 78	\$296 29	\$229 97	\$66 31	\$795 98	\$267 80	\$528 19
Hospital care.....	125 80	64 30	61.50	34 82	19 18	15 64	142.04	94 97	47 07	374 83	61 64	313 18
Physicians' services.....	62 52	46 77	15 75	40 76	36 50	4 26	64.02	55 93	8 09	135 36	34 00	101.36
Dentists' services.....	20 47	19 49	.98	14 24	13 08	1 16	25 19	24 39	.80	17 40	16 06	1 34
Other professional services.....	6 67	5 60	1.07	4 36	3 50	.85	6 84	6 42	.42	14 47	8 95	5 52
Drugs and drug sundries.....	33 61	31 47	2.14	18.41	17 38	1.03	34 99	33 80	1.19	82.62	71 04	11.58
Eyeglasses and appliances.....	8 92	8 64	.28	4 12	3 94	.17	10 21	9 82	.38	19 74	19 59	.15
Nursing-home care.....	13.86	5 82	8 04	.29	.13	.16	1 60	1 70	.90	132 93	55.68	77.25
Other health services.....	11 42	2 22	9 21	9 54		9 54	11.40	3 95	7 45	18 64	.85	17.80
1971												
Total.....	\$310.89	\$199 71	\$111 17	\$139 92	\$102 34	\$37.61	\$322 93	\$249 25	\$73 67	\$861 24	\$278 77	\$582 52
Hospital care.....	141 42	70 98	70 44	41 14	21 47	19 67	158.36	106 05	52.31	409 96	56 89	353 07
Physicians' services.....	67.99	51.07	16 92	44 95	39 88	5.07	69 25	60 19	9.06	144.21	41.32	102 89
Dentists' services.....	22 24	21.00	1 24	15 66	14 29	1 36	27 23	26 14	1 09	18 61	16 97	1 64
Other professional services.....	7 04	5 98	1 06	4 65	3 94	.71	7 17	6 69	.48	14 95	9 50	5 45
Drugs and drug sundries.....	35 66	33 08	2 58	19 75	18 53	1 22	36 76	35 33	1.43	86.98	73 19	13 79
Eyeglasses and appliances.....	9 14	8 83	.32	4 25	4 08	.17	10 42	9 98	.44	19 77	19 62	1 14
Nursing-home care.....	16 06	6 39	9 68	.33	.13	.20	1 84	1 68	1.17	150.86	60 32	90 55
Other health services.....	11 34	2 39	8 95	9 19		9 19	11.92	4 21	7 70	15 91	.96	14 95

<sup>1</sup> Based on January 1 data from the Bureau of the Census for total U.S. population (including Armed Forces and Federal civilian employees over-

seas and the civilian population of outlying areas).

of funds varied substantially. For the young and intermediate age groups, public funds accounted for 27 percent and 23 percent, respectively, of their 1971 expenditures. In contrast, public funds paid 68 percent of the aged's health care expenditures (chart 1).

Within public spending the mix of Federal, State, and local funds also varied considerably among the age groups served (table 3). For all age groups, the Federal Government was the main source, contributing nearly two-thirds of total medical care outlays under public programs. For the aged, as the tabulation below indicates, almost

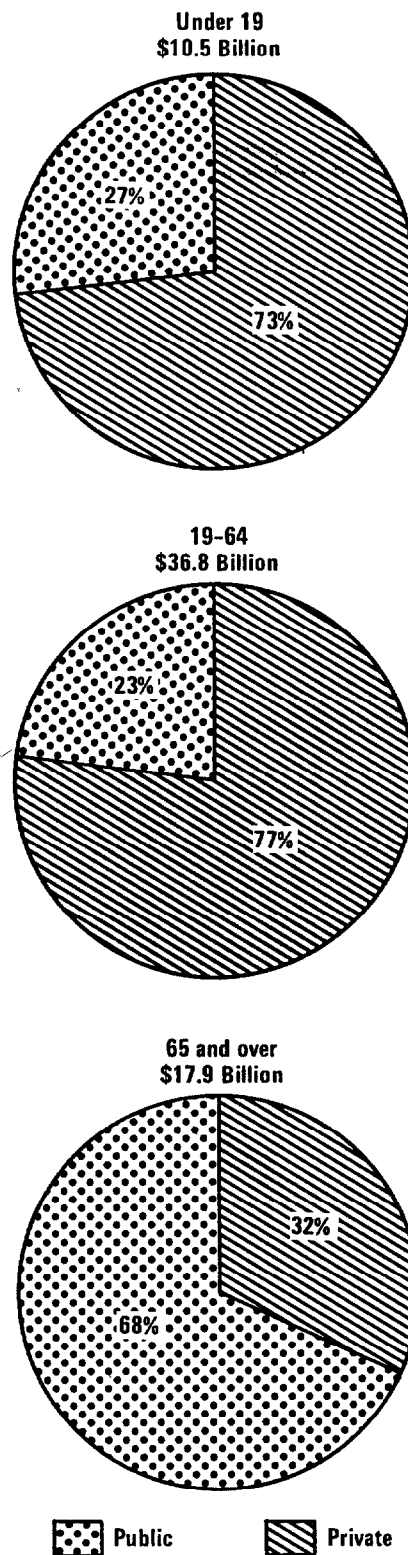
Age	Percentage distribution		
	Total	Federal funds	State and local funds
All ages.....	100 0	64 9	35 1
Under 19.....	100 0	55 7	44 3
19-64.....	100 0	49 0	51 0
65 and over.....	100 0	78 0	22 0

four-fifths came from Federal funds—mainly the Medicare program and the Federal matching contribution under Medicaid (the medical assistance program under title XIX of the Social Security Act). For the intermediate age group, slightly more than half the public funds came from State and local governments—primarily spending for mental hospitals. For those in the youngest group, about three-fifths came from Federal funds—chiefly Federal payments under Medicaid and expenditures under the military dependents' medical care program.

*Expenditures for the young.*—In fiscal year 1971, \$10.5 billion was spent for health services for persons under age 19—73 percent from private sources. Public expenditures for young persons amounted to \$2.8 billion (table 4). Most of these funds came from public assistance payments under Medicaid (42 percent), from the Department of Defense under its dependents' medical care program (22 percent), and from the maternal and child health care programs (12 percent). The remainder came from school health programs, medical vocational rehabilitation, and Office of Economic Opportunity programs (mainly neighborhood health centers).

Of the total public spending for the young, \$1.6 billion or 56 percent was spent by the Federal Government and the remaining \$1.2 billion

CHART 1.—Percentage distribution of expenditures for personal health care, by source of funds and by age group, fiscal year 1971



by State and local sources. Almost half the State and local government expenditures came from the Medicaid program.

