

Age Differences in Health Care Spending, Fiscal Year 1974

by MARJORIE SMITH MUELLER and ROBERT M. GIBSON*

This study of health care spending in fiscal year 1974 reveals that, of the \$90.3 billion spent by the Nation for personal health care, 15 percent was spent for the young (under age 19), 56 percent for persons 19-64, and 30 percent for those aged 65 and over. The aged individual had the largest per capita medical bill, \$1,218; the bill was \$420 for a person in the intermediate age group and \$183 for a young person. Third-party payments—by government, private health insurance, philanthropy, and industry—accounted for almost two-thirds of health expenditures for both the aged and those under age 65. Public funds alone paid for nearly 30 percent of personal health care spending for the two younger groups and 60 percent for the aged. As in 1973, Medicare met 38 percent of the health bill for the oldest group. The average direct payment rose \$3 (to \$117) for persons under age 65 and reached \$415 (\$26 higher than in 1973) for the aged.

AGE HAS a direct relationship with what goes into the Nation's medical bill and the magnitude of medical or health care expenditures. These relationships are examined by type of service and source of funds, for persons in three age groups—persons under age 19, aged 19-64, and aged 65 and over.¹ Age differences in spending under both public and private programs are given for fiscal years 1972, 1973, and 1974. Trends are estimated from 1966—the year immediately preceding the advent of Medicare—to the present.

EXPENDITURES IN 1974

An estimated \$90.3 billion was spent by the Nation for personal health care in fiscal year 1974 (table 1). Included in personal health care expenditures are all payments for health care services and supplies received by individuals—almost

87 percent of total national health expenditures. Excluded are expenditures for: medical research and medical facilities construction, public health activities (disease prevention and control), fundraising activities of philanthropic organizations, and administration of several government programs. The \$2.9 billion net cost of private insurance—the difference between premiums paid and benefit payments received—is also excluded since it is not regarded as an expenditure for personal health care.

Although the number of persons in the group aged 65 and over was only one-fifth of the number in the group aged 19-64, the health expenditures of the oldest group were close to half those of the intermediate age group, as the percentage distribution in the tabulation that follows shows.

Age	Health expenditures		Population	
	1973	1974	1973	1974
All ages.....	100 0	100 0	100 0	100 0
Under 19.....	15 2	14 9	34 7	34 1
19-64.....	55 6	55 6	55 3	55 7
65 and over.....	29 2	29 5	10 0	10 2

Persons under age 19—a little over a third of the total population—had only 15 percent of the estimated \$90.3 billion total health expenditures and about half the expenditures for the aged. The more frequent and costlier illnesses of the aged are reflected in these figures. Persons aged 65 and over are more than four times as likely to be limited in activity because of chronic health conditions than those under age 65.² The aged are hospitalized at a rate that is more than two and a half times the rate of persons under age 65, and their average length of stay is almost twice that of such persons.³

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

¹ For estimates of the Nation's health spending in fiscal year 1974 and in previous years, see Nancy L. Worthington, "National Health Expenditures, 1929-74," *Social Security Bulletin*, February 1975.

² National Center for Health Statistics, *Limitation of Activity and Mobility Due to Chronic Conditions, United States—1972* (Series 10, No. 96, Vital and Health Statistics), 1974, tables 25 and 26.

³ Unpublished data from National Center for Health Statistics, Hospital Discharge Survey, 1973.

TABLE 1.—Estimated personal health care expenditures, by type of expenditure and source of funds, for three age groups, fiscal years 1972-74

[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
1972												
Total.....	\$74,688	\$47,738	\$26,949	\$11,531	\$8,246	\$3,283	\$41,510	\$30,586	\$10,924	\$21,649	\$8,905	\$12,742
Hospital care.....	32,720	15,142	17,578	3,504	1,771	1,733	19,400	11,739	7,661	9,816	1,632	8,184
Physicians' services.....	16,431	12,793	3,638	3,594	3,178	416	9,222	8,053	1,169	3,615	1,562	2,053
Dentists' services.....	5,342	5,066	277	1,189	1,089	100	3,779	3,632	147	375	345	30
Other professional services.....	1,634	1,382	252	359	300	59	915	819	96	360	263	97
Drugs and drug sundries.....	8,233	7,620	613	1,615	1,518	97	4,698	4,413	285	1,920	1,689	231
Eyeglasses and appliances.....	1,877	1,800	77	311	297	14	1,165	1,107	58	402	396	6
Nursing-home care.....	5,860	3,395	2,465	146	93	53	733	303	430	4,981	2,998	1,983
Other health services.....	2,591	540	2,051	813	-----	813	1,598	520	1,078	180	20	160
1973												
Total.....	\$81,859	\$51,836	\$29,972	\$12,486	\$8,912	\$3,575	\$45,495	\$33,343	\$12,153	\$23,877	\$9,633	\$14,244
Hospital care.....	36,174	17,274	18,900	3,902	1,959	1,943	21,420	13,334	8,086	10,852	1,984	8,868
Physicians' services.....	17,518	13,535	3,983	3,825	3,375	450	9,839	8,482	1,357	3,854	1,676	2,178
Dentists' services.....	5,767	5,456	311	1,283	1,173	110	4,082	3,912	170	402	371	31
Other professional services.....	1,803	1,478	325	396	325	71	1,010	876	134	397	278	119
Drugs and drug sundries.....	8,942	8,272	671	1,748	1,654	94	5,130	4,806	324	2,064	1,812	252
Eyeglasses and appliances.....	1,985	1,905	80	326	314	12	1,235	1,172	63	425	419	6
Nursing-home care.....	6,650	3,386	3,264	166	112	54	831	201	630	5,653	3,073	2,580
Other health services.....	3,020	580	2,440	840	-----	840	1,948	560	1,388	230	20	210
1974 ¹												
Total.....	\$90,281	\$56,028	\$34,253	\$13,416	\$9,805	\$3,611	\$50,189	\$35,626	\$14,561	\$26,678	\$10,597	\$16,082
Hospital care.....	40,900	18,972	21,928	4,477	2,286	2,191	23,868	14,154	9,714	12,556	2,532	10,024
Physicians' services.....	19,000	14,476	4,524	4,141	3,648	493	10,869	9,087	1,782	3,990	1,740	2,250
Dentists' services.....	6,200	5,858	342	1,389	1,260	129	4,353	4,200	153	429	398	31
Other professional services.....	1,990	1,629	361	458	371	67	1,134	980	154	418	277	141
Drugs and drug sundries.....	9,695	8,900	795	1,883	1,778	105	5,552	5,167	385	2,260	1,956	305
Eyeglasses and appliances.....	2,153	2,065	88	354	341	13	1,339	1,270	69	461	454	7
Nursing-home care.....	7,450	3,504	3,946	186	121	65	931	163	768	6,333	3,220	3,113
Other health services.....	2,893	625	2,268	548	-----	548	2,113	605	1,508	231	20	211