*Expenditures for the intermediate age group.*—Total personal health care expenditures for persons aged 19–64 amounted to \$36.8 billion in fiscal

year 1971. Private sources contributed 77 percent; public sources paid 23 percent. For the \$8.4 billion paid through public funds, the general hospital and medical care programs—primarily State and local mental hospitals—contributed the largest share (28 percent). Public assistance

TABLE 3.—Estimated public personal health care expenditures, by type of expenditure and source of funds, for three age groups, fiscal years 1967–71

Type of expenditure	[In millions]											
	All ages			Under 19			19–64			65 and over		
	Total	Federal	State and local	Total	Federal	State and local	Total	Federal	State and local	Total	Federal	State and local
1967												
Total.....	\$12,461	\$7,469	\$4,991	\$1,610	\$959	\$652	\$5,205	\$2,350	\$2,855	\$5,644	\$4,160	\$1,484
Hospital care.....	8,435	4,979	3,456	718	486	231	3,888	1,630	2,250	3,829	2,854	975
Physicians' services.....	1,390	832	558	165	92	73	487	64	422	739	678	63
Dentists' services.....	81	41	40	32	16	16	35	18	17	13	7	6
Other professional services.....	80	44	36	17	11	6	25	4	21	37	29	8
Drugs and drug sundries.....	210	98	111	31	16	15	64	26	38	114	58	59
Eyeglasses and appliances.....	36	17	19	6	4	3	28	12	16	2	2	1
Nursing-home care.....	907	504	403	7	4	4	90	47	43	810	453	357
Other health services.....	1,320	953	368	634	329	304	588	540	48	99	83	16
1968												
Total.....	\$16,204	\$10,406	\$5,798	\$1,922	\$1,149	\$774	\$6,102	\$2,879	\$3,223	\$8,179	\$6,378	\$1,801
Hospital care.....	10,243	6,436	3,807	874	593	281	4,341	1,932	2,409	5,028	3,911	1,117
Physicians' services.....	2,320	1,632	688	223	129	94	689	155	534	1,408	1,348	60
Dentists' services.....	203	103	101	87	44	43	96	49	48	20	10	10
Other professional services.....	141	96	45	38	23	14	29	5	24	74	68	7
Drugs and drug sundries.....	270	129	141	45	24	22	88	38	50	187	67	69
Eyeglasses and appliances.....	44	22	22	9	6	4	32	14	18	3	2	1
Nursing-home care.....	1,466	912	554	10	5	5	112	59	53	1,344	848	496
Other health services.....	1,617	1,076	441	638	325	312	714	627	87	165	123	42
1969												
Total.....	\$18,711	\$12,290	\$6,421	\$2,261	\$1,339	\$922	\$6,737	\$3,284	\$3,503	\$9,714	\$7,718	\$1,996
Hospital care.....	11,720	7,702	4,018	1,039	706	333	4,778	2,214	2,564	5,903	4,781	1,122
Physicians' services.....	2,820	2,014	806	315	200	115	812	217	594	1,693	1,597	96
Dentists' services.....	232	124	108	111	59	52	91	49	41	31	16	15
Other professional services.....	200	151	49	64	46	17	43	16	27	94	89	5
Drugs and drug sundries.....	348	173	174	62	36	26	106	48	58	179	89	90
Eyeglasses and appliances.....	51	26	25	12	7	5	37	17	20	3	2	1
Nursing-home care.....	1,703	1,055	648	12	6	6	96	53	43	1,596	996	600
Other health services.....	1,637	1,045	592	646	278	368	774	619	156	217	148	68
1970												
Total.....	\$20,526	\$13,410	\$7,116	\$2,461	\$1,410	\$1,052	\$7,440	\$3,619	\$3,822	\$10,625	\$8,382	\$2,243
Hospital care.....	12,755	8,269	4,486	1,174	747	427	5,281	2,467	2,814	6,300	5,055	1,245
Physicians' services.....	3,266	2,378	889	320	204	115	908	248	659	2,039	1,925	114
Dentists' services.....	204	114	89	87	46	40	90	53	37	27	15	12
Other professional services.....	222	188	54	64	45	19	47	17	30	111	105	5
Drugs and drug sundries.....	444	221	223	77	43	34	134	62	72	233	117	117
Eyeglasses and appliances.....	58	31	27	13	8	5	43	21	22	3	2	1
Nursing-home care.....	1,687	1,003	664	12	6	6	101	58	44	1,554	939	614
Other health services.....	1,909	1,226	682	716	310	406	836	693	143	358	223	134
1971												
Total.....	\$23,291	\$15,107	\$8,184	\$2,813	\$1,568	\$1,245	\$8,396	\$4,110	\$4,286	\$12,082	\$9,429	\$2,653
Hospital care.....	14,757	9,510	5,246	1,471	879	592	5,962	2,764	3,198	7,323	5,867	1,456
Physicians' services.....	3,545	2,522	1,022	379	236	143	1,032	296	736	2,134	1,991	143
Dentists' services.....	260	154	106	102	54	48	124	80	44	34	20	14
Other professional services.....	222	173	49	53	40	13	55	23	32	113	110	3
Drugs and drug sundries.....	540	271	299	91	50	41	163	77	86	286	143	142
Eyeglasses and appliances.....	66	37	30	13	8	5	50	26	24	3	2	1
Nursing-home care.....	2,027	1,174	853	15	8	8	133	77	56	1,878	1,090	789
Other health services.....	1,875	1,266	609	687	291	396	878	768	109	310	207	103

TABLE 4.—Estimated personal health care expenditures under public programs, by program, for three age groups, fiscal years 1967-71

[In millions]