¹ Preliminary estimates

Total personal health care expenditures rose 10.3 percent in fiscal year 1974 from the previous year's total. The fastest growth occurred in the group aged 65 and over—11.7 percent, compared with 10.3 percent in the intermediate age group and 7.4 percent for the younger age group. In 1973, the 10.3-percent rise for the older group was also the greatest; the increases were 9.6 percent and 8.3 percent, respectively, for the young and intermediate age groups. For both periods the differentials reflect the higher utilization by the aged of hospital care, which is more expensive than out-of-hospital care. The acceleration of the rate of increase in 1974 was largely a function of the ending of price controls in the health care industry as of the end of April 1974. The decrease in utilization by the young, however, had a tempering effect on the growth of expenditures for that age group.

The per capita expenditure for personal care

for all persons was \$420 in fiscal year 1974 (table 2). The aged spent, on the average, almost three times that amount—\$1,218, a figure that in turn was almost seven times the average health care cost of persons under age 19. Per capita expenditures were 8.8 percent higher for the aged than they were in 1973. For the young and intermediate age groups the increases were 8.6 percent and 8.7 percent, respectively.

Source of Funds

Total personal health care expenditures continue to be paid largely from private sources, although the public sector share edged up slightly in 1974. Private payments accounted for 62 percent of expenditures, in comparison with 63 percent in 1973. For each of the age groups, the

TABLE 2 — Estimated per capita personal health care expenditures, by type of expenditure and source of funds, for three age groups, fiscal years 1972-74

Type of expenditure	All ages			Under 19			19-64			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public
1972												
Total.....	\$353 00	\$225 62	\$127 37	\$153 95	\$110 00	\$43 83	\$358 66	\$264 27	\$94 39	\$1,033 61	\$425 12	\$608 20
Hospital care.....	154 64	71 57	83 08	46 78	23 64	23 14	167 62	101 43	66 19	468 61	77 91	390 70
Physicians' services.....	77 66	60 46	17 19	47 98	42 43	5 55	79 68	69 58	10 10	172 58	74 57	98 01
Dentists' services.....	25 25	23 94	1 31	15 87	14 54	1 34	32 65	31 38	1 27	17 90	16 47	1 43
Other professional services.....	7 72	6 53	1 19	4 79	4 01	7 9	7 91	7 08	83	17 19	12 56	4 63
Drugs and drug sundries.....	38 91	36 01	2 90	21 56	20 27	1 30	40 69	38 13	2 46	91 66	80 63	11 03
Eyeglasses and appliances.....	8 87	8 51	3 6	4 15	3 97	19	10 07	9 56	50	19 19	18 90	29
Nursing-home care.....	27 70	16 05	11 65	1 95	1 24	71	6 33	2 62	3 72	237 79	143 12	94 67
Other health services.....	12 25	2 55	9 69	10 85	-----	10 85	13 61	4 49	9 31	8 50	.95	7 64
1973												
Total.....	\$383 90	\$243 33	\$140 56	\$168 75	\$120 45	\$48 32	\$385 81	\$282 77	\$103 08	\$1,119 78	\$451 77	\$668 01
Hospital care.....	169 65	81 01	88 64	52 74	26 48	26 26	181 65	113 08	68 57	508 93	93 05	415 89
Physicians' services.....	82 15	63 48	18 68	51 09	45 61	6 08	83 44	71 93	11 51	180 74	78 60	102 14
Dentists' services.....	27 05	25 59	1 46	17 34	15 85	1 49	34 62	33 18	1 44	18 85	17 40	1 45
Other professional services.....	8 46	6 93	1 52	5 35	4 39	9 6	8 57	7 43	1 14	18 62	13 04	5 58
Drugs and drug sundries.....	41 94	38 79	3 15	23 62	22 35	1 27	43 51	40 76	2 75	96 80	84 98	11 82
Eyeglasses and appliances.....	9 31	8 93	3 8	4 41	4 24	16	10 46	9 95	52	19 93	19 65	28
Nursing-home care.....	31 19	15 88	15 31	2 24	1 51	73	7 05	1 70	5 34	265 11	144 12	121 00
Other health services.....	14 16	2 72	11 44	11 35	-----	11 35	16 52	4 75	11 77	10 79	94	9 85
1974 ¹												
Total.....	\$420 37	\$260 88	\$159 50	\$183 19	\$133 88	\$49 31	\$419 56	\$297 82	\$121 72	\$1,217 84	\$483 75	\$734 14
Hospital care.....	190 44	88 34	102 10	61 13	31 21	29 92	199 53	118 32	81 20	573 18	115 58	457 59
Physicians' services.....	88 47	67 40	21 06	56 54	49 81	6 73	90 86	75 96	14 90	182 14	79 43	102 71
Dentists' services.....	28 87	27 28	1 59	18 97	17 20	1 76	36 64	35 11	1 53	19 58	18 17	1 42
Other professional services.....	9 27	7 59	1 68	6 98	5 07	91	9 48	8 19	1 29	19 08	12 64	6 44
Drugs and drug sundries.....	45 14	41 44	3 70	25 71	24 28	1 43	46 41	43 19	3 22	103 17	89 29	13 92
Eyeglasses and appliances.....	10 02	9 62	41	4 83	4 66	18	11 19	10 62	58	21 04	20 72	32
Nursing-home care.....	34 69	16 32	18 37	2 54	1 65	89	7 78	1 36	6 42	289 10	146 99	142 11
Other health services.....	13 47	2 91	10 56	7 48	-----	7 48	17 66	5 06	12 61	10 55	91	9 63

¹ Preliminary estimates.

public's share of health care expenditures shifted slightly (chart 1). For the group under age 19 the share of expenditures that came from public funds declined from 29 percent in 1973 to 27 percent in 1974. Total public expenditures for this age group in 1974 are slightly understated, however, because expenditures for school health by State and local governments could not be identified separately as in previous years and are therefore omitted from the total.

The slight increase from 27 percent in 1973 to 29 percent in 1974 in the share of public funds expended for health care for the intermediate age group reflects in part several new programs for this group—principally family planning services under Medicaid (amounting to \$247 million in fiscal year 1974) and the new Medicare coverage for the disabled (including those with chronic kidney disease) with expenditures of \$797 million in 1974. For the aged the public share remained about the same—60 percent.

Government spending for health care purposes increased to \$34 billion in 1974, up 13 percent from the previous year (table 3). Federal spending rose at a faster rate than State and local expenditures—14 percent, compared with 11 percent. The biggest increase in Federal spending (25 percent) was for the 19-64 age group—a reflection of increased Medicaid spending and the Medicare coverage for the disabled. This rise was in contrast to the 12-percent increase for the group aged 65 and over and the growth of 6 percent for the young. State and local funds amounted to \$11 billion; the largest outlays from these sources were for the intermediate and older age groups, which showed increases of 13 percent and 17 percent, respectively, from the preceding year.

Government spending for all age groups continued to be shared in about the same proportion as in 1973, as the percentage distributions for both years that follow indicate. Federal funds were

Age	1973			1974		
	Total	Federal	State and local	Total	Federal	State and local
All ages.....	100 0	67 3	32 7	100 0	68 2	31 8
Under 19.....	100 0	59 1	40 9	100 0	62 1	37 9
19-64.....	100 0	53 9	46 1	100 0	56 5	43 5
65 and over.....	100 0	80 8	19 2	100 0	80 2	19 8

about two-thirds of all public funds. The State and local share of expenditures for those aged 65 and over went up one percentage point in 1974, reflecting some payments by Medicaid of increases in Medicare deductibles, coinsurance, and supplementary medical insurance (SMI) premiums of the medically indigent, as well as in items not covered by Medicare.

Expenditures for those under age 19.—Almost three-fourths (\$9.8 billion) of the total \$13.4 billion spent in 1974 on personal health care services and supplies for persons under age 19 came from private funds. The largest share of public expenditures—which totaled \$3.6 billion—was from public assistance programs under Medicaid (52 percent) (table 4).

Other sources of expenditures were Department of Defense hospital and medical care (21 percent)—principally through CHAMPUS, the military dependents' medical care program—and general hospital and medical programs (17 percent). The latter represented the net costs of running State and local community, psychiatric, and long-term care hospitals after vendor and patient payments

and excluding capital outlay, plus the Federal funds used to provide direct services (outside of the Veterans Administration and the Department of Defense) through public health service hospitals, the Indian Health Service, and other programs of the Department of Health, Education, and Welfare. The remaining 14 percent of public outlays were for maternal and child health, medical vocational rehabilitation programs, and health insurance for the disabled under the Medicare program. Sixty-two percent (\$2.2 billion) of the total public expenditures for the youngest age group came from Federal funds; 38 percent (\$1.4 billion) came from State and local funds. Two-thirds of the State expenditures were for Medicaid; three-fourths of Federal expenditures represented Medicaid matching payments and the Department of Defense hospital and medical care spending for military dependents.