Program	Total				Federal				State and local			
	All ages	Under 19	19-64	65 and over	All ages	Under 19	19-64	65 and over	All ages	Under 19	19-64	65 and over
1967												
Total.....	\$12,461	\$1,610	\$5,205	\$5,644	\$7,469	\$959	\$2,350	\$4,160	\$4,991	\$652	\$2,855	\$1,494
Health insurance for the aged.....	3,172			3,172	3,172			3,172				
Temporary disability insurance.....	54		54					54		54		
Workmen's compensation (medical benefits).....	715		683	32	14		14	701		669		32
Public assistance (medical vendor payments).....	2,383	524	588	1,270	1,157	254	286	617	1,226	270	303	653
General hospital and medical care.....	2,808	112	1,848	848	164	40	74	50	2,644	71	1,774	799
Defense Department hospital and medical care (including military dependents).....	1,432	501	888	43	1,432	501	888	43				
Maternal and child health services.....	308	233	75		137	104	34		171	129	42	
School health.....	178	178							178	178		
Veterans' hospital and medical care.....	1,239		967	273	1,239		967	273				
Medical vocational rehabilitation.....	67	14	53	1	51	10	40	1	17	3	13	(1)
Office of Economic Opportunity.....	103	49	49	5	103	49	49	5				
1968												
Total.....	\$16,205	\$1,922	\$6,102	\$8,179	\$10,406	\$1,149	\$2,879	\$6,378	\$5,798	\$774	\$3,223	\$1,801
Health insurance for the aged.....	5,126			5,126	5,126			5,126				
Temporary disability insurance.....	55		55					55		55		
Workmen's compensation (medical benefits).....	790		759	31	15		15	775		744		31
Public assistance (medical vendor payments).....	3,581	684	1,131	1,765	1,760	336	556	868	1,821	348	575	898
General hospital and medical care.....	2,928	126	1,908	894	187	46	118	23	2,741	80	1,790	872
Defense Department hospital and medical care (including military dependents).....	1,648	577	1,022	49	1,648	577	1,022	49				
Maternal and child health services.....	335	260	75		159	123	36		176	137	40	
School health.....	205	205							205	205		
Veterans' hospital and medical care.....	1,331		1,025	306	1,331		1,025	306				
Medical vocational rehabilitation.....	102	20	80	2	77	15	60	2	26	5	20	1
Office of Economic Opportunity.....	104	51	48	5	104	51	48	5				
1969												
Total.....	\$18,711	\$2,261	\$6,737	\$9,714	\$12,290	\$1,339	\$3,234	\$7,718	\$6,421	\$922	\$3,503	\$1,996
Health insurance for the aged.....	6,299			6,299	6,299			6,299				
Temporary disability insurance.....	58		58					58		58		
Workmen's compensation (medical benefits).....	875		841	34	17		17	858		824		34
Public assistance (medical vendor payments).....	4,423	845	1,451	2,128	2,208	422	724	1,082	2,215	423	727	1,066
General hospital and medical care.....	3,010	144	1,944	922	193	56	111	26	2,816	87	1,834	896
Defense Department hospital and medical care (including military dependents).....	1,750	612	1,085	52	1,750	612	1,085	52				
Maternal and child health services.....	412	340	72		192	159	34		219	181	38	
School health.....	225	225							225	225		
Veterans' hospital and medical care.....	1,416		1,147	269	1,416		1,147	269				
Medical vocational rehabilitation.....	118	24	92	2	89	18	69	2	30	6	23	1
Office of Economic Opportunity.....	126	72	47	7	126	72	47	7				
1970												
Total.....	\$20,526	\$2,461	\$7,440	\$10,625	\$13,410	\$1,410	\$3,619	\$8,382	\$7,116	\$1,052	\$3,822	\$2,243
Health insurance for the aged.....	6,783			6,783	6,783			6,783				
Temporary disability insurance.....	63		63					63		63		
Workmen's compensation (medical benefits).....	965		930	35	21		21	944		909		35
Public assistance (medical vendor payments).....	5,006	951	1,602	2,453	2,499	475	800	1,224	2,507	476	802	1,228
General hospital and medical care.....	3,382	213	2,149	1,020	283	74	169	40	3,099	140	1,980	979
Defense Department hospital and medical care (including military dependents).....	1,760	616	1,091	53	1,760	616	1,091	53				
Maternal and child health services.....	431	347	84		196	158	38		235	189	46	
School health.....	241	241							241	241		
Veterans' hospital and medical care.....	1,634		1,366	268	1,634		1,366	268				
Medical vocational rehabilitation.....	134	27	104	3	107	21	84	2	27	5	21	1
Office of Economic Opportunity.....	127	66	50	11	127	66	50	11				
1971												
Total.....	\$23,291	\$2,813	\$8,396	\$12,082	\$15,107	\$1,568	\$4,110	\$9,429	\$8,184	\$1,245	\$4,286	\$2,653
Health insurance for the aged.....	7,478			7,478	7,478			7,478				
Temporary disability insurance.....	68		68					68		68		
Workmen's compensation (medical benefits).....	1,050		1,010	40	23		23	1,027		987		40
Public assistance (medical vendor payments).....	6,215	1,181	1,989	3,045	3,113	592	996	1,525	3,102	589	993	1,520
General hospital and medical care.....	3,832	309	2,376	1,147	376	102	219	85	3,456	207	2,156	1,092
Defense Department hospital and medical care (including military dependents).....	1,788	626	1,109	54	1,788	626	1,109	54				
Maternal and child health services.....	448	340	108		205	150	49		243	184	68	
School health.....	258	258							258	258		
Veterans' hospital and medical care.....	1,854		1,550	304	1,854		1,550	304				
Medical vocational rehabilitation.....	149	30	116	3	119	24	93	2	30	6	23	1
Office of Economic Opportunity.....	151	69	71	11	151	69	71	11				

<sup>1</sup> Less than \$500,000

vendor medical payments followed with 24 percent, medical programs of the Veterans Administration with 18 percent, and the Department of Defense with 13 percent.

The public funds are almost equally divided between Federal and other government sources. The two largest Federal programs for persons aged 19-64 are those of the Veterans Administration and the Department of Defense (including the program for military dependents). Expenditures under these programs alone amounted to almost \$2.7 billion in fiscal year 1971, almost two-thirds of total Federal outlays for the group aged 19-64.

By far the largest expenditure made by State and local governments for the intermediate age group is for hospital care provided for their residents through the operation and maintenance of their own facilities and through payments to nongovernment facilities. The bulk of these outlays, however, goes for psychiatric care, traditionally considered a State or local government responsibility.

*Expenditures for the aged.*—The health care financing of the aged differs significantly from that of the younger groups. Public funds accounted for 68 percent of the \$17.9 billion spent in behalf of the Nation's elderly in fiscal year 1971. As a consequence of the Medicare and Medicaid programs, government has become the main

purchaser of health care services for the aged. All the Medicare expenditures and almost half the Medicaid expenditures are for persons aged 65 and over. Together these programs were responsible for 87 percent of the \$12.1 billion expended from public funds for personal health care for the aged in 1971.

All Medicare benefit payments are classified here as expenditures under a public program even though consumers pay premiums matched by contributions from general revenues. In fiscal year 1971, each person enrolled in the supplementary medical insurance program paid a monthly premium of \$5.30. Premium payments, excluding those paid by Medicaid in behalf of enrollees, amounted to \$1.1 billion. If these were classified as private outlays, the public share of the aged's health expenditures would be reduced from 68 percent to 61 percent.