Expenditures for the intermediate age group.—Personal health care expenditures for this large age group totaled \$50.2 billion in 1974. Seventy-one percent (\$35.6 billion) came from private sources; the remaining \$14.6 billion was financed from public sources. The largest share (33 percent) of public funds came from the Federal-State Medicaid program. Next was the general hospital and medical care program primarily in State and local psychiatric hospitals (21 percent), followed by the Veterans Administration program (15 percent) and the Department of Defense programs for the Armed Forces and their dependents (13 percent). The remaining public

CHART 1—Percentage distribution of expenditures for personal health care, by source of funds and age group, fiscal year 1974

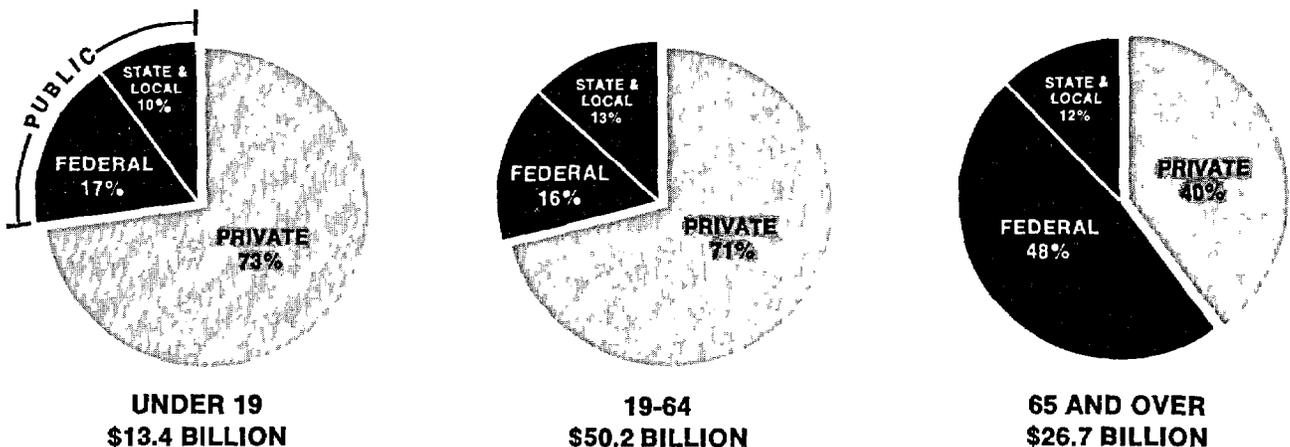


TABLE 3.—Estimated public personal health care expenditures, by type of expenditure and source of funds, for three age groups, fiscal years 1972-74

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
1972												
Total.....	\$26,950	\$18,130	\$8,820	\$3,283	\$1,972	\$1,312	\$10,924	\$5,784	\$5,140	\$12,742	\$10,374	\$2,368
Hospital care.....	17,578	11,751	5,827	1,733	1,108	625	7,661	3,785	3,876	8,184	6,888	1,326
Physicians' services.....	3,638	2,708	926	416	275	141	1,169	452	717	2,053	1,981	71
Dentists' services.....	277	186	90	100	60	40	147	105	42	30	21	9
Other professional services.....	252	177	76	59	45	14	96	44	52	97	88	9
Drugs and drug sundries.....	613	330	283	97	58	39	285	148	138	231	124	107
Eyeglasses and appliances.....	77	44	33	14	9	4	58	30	27	6	5	1
Nursing-home care.....	2,465	1,444	1,022	53	28	25	430	240	190	1,983	1,175	807
Other health services.....	2,051	1,490	560	813	389	424	1,078	981	97	160	121	39
1973												
Total.....	\$29,972	\$20,182	\$9,790	\$3,575	\$2,114	\$1,460	\$12,153	\$6,554	\$5,601	\$14,244	\$11,514	\$2,731
Hospital care.....	18,900	12,751	6,149	1,943	1,225	719	8,086	4,056	4,030	8,868	7,469	1,399
Physicians' services.....	3,983	2,933	1,049	450	295	156	1,357	537	820	2,178	2,103	74
Dentists' services.....	311	212	99	110	67	43	170	122	48	31	23	8
Other professional services.....	325	216	109	71	49	20	134	62	74	119	104	15
Drugs and drug sundries.....	671	365	305	94	56	37	324	170	155	252	138	114
Eyeglasses and appliances.....	80	45	35	12	8	4	63	33	30	6	5	1
Nursing-home care.....	3,264	1,896	1,367	54	29	25	630	354	276	2,580	1,513	1,066
Other health services.....	2,440	1,763	677	840	386	455	1,388	1,218	170	210	157	53
1974 ¹												
Total.....	\$34,253	\$23,358	\$10,895	\$3,612	\$2,241	\$1,370	\$14,561	\$8,223	\$6,336	\$16,082	\$12,894	\$3,187
Hospital care.....	21,929	15,145	6,783	2,191	1,355	836	9,714	5,261	4,453	10,024	8,520	1,494
Physicians' services.....	4,524	3,277	1,248	493	293	200	1,782	826	956	2,250	2,159	91
Dentists' services.....	342	210	133	129	71	58	183	118	65	31	21	11
Other professional services.....	361	226	136	67	41	26	154	66	88	141	120	21
Drugs and drug sundries.....	795	404	391	105	57	48	384	189	195	304	157	147
Eyeglasses and appliances.....	88	60	38	13	9	4	69	36	33	7	6	1
Nursing-home care.....	3,946	2,208	1,739	65	33	31	768	417	351	3,113	1,756	1,356
Other health services.....	2,268	1,840	428	548	353	165	1,508	1,311	197	211	145	66

¹ Preliminary estimates

funds represented workmen's compensation payments (10 percent), Medicare payments for disabled beneficiaries, and the programs for maternal and child health and medical vocational rehabilitation (8 percent).

Federal funds accounted for a slightly higher share of public expenditures (57 percent) than they did in fiscal year 1973 (54 percent). Outlays for the Medicaid program, the Department of Defense health care program, and the Veterans Administration health care program represented 80 percent of Federal expenditures; payments for Medicaid and for State and local hospital care accounted for 76 percent of all State and local expenditures for personal health care for this age group.

Expenditures for the aged.—Because of large outlays from Medicare and Medicaid funds, the

financing of health care for the aged comes primarily from public funds. Private payments, consisting of private health insurance premiums and direct payments to providers of health care, constituted only 40 percent of the \$26.7 billion expenditures in 1974 for persons aged 65 and older. This proportion was in marked contrast to the 73 percent provided by private funds for those under age 19 and the 71-percent share for the intermediate age group.

A total of \$10.2 billion from Medicare and \$3.9 billion in Medicaid payments have provided 87 percent of the \$16.1 billion in public financing of personal health care and 53 percent of total health care expenditures for the elderly. The remaining 7 percent of public expenditures for health care of the aged came from general hospital and medical care programs primarily at the State and local level and from the Veterans

TABLE 4—Estimated personal health care expenditures under public programs, by program and source of funds, for three age groups, fiscal years 1972-74

[In millions]

Program	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
1972												
Total.....	\$26,950	\$18,130	\$8,820	\$3,283	\$1,972	\$1,312	\$10,924	\$5,784	\$5,140	\$12,742	\$10,374	\$2,368
Health insurance for the aged.....	8,364	8,364	—	—	—	—	—	—	—	8,364	8,364	—
Temporary disability insurance.....	68	—	68	—	—	—	68	—	68	—	—	—
Workmen's compensation (medical benefits).....	1,180	27	1,153	—	—	—	1,136	26	1,110	44	1	43
Public assistance (vendor medical payments).....	7,455	4,003	3,453	1,280	687	593	3,590	1,928	1,663	2,585	1,388	1,197
General hospital and medical care.....	4,212	619	3,592	464	195	269	2,561	366	2,195	1,187	59	1,128
Defense Department hospital and medical care (including military dependents).....	2,325	2,325	—	814	814	—	1,442	1,442	—	70	70	—
Maternal and child health services.....	495	259	236	337	176	161	158	—	83	76	—	—
School health.....	281	—	281	281	—	281	—	—	—	—	—	—
Veterans' hospital and medical care.....	2,233	2,233	—	—	—	—	1,755	1,755	—	478	478	—
Medical vocational rehabilitation.....	179	143	36	36	29	7	140	112	28	4	3	1
Office of Economic Opportunity.....	156	156	—	71	71	—	73	73	—	11	11	—
1973												
Total.....	\$29,972	\$20,182	\$9,790	\$3,575	\$2,114	\$1,460	\$12,153	\$6,554	\$5,601	\$14,244	\$11,514	\$2,731
Health insurance for the aged.....	9,040	9,040	—	—	—	—	—	—	—	9,040	9,040	—
Temporary disability insurance.....	69	—	69	—	—	—	69	—	69	—	—	—
Workmen's compensation (medical benefits).....	1,315	32	1,283	—	—	—	1,270	31	1,239	45	1	44
Public assistance (vendor medical payments).....	8,817	4,783	4,035	1,539	833	706	4,028	2,180	1,848	3,251	1,769	1,482
General hospital and medical care.....	4,640	805	3,835	550	262	288	2,818	475	2,343	1,272	68	1,204
Defense Department hospital and medical care (including military dependents).....	2,448	2,448	—	774	774	—	1,606	1,606	—	69	69	—
Maternal and child health services.....	455	221	234	310	150	159	145	—	71	75	—	—
School health.....	300	—	300	300	—	300	—	—	—	—	—	—
Veterans' hospital and medical care.....	2,561	2,561	—	—	—	—	2,016	2,016	—	545	545	—
Medical vocational rehabilitation.....	175	140	35	35	28	7	137	109	27	3	3	1
Office of Economic Opportunity.....	152	152	—	67	67	—	66	66	—	19	19	—
1974 ¹												
Total.....	\$34,253	\$23,358	\$10,895	\$3,612	\$2,241	\$1,370	\$14,561	\$8,223	\$6,336	\$16,082	\$12,894	\$3,187
Health insurance for the aged and disabled.....	10,955	10,955	—	2	2	—	797	797	—	10,158	10,158	—
Temporary disability insurance.....	71	—	71	—	—	—	71	—	71	—	—	—
Workmen's compensation (medical benefits).....	1,450	36	1,414	—	—	—	1,405	36	1,369	45	—	45
Public assistance (vendor medical payments).....	10,649	5,502	5,147	1,869	965	904	4,873	2,518	2,354	3,907	2,018	1,888
General hospital and medical care.....	5,022	1,033	3,989	823	324	299	3,086	649	2,437	1,313	60	1,253
Defense Department hospital and medical care (including military dependents).....	2,687	2,687	—	758	758	—	1,859	1,859	—	70	70	—
Maternal and child health services.....	470	236	234	320	161	159	150	—	75	75	—	—
School health.....	—	—	—	—	—	—	—	—	—	—	—	—
Veterans' hospital and medical care.....	2,756	2,756	—	—	—	—	2,169	2,169	—	587	587	—
Medical vocational rehabilitation.....	194	154	39	39	31	8	151	120	30	4	3	1
Office of Economic Opportunity.....	—	—	—	—	—	—	—	—	—	—	—	—