### Type of Expenditure

In the fiscal year 1971 the largest single item of expenditure—representing 45 percent of all personal health care outlays—was hospital care. Expenditures for this purpose, which continues to be one of the fastest growing categories, rose 14 percent in the past year. The second largest

TABLE 5—Total and per capita expenditures for personal health care, by type of expenditure and source of funds, for two age groups, fiscal year 1966

Type of expenditure	All ages			Under 65			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public
Total (in millions)									
Total.....	\$36,216	\$28,324	\$7,892	\$27,974	\$22,543	\$5,432	\$8,242	\$5,782	\$2,460
Hospital care.....	14,245	8,840	5,405	10,953	7,150	3,803	3,292	1,690	1,602
Physicians' services.....	8,865	8,267	598	7,207	6,708	499	1,658	1,659	99
Dentists' services.....	2,866	2,822	44	2,628	2,596	32	238	226	12
Other professional services.....	1,140	1,102	38	927	896	31	213	206	7
Drugs and drug sundries.....	5,032	4,866	166	3,877	3,800	77	1,155	1,066	89
Eyeglasses and appliances.....	1,309	1,278	31	1,024	997	27	285	281	4
Nursing-home care.....	1,407	804	603	141	67	74	1,266	738	528
Other health services.....	1,351	345	1,006	1,217	329	888	135	16	119
Per capita <sup>1</sup>									
Total.....	\$182 02	\$142 35	\$39 66	\$155 18	\$125 06	\$30 13	\$440 68	\$309 15	\$131 53
Hospital care.....	71 59	44 43	27 17	60 76	39 66	21 10	176 01	90 36	85 65
Physicians' services.....	44 55	41 54	3 01	39 98	37 21	2 77	88 65	83 36	5 29
Dentists' services.....	14 40	14 18	.22	14 58	14 40	.17	12 72	12 08	.64
Other professional services.....	5 73	5 53	.19	5 14	4 97	.17	11 39	11 01	.37
Drugs and drug sundries.....	25 29	24 46	.83	21 08	21 08	.43	61 75	57 00	4 76
Eyeglasses and appliances.....	6 58	6 42	.16	5 68	5 53	.15	15 24	15 02	.21
Nursing-home care.....	7 07	4 04	3 03	.78	.37	.41	67 69	39 46	28 23
Other health services.....	6 79	1 73	5 06	6 75	1 83	4 92	7.22	.86	6 36

<sup>1</sup> Based on January 1 data from the Bureau of the Census for total U S population (including Armed Forces and Federal civilian employees

overseas and the civilian population of outlying areas)

category of expenditure was physicians' services, accounting for 22 percent of the total. Following were drugs and drug sundries (11 percent), other professional services (9 percent), nursing-home care (5 percent), and all other services (8 percent).

The proportion of outlays spent for each type of service varies considerably according to age. For both the intermediate age group and those aged 65 and over, hospital care is by far the largest category, representing 49 percent and 48 percent of their respective health care expenditures. For young persons, however, hospital care is only about three-tenths of their health bill, and physicians' services, amounting to one-third, is their largest expenditure.

Nursing-home care was the third largest category for the aged, with 18 percent of their health bill going for this purpose in fiscal year 1971. It represents less than 1 percent of the outlays for persons in the two younger age groups. In contrast, other professional services figure largely in the health spending for youth—15 percent—but represent only 4 percent in the spending for the aged, as the following figures show.

Type of expenditure	Age			
	All ages	Under 19	19-64	65 and over
Total.....	100 0	100 0	100 0	100 0
Hospital care.....	45 5	29 4	49 0	47 6
Physicians' services.....	21 9	32 1	21 4	16 8
Other professional services.....	9 4	14 5	10 7	3 9
Drugs and drug sundries.....	11 5	14 1	11 4	10 1
Nursing-home care.....	5 2	3	6	17 5
Other health services.....	6 6	9 6	6 9	4 1

The different categories of expenditure also vary considerably with source of funds. Fifty percent of hospital care expenditures, for example, is publicly financed. For young persons, the public share was 48 percent; for persons in the intermediate age group, 33 percent; and for the aged, 86 percent. Medicare alone furnished more than three-fifths of all hospital expenditures for the aged.

Public financing of physicians' services amounted to one-fourth of the total. For the younger groups, about one-tenth of their physicians' bills were met by public funds; for the aged, public funds contributed seven-tenths.

For all other types of expenditures, the public

share overall was 23 percent. For the young it was 24 percent; it was 13 percent for the intermediate age group and 41 percent for the oldest.

The average amount spent per person for the different health categories also varies considerably by age. The hospital care bill for a person aged 19-64 was almost four times that for a youth; his average amount spent for physicians' services was one and one-half times that spent for a youth. Average hospital care expenditures for the aged were ten times those for the young and over two and one-half times those for the intermediate age group. For physicians' services, the average outlay in behalf of an aged person was more than three times that for a youth and twice that for a person aged 19-64, as shown below:

Age	Per capita expenditures			
	Total	Hospital care	Physicians' services	All other
All ages.....	\$310	\$141	\$68	\$101
Under 19.....	140	41	45	54
19-64.....	323	158	69	95
65 and over.....	861	410	144	307

## TRENDS

Personal health care expenditures have grown significantly from fiscal year 1966—the year before Medicare and Medicaid began operations—to fiscal year 1971. Increased use of services, improvements in the quality of medical care, and intensified public spending in this area—along with the spiraling prices for medical care—contributed to an 80-percent increase in expenditures for the 6-year period (tables 5 and 6).

In fiscal year 1967, the first full year for Medicare and Medicaid, health care spending rose 14.1 percent. The annual rate of growth was 12-13 percent for the next 3 years, and fiscal year 1971 saw the lowest rate of increase in 5 years—10.9 percent.

Expenditures for the two age groups under 65 have consistently increased at about the same rate, but the aged have experienced a substantially greater growth in health outlays since fiscal year 1966. During the next 2 years, the annual increase in expenditures for the aged averaged twice that of the group under age 65. In the following 3 years, however, the gap narrowed so that in



TABLE 6.—Estimated personal health care expenditures under public programs, by program, for two age groups, fiscal year 1966

(In millions)

Program	All ages	Under age 65	Aged 65 and over
Total.....	\$7,892	\$5,432	\$2,460
Health insurance for the aged.....			
Temporary disability insurance.....	54	54	
Workmen's compensation (medical benefits).....	640	611	29
Public assistance (vendor medical payments).....	1,710	539	1,171
General hospital and medical care.....	2,721	2,003	718
Defense Department hospital and medical care (including military dependents).....	1,107	1,085	22
Maternal and child health services.....	257	257	
School health.....	157	157	
Veterans' hospital and medical care.....	1,149	633	516
Medical vocational rehabilitation.....	48	47	1
Office of Economic Opportunity.....	48	46	2

fiscal year 1971 the rates of growth for all age groups were almost the same—10.6 percent for the younger groups compared with 11.6 percent for the aged. The following tabulation presents annual rates of growth in expenditures by age.

Fiscal year	Annual percentage increase				Aged 65 and over
	Total	Under age 65			
		Total	Under 19		
1967.....	14 1	12 0	( <sup>1</sup> )	( <sup>1</sup> )	21 2
1968.....	12 1	9 2	9 8	9 1	21 1
1969.....	12 3	11 0	10 8	11 0	16 1
1970.....	12 9	12 6	11 8	12 8	14 0
1971.....	10 9	10 6	10 2	10 7	11 6

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

### Source of Funds

The most significant trend since 1966 has been the shift in source of funds. With the implementation of Medicare and Medicaid, government's share of personal health care expenditures rose considerably—from 22 percent in 1966 to 36 percent in 1971.