¹ Preliminary estimates.

Administration program—with small amounts from workmen's compensation funds, the Department of Defense medical care program for the Armed Forces, and the medical vocational rehabilitation program.

Medicare benefit payments are classified in this article and in the Office of Research and Statistics series on national health expenditures as public expenditures. As noted in the 1975 article in that

series,⁴ 95.5 percent of hospital insurance expenditures are from payroll contributions earmarked for Medicare hospital insurance and 41.5 percent of the supplementary medical insurance expenditures are from premium payments by Medicare enrollees. If the supplementary medical insurance premiums were regarded as private payments, the

⁴ Nancy L. Worthington, *op. cit.*

public share would be reduced from 60 percent to 56 percent.

Type of Expenditure

Expenditures for hospital care, the largest single item of health care expense, represented 45 percent of all personal health care expenditures in the Nation in 1974. Hospital expenditures for the aged rose 15.7 percent in 1974, compared with a rise of 10.6 percent in 1973. The rise for the youngest group was close to that—14.7 percent or 3.3 percentage points higher than the 1973 rate. The slowest increase in hospital care expenditures was for the intermediate age group—11.4 percent, compared with 10.4 percent in 1973.

Close to half of all personal health care expenditures among the two age groups—those aged 19–64 and those 65 and over—went for hospital care. Only a third was spent for hospital care of the group under age 19, as the percentage distribution by type of expenditure shows in the tabulation below.

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 3	33 4	47 6	47 1
Physicians' services.....	21 1	30 9	21 6	15 0
Other professional services.....	9 1	13 6	11 0	3 2
Drugs and drug sundries.....	10 7	14 0	11 1	8 5
Nursing-home care.....	8 2	1 4	1 8	23 7
Other health services.....	5 6	6 7	6 9	2 6

Expenditures for physicians' services, which represented 21 percent of all personal health care expenditures in 1974, also rose at a faster rate than in the previous year—8.5 percent, compared with 6.6 percent in 1973. The 1974 growth rates differed among the age groups. The most rapid rise occurred in the youngest group (where physicians' services accounted for 31 percent of total health care expense); the increase was 8.3 percent, up from a rate of 6.4 percent in 1973. The slowest growth was in the group aged 65 and over—where 15 percent of expenditures were for physicians' services; the growth rate was 3.6 percent, compared with 6.6 percent in 1973.

Drugs represented the largest other single bloc of health care expenditures—10.7 percent of all health care expenditures for all age groups.

Expenditures rose 7.7 percent among the young for whom drugs represented 14 percent of all health care expenditures. The rise was 9.5 percent, for the aged, however; their expenses for drugs accounted for only 8.5 percent of total expense. The intermediate group's expense for drugs rose 7.5 percent, and drugs accounted for 11.1 percent of their total health care expenditures.

Nursing-home care accounted for 24 percent of total expenditures for the aged. Less than 2 percent of health care expenditures was used for nursing-home care for the young and for the intermediate age groups. Expenditures for this type of care rose 12 percent in 1974, down slightly from the increase rate of about 13 percent in 1973.

Other professional services, including dental care, represented 14 percent of the total expenditures in the younger age group, in contrast to 11 percent in the intermediate age group and 3 percent in the older group. Expenditures rose about 9 percent for the younger age group—a rate close to that for the intermediate age group. For this category of expense, the older group had only a 4-percent increase over the previous year.

The different types of expenditures are financed in different ways. Fifty-four percent of all hospital spending came out of public funds. For the aged, the public share was 80 percent. More than nine-tenths (\$7.8 billion) of Federal funds for hospital care of the aged came out of Medicare funds (table 5).⁵ Public funds accounted for 45 percent of the expenses for hospital care for the young and 41 percent for the intermediate age group.