Nearly all of the shift from private to government spending since 1966 has been in the financing of health care for the aged. Medicare assumed a significant proportion of the expenditures formerly made by the private sector. As a result, the private share has dropped from 70 percent in 1966 to 32 percent in 1971.

A comparison of expenditures for the aged under public programs between 1966 and 1971 illustrates the impact of Medicare and Medicaid. In 1971, outlays under Medicare alone were about

the same as those spent in 1966 by all levels of government for all age groups. They were more than three times total public outlays for the aged in the earlier year. During the same time period, public assistance vendor medical payments for the aged nearly tripled. The Veterans Administration, however, is spending substantially less for the aged now than in 1966 when Medicare assumed some of their financial responsibility.

The portion of the aged's health bill met by Medicare has grown from about 32 percent in the program's first year to 42 percent in its fifth year (table 7). Medicare's share was highest in 1969—45 percent—but it dropped somewhat in each of the following 2 years.

Medicare's recent declining share of the health bill for the aged resulted from a variety of factors.<sup>2</sup> The most significant drop in Medicare payments has been for extended-care facilities, which are included in the nursing-home category. Controls on the use of extended-care facilities were tightened and as a result payments for extended care declined slightly and its proportion of nursing-home outlays dropped sharply. In 1969, Medicare spent \$367 million for extended care—16 percent of the nursing-home bill for those aged 65 and over. In 1971, the Medicare outlay was \$247 million and its share of the bill only 8 percent.

Medicare's share of expenditures for physicians' services for the aged has also declined: In 1971 it dropped to 62 percent from 67 percent the previous year. The reduction resulted from tightening regulations for reimbursement of physicians' services. Thus, Medicare spending for physicians' services in 1971 (\$1,859 million) was up only 2.1 percent from the previous year. According to the consumer price index, however, physicians' fees registered the largest annual increase ever recorded and rose 7.5 percent. As a result the aged person had to make up the difference out of his pocket or through private health insurance. Private spending for physicians' services for the aged rose from 25 percent in 1970 to 29 percent the following year.

Another contributing factor in Medicare's decreasing share of the total health bill for the aged

<sup>2</sup> For a complete discussion of factors affecting Medicare benefit payments, see Howard West, "Five Years of Medicare—A Statistical Review," *Social Security Bulletin*, December 1971.

in recent years relates to hospital care. In fiscal year 1969, Medicare paid 66 percent of the hospital bill for those aged 65 and over. In 1970, this proportion dropped to 60 percent and, although it increased slightly in 1971 (to 62 per-

cent), it did not reach the 1969 level. Here too, the reduced share has resulted from a tightening of utilization review requirements and claims review procedures.

The past 2 years have witnessed a drop in the

TABLE 7.—Estimated amount and percentage distribution of personal health care expenditures for the aged, by type of expenditure and source of funds, fiscal years 1967-71

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.....	\$9,990	\$4,347	\$5,644	\$3,172	\$2,472	100 0	43 5	56 5	31 8	24 7
Hospital care.....	4,196	367	3,829	2,409	1,420	100 0	8 7	91 3	57 4	33 8
Physicians' services.....	2,045	1,306	739	630	109	100 0	63 9	36 1	30 8	5 3
Dentists' services.....	259	246	13	-----	13	100 0	95 0	5 0	-----	5 0
Other professional services.....	239	202	37	22	15	100 0	84 5	15 5	0 2	6 3
Drugs and drug sundries.....	1,268	1,154	114	-----	114	100 0	91 0	9 0	-----	9 0
Eyeglasses and appliances.....	327	325	2	-----	2	100 0	99 4	6	-----	6
Nursing-home care.....	1,540	730	810	97	713	100 0	47 4	52 6	6 3	46 3
Other health services.....	116	17	99	14	85	100 0	14 7	85 3	12 1	73 3
1968										
Total.....	\$12,102	\$3,923	\$8,179	\$5,126	\$3,053	100 0	32 4	67 6	42 4	25 2
Hospital care.....	5,408	380	5,028	3,395	1,633	100 0	7 0	93 0	62 8	30 2
Physicians' services.....	2,340	932	1,408	1,303	105	100 0	39 8	60 2	55 7	4 5
Dentists' services.....	284	264	20	-----	20	100 0	93 0	7 0	-----	7 0
Other professional services.....	264	190	74	62	12	100 0	72 0	28 0	23 5	4 5
Drugs and drug sundries.....	1,362	1,225	137	-----	137	100 0	89 9	10 1	-----	10 1
Eyeglasses and appliances.....	360	357	3	-----	3	100 0	99 2	8	-----	8
Nursing-home care.....	1,904	960	1,344	344	1,000	100 0	29 4	70 6	18 1	62 5
Other health services.....	180	15	165	22	143	100 0	8 3	91 7	12 2	79 4
1969										
Total.....	\$14,049	\$4,333	\$9,714	\$6,299	\$3,415	100 0	30 8	69 1	44 8	24 3
Hospital care.....	6,577	674	5,903	4,308	1,695	100 0	10 2	89 8	65 5	24 3
Physicians' services.....	2,458	765	1,693	1,512	181	100 0	31 1	68 9	61 5	7 4
Dentists' services.....	318	287	31	-----	31	100 0	90 3	9 7	-----	9 7
Other professional services.....	274	180	94	83	11	100 0	65 7	34 3	30 3	4 0
Drugs and drug sundries.....	1,515	1,336	179	-----	179	100 0	88 2	11 8	-----	11 8
Eyeglasses and appliances.....	381	378	3	-----	3	100 0	99 2	8	-----	8
Nursing-home care.....	2,292	696	1,596	367	1,229	100 0	30 4	69 6	16 0	53 6
Other health services.....	234	17	217	29	188	100 0	7 3	92 7	12 4	80 3
1970										
Total.....	\$16,012	\$5,387	\$10,625	\$6,783	\$3,842	100 0	33 6	66 4	42 4	24 1
Hospital care.....	7,540	1,240	6,300	4,541	1,759	100 0	16 4	83 6	60 2	23 3
Physicians' services.....	2,723	684	2,039	1,820	219	100 0	25 1	74 9	66 8	8 0
Dentists' services.....	350	323	27	-----	27	100 0	92 3	7 7	-----	7 7
Other professional services.....	291	180	111	99	12	100 0	61 9	38 1	34 0	4 1
Drugs and drug sundries.....	1,662	1,429	233	-----	233	100 0	86 0	14 0	-----	14 0
Eyeglasses and appliances.....	397	394	3	-----	3	100 0	99 2	8	-----	8
Nursing-home care.....	2,674	1,120	1,554	292	1,262	100 0	41 9	58 1	10 9	47 2
Other health services.....	375	17	358	31	327	100 0	4 5	95 5	8 3	87 2
1971										
Total.....	\$17,863	\$5,782	\$12,082	\$7,478	\$4,604	100 0	32 4	67 6	41 9	25 8
Hospital care.....	8,503	1,180	7,323	5,239	2,084	100 0	13 9	86 1	61 6	24 5
Physicians' services.....	2,991	857	2,134	1,859	275	100 0	28 7	71 3	62 2	9 2
Dentists' services.....	386	352	34	-----	34	100 0	91 2	8 8	-----	8 8
Other professional services.....	310	197	113	105	8	100 0	63 5	36 5	33 9	2 6
Drugs and drug sundries.....	1,804	1,518	286	-----	286	100 0	84 1	15 9	-----	15 9
Eyeglasses and appliances.....	410	407	3	-----	3	100 0	99 3	7	-----	7
Nursing-home care.....	3,129	1,251	1,878	247	1,631	100 0	40 0	60 0	7 9	52 1
Other health services.....	330	20	310	28	282	100 0	6 1	93 9	8 5	85 5

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

average length of hospital stay for aged persons from 13.2 days in 1969 to 12.4 days in 1971 (table 8). This decrease has also affected Medicare's share of the total bill. Since the aged person was responsible for a hospital deductible roughly equivalent to one day of care, his proportion of the bill went up as the average length of stay went down. In 1969, the private share of the hospital bill for the aged was 10 percent; 2 years later it had risen to 14 percent.

*Third-party payments.*—Not all private payments come directly out of the consumer's pocket. Private health insurance, philanthropy, and industry (through industrial in-plant services) help reduce these direct payments. Together with government, these third-party payers finance a substantial share of health expenditures in the Nation. Included in third-party payments are the premium payments made under private health insurance or under the supplementary medical insurance part of Medicare.

Third-party payments by age group were previously estimated only for 1969 and 1970. To compare out-of-pocket and third-party payments before and after the start of Medicare and Medicaid, estimates have been developed for fiscal years 1966 through 1971 (table 9).

In 1971, third parties financed 63 percent of personal health care outlays, a sizable increase from 1966 when their share was 48 percent (chart 2). Most of the recent growth in third-party payments is due to Medicare and Medicaid—especially in the financing of health care for the aged.

In the year before Medicare and Medicaid began, third parties paid less than half of the health bill for those aged 65 and over. Five years later

their share was nearly three-fourths. Most of this increase was in the public share, which rose from three-tenths to two-thirds. The private health insurance share, both in absolute and relative terms, has declined. In 1966, it was \$1.3 billion, or 16 percent of the total; in 1971, it decreased to \$1.0 billion, or 6 percent.

In per capita terms, third-party payments for aged persons have tripled in 5 years—from \$206 to \$637 (chart 3). Nevertheless, the average out-of-pocket payment for the aged person has declined only slightly, from \$234 to \$225. Increased use of services and improvements in quality of care, as well as spiraling medical care prices, have affected total outlays to the extent that 53 percent of the 1966 bill and 26 percent of the 1971 bill represent almost the same amounts.

For persons under age 65, third parties play a lesser role, financing about three-fifths of their personal health care expenditures. Private health insurance is the major third party, paying about one-third of the total bill. Government's share is nearly one-fourth.

The roles of both private health insurance and government (mainly because of Medicaid) have increased somewhat since 1966, when third parties contributed about one-half the health bill of the non-aged population. Nevertheless, this growth has not kept pace with rising prices and increased use. As a result, in the 5 years since 1966, the average out-of-pocket payment of those under age 65 has grown 31 percent—from \$79 to \$104.

### Type of Expenditure

Recent years have witnessed an increasing proportion of expenditures spent for hospital care

TABLE 8.—Community hospital utilization and expenses, by age group, fiscal years 1967–71

Item	Fiscal year amounts					Percentage change from preceding year			
	1967	1968	1969	1970	1971	1968	1969	1970	1971
Number of admissions (in thousands).....	27,048	27,465	28,027	29,247	30,312	1 5	2 0	4 4	3 6
Under age 65.....	21,840	21,960	22,122	23,110	23,966	.5	.7	4 5	3 7
Aged 65 and over.....	5,208	5,505	5,904	6,137	6,346	5 7	7 2	3 9	3 4
Number of patient days (in thousands)....	214,454	221,891	227,633	231,643	234,413	3 5	2 6	1 8	1 2
Under age 65.....	148,536	148,798	149,585	153,070	155,475	2	5	2 3	1 6
Aged 65 and over.....	65,918	73,093	78,048	78,573	78,938	10 9	6 8	7	.5
Average length of stay.....	7 9	8 1	8 1	7 9	7 7	2 5	-----	-2 5	-2.5
Under age 65.....	6 8	6 8	6 8	6 6	6 5	-----	-----	-2 9	-1.5
Aged 65 and over.....	12 7	13 3	13 2	12 8	12 4	4 7	- 8	-3 0	-3 1
Total expenses (in millions).....	\$11,510	\$13,697	\$15,965	\$18,693	\$21,418	19 0	16 6	17 1	14 6
Expenses per patient day.....	\$53 67	\$61.73	\$70 13	\$80 70	\$91 37	15 0	13 6	15 1	13 2

Source: "Hospital Indicators," *Hospitals*, mid-month issues.