Public funds accounted for only 24 percent of the \$19 billion expenditures for physicians' services. For the young, the public share was only 12 percent. For the aged, the \$2.3 billion spent by government accounted for 56 percent of the total outlays but the largest part of that (\$2.1 billion) was from Medicare's supplementary medical in-

⁵ The \$7.8 billion in Medicare expenditures for hospital care are gross expenditures for fiscal year 1974; they do not reflect current financing payments of \$300 million that were recovered by the Social Security Administration during fiscal year 1974. At the onset of the Medicare program, current financing provisions were instituted to compensate providers for possible procedural lags or delays in receiving reimbursement for individual bills. In 1973, the Social Security Administration rescinded the current financing mechanism. Providers were required to return the amounts of such payments by May 29, 1974, except where an extended recovery period would be warranted due to financial hardship.

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 1972-74

Type of expenditure	Amount (in millions)					Percentage distribution				
	Total	Private	Public			Total	Private	Public		
			Total	Medicare	Other			Total	Medicare	Other
1972										
Total.....	\$21,649	\$8,905	\$12,742	\$8,364	\$4,378	100 0	41 1	58 9	38 6	20 2
Hospital care.....	9,816	1,632	8,184	6,215	1,969	100 0	16 6	83 4	63 3	20 1
Physicians' services.....	3,615	1,562	2,053	1,905	148	100 0	43 2	56 8	52 7	4 1
Dentists' services.....	375	345	30	-----	30	100 0	92 0	8 0	-----	8 0
Other professional services.....	360	268	97	77	20	100 0	73 1	26 9	21 4	5 6
Drugs and drug sundries.....	1,920	1,689	231	-----	231	100 0	88 0	12 0	-----	12 0
Eyeglasses and appliances.....	402	396	6	-----	6	100 0	98 5	1 5	-----	1 5
Nursing-home care.....	4,981	2,998	1,983	168	1,815	100 0	60 2	39 8	3 4	36 4
Other health services.....	180	20	160	-----	160	100 0	11 1	88 9	-----	88 9
1973										
Total.....	\$23,877	\$9,633	\$14,244	\$9,040	\$5,204	100 0	40 3	59 7	37 9	21 8
Hospital care.....	10,852	1,984	8,868	6,787	2,081	100 0	18 3	81 7	62 5	19 2
Physicians' services.....	3,854	1,676	2,178	2,016	162	100 0	43 5	56 5	52 3	4 2
Dentists' services.....	402	371	31	-----	31	100 0	92 3	7 7	-----	7 7
Other professional services.....	397	278	119	83	36	100 0	70 0	30 0	20 9	9 1
Drugs and drug sundries.....	2,064	1,812	252	-----	252	100 0	87 8	12 2	-----	12 2
Eyeglasses and appliances.....	425	419	6	-----	6	100 0	98 6	1 4	-----	1 4
Nursing-home care.....	5,653	3,073	2,580	154	2,426	100 0	54 4	45 6	2 7	42 9
Other health services.....	230	20	210	-----	210	100 0	8 7	91 3	-----	91 3
1974 ¹										
Total.....	\$26,678	\$10,597	\$16,082	\$10,158	\$5,926	100 0	39 7	60 3	38 1	22 2
Hospital care.....	12,556	2,532	10,024	7,778	2,246	100 0	20 2	79 8	62 0	17 9
Physicians' services.....	3,990	1,740	2,250	2,069	181	100 0	43 6	56 4	51 9	4 5
Dentists' services.....	429	398	31	-----	31	100 0	92 8	7 2	-----	7 2
Other professional services.....	418	277	141	99	42	100 0	66 3	33 7	23 7	10 1
Drugs and drug sundries.....	2,260	1,956	305	-----	305	100 0	86 6	13 5	-----	13 5
Eyeglasses and appliances.....	461	454	7	-----	7	100 0	98 5	1 5	-----	1 5
Nursing-home care.....	6,333	3,220	3,113	210	2,903	100 0	50 8	49 2	3 3	45 8
Other health services.....	231	20	211	-----	211	100 0	8 7	91 3	-----	91 3

¹ Preliminary estimates

insurance trust fund, financed 41.5 percent by premium payments by Medicare enrollees and 58.5 percent by general revenues. The public share of the total was 26 percent for all other types of expenditures. Among the age groups, the public share was 19 percent for those under age 19, 20 percent for the group aged 19-64, and 38 percent for those aged 65 and over.

The average amount spent per person for each type of expenditure varies widely with age, as the tabulation that follows shows. For persons

aged 65 and over the average health care bill was \$1,218 in 1974, and 71 percent of that amount went for hospital and nursing-home care. Because the young have hospital bills that are, on the average, only a tenth of those of the aged and they incur less than 1 percent of the older group's nursing-home expenses, their overall health care bill (\$183) runs about one-seventh of that of the elderly person. Among those aged 19-64 the average expenditure for all types of health care (\$420) is about 34 percent of that of aged persons, reflecting average hospital outlays that are one-third of those of the elderly and nursing-home expenses that amount to only 3 percent of the older group's outlays.

The per capita expenditures of \$91 for physicians' services for the group aged 19-64 were 60 percent higher, on the average, than they were for young persons (\$57) and 50 percent of the average expense of the elderly (\$182). Average expendi-

Age	Per capita expenditures			
	Total	Hospital care	Physicians' services	All other
All ages.....	\$420	\$190	\$88	\$142
Under 19.....	183	61	57	65
19-64.....	420	200	91	129
65 and over.....	1,218	573	182	463

tures for physicians' services for the young were less than a third of those for the elderly.