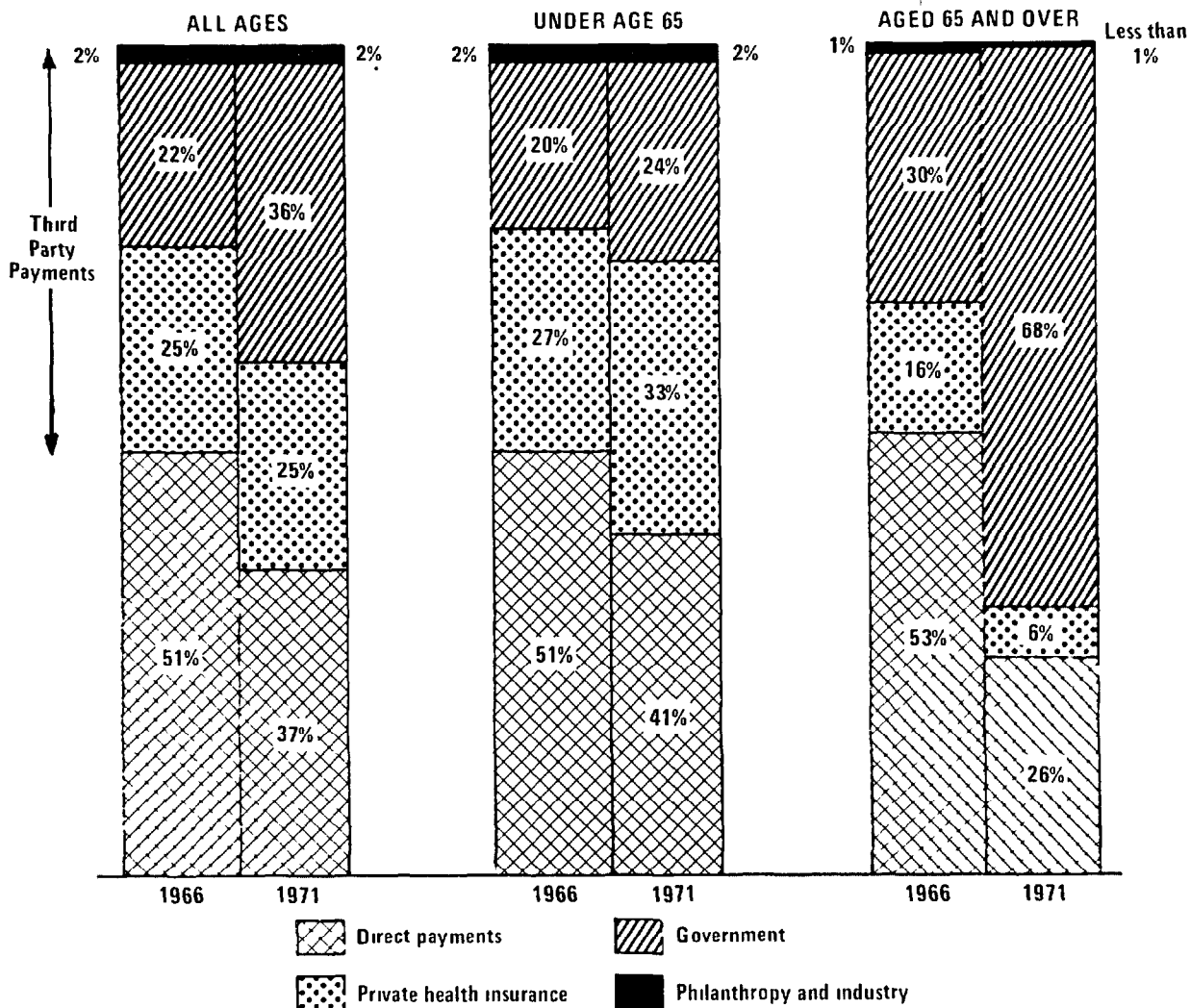
for each of the age groups. From 1967 to 1971, hospital care expenditures, considered as a proportion of total expenditures, rose nearly 6 percent-

age points for the youngest and oldest age groups and 3½ points for the intermediate age group. The greater role played by hospital care is

TABLE 9.—Amount and percent of expenditures for personal health care net by third parties, for two age groups, fiscal years 1966-71

Fiscal year	Total	Direct payment	Third-party payments			
			Total	Private health insurance	Government	Philanthropy and industry
All ages						
<b>Total amount (in millions)</b>						
1966	\$36,216	\$18,668	\$17,548	\$8,936	\$7,892	\$720
1967	41,323	18,766	22,558	9,344	12,461	753
1968	46,323	18,899	27,424	10,444	16,205	775
1969	52,020	20,279	31,741	12,206	18,711	824
1970	58,752	22,929	35,822	14,406	20,526	890
1971	65,132	24,262	40,870	16,615	23,291	964
<b>Amount per capita</b>						
1966	\$182 02	\$93 82	\$88 20	\$44 91	\$39 66	\$3 62
1967	205 43	93 29	112 14	46 45	61 95	3 74
1968	227 87	92 97	134 90	51 38	79 72	3 81
1969	253 43	98 80	154 64	59 46	91 16	4 01
1970	283 30	110 56	172 73	69 46	98 07	4 29
1971	310 89	115 81	195 08	79 31	111 17	4 60
<b>Percentage distribution</b>						
1966	100 0	51 5	48 5	24 7	21 8	2 0
1967	100 0	45 4	54 6	22 6	30 2	1 8
1968	100 0	40 8	59 2	22 5	35 0	1 7
1969	100 0	39 0	61 0	23 5	36 0	1 6
1970	100 0	39 0	61 0	24 5	34 9	1 5
1971	100 0	37 2	62 7	25 5	35 8	1 5
Under age 65						
<b>Total amount (in millions)</b>						
1966	\$27,974	\$14,286	\$13,688	\$7,627	\$5,432	\$629
1967	31,332	15,085	16,247	8,756	6,815	677
1968	34,222	15,711	18,511	9,786	8,024	701
1969	37,971	16,790	21,181	11,437	8,998	746
1970	42,741	18,518	24,223	13,513	9,901	809
1971	47,269	19,601	27,668	15,585	11,209	874
<b>Amount per capita</b>						
1966	\$155 18	\$79 25	\$75 93	\$42 31	\$30 13	\$3 49
1967	171 92	82 77	89 15	48 04	37 39	3 71
1968	186 02	85 40	100 62	53 19	43 62	3 81
1969	204 41	90 38	114 02	61 57	48 44	4 02
1970	228 23	98 88	129 35	72 16	52 87	4 32
1971	260 41	103 84	146 58	82 56	59 38	4 63
<b>Percentage distribution</b>						
1966	100 0	51 1	48 9	27 3	19 4	2 2
1967	100 0	48 1	51 9	27 9	21 8	2 2
1968	100 0	45 9	54 1	28 6	23 4	2 0
1969	100 0	44 2	55 8	30 1	23 7	2 0
1970	100 0	43 3	56 7	31 6	23 2	1 9
1971	100 0	41 5	58 5	33 0	23 7	1 8
Aged 65 and over						
<b>Total amount (in millions)</b>						
1966	\$8,242	\$4,382	\$3,860	\$1,309	\$2,460	\$91
1967	9,990	3,681	6,309	589	5,644	76
1968	12,102	3,191	8,911	658	8,179	74
1969	14,049	3,488	10,561	769	9,714	78
1970	16,012	4,413	11,599	893	10,625	81
1971	17,863	4,661	13,202	1,030	12,082	90
<b>Amount per capita</b>						
1966	\$440 68	\$234 29	\$206 38	\$69 98	\$131 53	\$4 87
1967	528 35	194 68	333 67	31 15	298 50	4 02
1968	628 66	165 23	461 42	34 07	423 52	3 83
1969	720 46	178 87	541 59	39 44	498 15	4 00
1970	795 98	219 38	576 60	44 39	528 19	4 03
1971	861 24	224 72	636 52	49 66	582 52	4 34
<b>Percentage distribution</b>						
1966	100 0	53 2	46 8	15 9	29 8	1 1
1967	100 0	36 8	63 2	5 9	56 5	8
1968	100 0	26 4	73 6	5 4	67 6	6
1969	100 0	24 8	75 2	5 5	69 1	6
1970	100 0	27 6	72 4	5 6	66 4	5
1971	100 0	26 1	73 9	5 8	67 6	.5

CHART 2—Percentage distribution of expenditures for personal health care, by source of funds and age group, fiscal years 1966 and 1971



not surprising in view of the substantial rise in hospital costs in recent years. As table 8 shows, expenses per patient day in community hospitals rose from \$53.67 in 1967 to \$91.37 in 1971. This 70-percent increase represents an average rise of 14.2 percent per year.

### Per Capita Amounts

The recent rise in personal health care expenditures is the result of several factors: population growth, increased prices, increased per capita use of services, and improved and more costly treatment methods. By examining expenditures in

terms of per capita amounts, the population-growth factor can be eliminated. For each of the three age groups, per capita expenditures for personal health care still showed a sizable growth between 1967 and 1971 (table 2). In that period, per capita expenditures for persons under age 19 increased 10.9 percent annually; for persons aged 19-64, they averaged 9.1 percent a year; and for persons aged 65 and over, 13.0 percent yearly.

By eliminating price rise as well as population growth, one can determine the increase in expenditures that resulted from greater utilization and improved techniques. When per capita expenditures are converted to constant fiscal year 1971 dollars by means of the medical care com-

CHART 3—Per capita expenditures for personal health care, by source of funds and age group, fiscal years 1966 and 1971

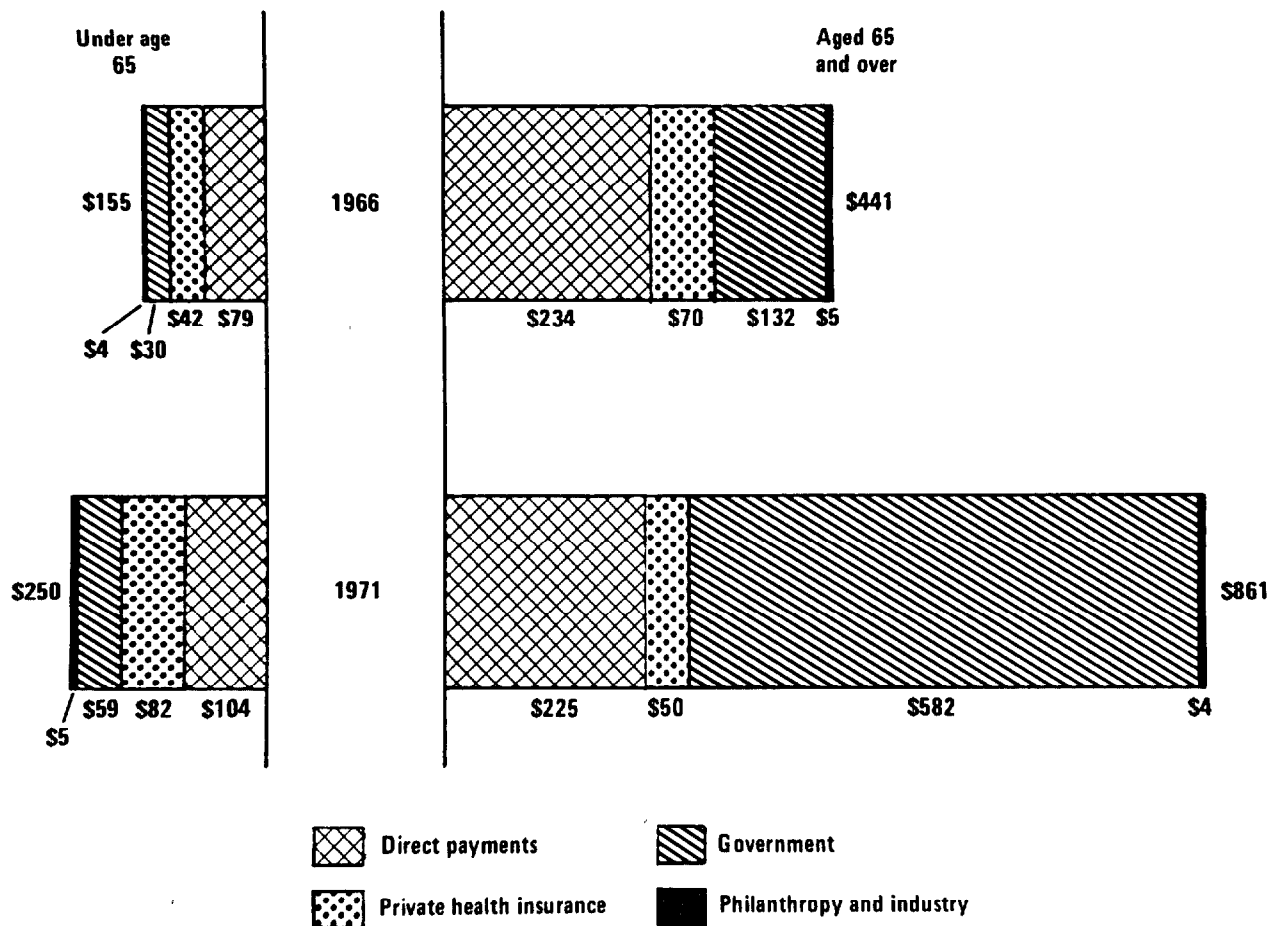


TABLE 10—Per capita personal health care expenditures in fiscal year 1971 dollars and percentage change from previous years, by age group, fiscal years 1966-71

Fiscal year	Total	Under age 65			Aged 65 and over
		Total	Under 19	19-64	
Per capita expenditures (in 1971 dollars) <sup>1</sup>					
1966.....	\$249 90	\$213 05			\$605.02
1967.....	264 85	221 65	\$119 29	\$293 94	681 18
1968.....	276 10	225 39	123 09	296 45	759 29
1969.....	288 31	232 54	127 92	304 24	819 62
1970.....	302 96	244 07	135 31	316 85	851 22
1971.....	310 89	250 41	139 92	322 93	881 24
Percentage change from previous year					
1967.....	6 0	4 0			12 6
1968.....	4 2	1 7	3 2	9	11 5
1969.....	4 4	3 2	3 9	2 6	7 9
1970.....	5 1	5 0	5 8	4 1	3 9
1971.....	2 6	2 6	3 4	1 9	1 2

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

ponent of the consumer price index, a different growth pattern emerges (table 10). Since 1967, the average annual increase in per capita constant dollars for the aged was 6.0 percent a year—one and one-half times the growth rate for the youngest group (4.1 percent) and two and one-half times that of the intermediate age group (2.4 percent).

The last year alone, however, presents a different picture. The 1970-71 growth in per capita constant dollars was 2.6 percent for all ages. The smallest rise was for the aged. Only 1.2 percent of the total 11.6-percent increase in health expenditures for the aged can be attributed to greater use of and improvements in services. For the intermediate age group the "real" growth was only slightly more (1.9 percent); for the youth, it was 3.4 percent, nearly triple that of the aged.