TRENDS

With the advent of Medicare and Medicaid, personal health care expenditures began to rise at increasingly higher rates, as shown in the tabulation that follows. The high point was

Fiscal year	Annual percentage increase				
	Total	Under age 65			Aged 65 and over
		Total	Under 19	19-64	
1967.....	14.2	11.9	(¹)	(¹)	21.8
1968.....	12.5	9.1	9.6	9.0	23.1
1969.....	13.3	12.3	10.3	12.8	16.0
1970.....	14.1	13.7	14.4	13.5	15.1
1971.....	11.8	10.6	11.2	10.4	15.1
1972.....	11.1	10.0	7.7	10.7	13.8
1973.....	9.6	9.3	8.3	9.6	10.3
1974.....	10.3	9.7	7.4	10.3	11.7

¹ Data not available

reached in 1970 when the expenditures increased 14.1 percent over the previous year. The high annual rates of increase during this period were the result of increased use of services as well as inflation in health care prices.

The rate of increase began to decelerate in 1971, and the implementation of the economic stabilization program in the form of mandatory control of the health care industry, beginning August 1971, had a further slowing effect on expenditure levels in fiscal years 1972 and 1973, when expenditures rose 11.1 percent and 9.6 percent, respectively. The 1974 increase (10.3 percent) reflects price movement in the final 10 months (July 1973–April 1974) of the economic stabilization program and the 2 subsequent months during which no controls were in effect. The greater use of services was an additional factor.

The overall trends were reflected in varying degrees in outlays for the three age groups. The rate of increase in expenditures for the aged reached a high in 1968 (23.1 percent) but dropped to 16.0 percent in 1969. The rate has been declining gradually since that time with a slight upturn in fiscal year 1974. A generally similar pattern of gradual decline in rate increases has occurred in the young and intermediate age groups beginning in 1971.

Source of Funds

The source of funds for personal health care has shifted dramatically since the Medicare and Medicaid programs became operative 8 years ago. This shift is most apparent for the oldest group. Government funds were used to finance 30 percent of personal health care expenditures in the year preceding the start of Medicare and Medicaid. In 1974, however, the proportion had risen to 60 percent of such expenditures (56 percent if Medicare premiums are regarded as private expenditures).

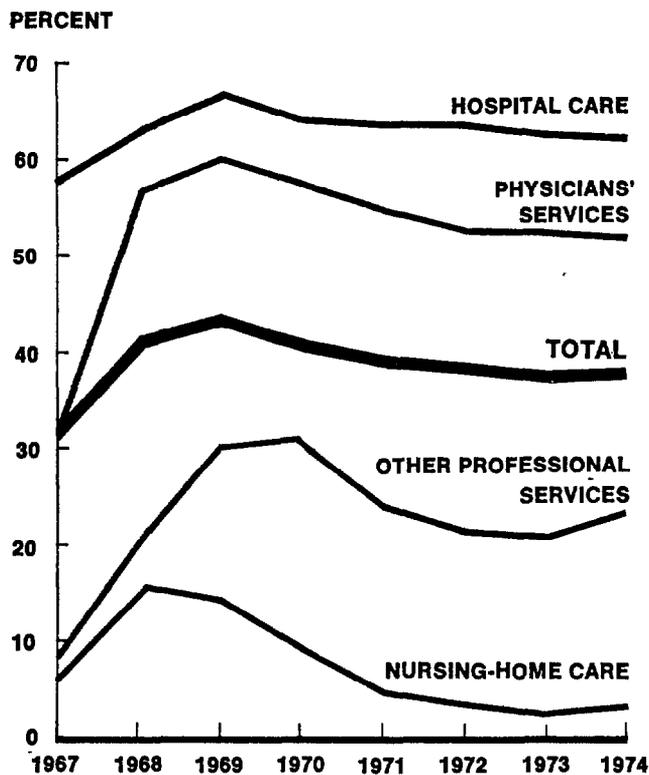
The Medicare share of the aged's health bill has dropped in recent years. In 1974 the proportion paid by Medicare was 38 percent compared with a high of 44 percent in 1969 (chart 2). For services covered by Medicare the percentages were substantially higher—62 percent of hospital charges and 52 percent of doctors' bills in 1974, in contrast to the highs of 66 percent and 60 percent, respectively, in 1969.

A number of factors have contributed to the steady drop in Medicare's share of expenditures for hospital care. The average length of hospital stay has been declining more than 3 percent a year during most of the period from 1969 through 1974 (table 6). Because Medicare requires the patient to pay an initial deductible roughly equivalent to the average cost of a day of care, his proportion of the total bill becomes larger and Medicare's proportion becomes smaller, as the average length of stay goes down. Expenditures have been increasing for outpatient hospital diagnostic and therapeutic services, which are included as hospital expenses but are paid from the Medicare supplementary medical insurance trust fund. These expenses are reimbursed at a lower rate than inpatient hospital care, primarily because of the 20-percent coinsurance requirement.

As noted, Medicare's share of expenditures for physicians' services has also continued its gradual decline since 1969—from 60 percent in that year to 52 percent in 1974. One factor in this decline is the increase in the deductible from \$50 to \$60 in 1973; another is the decrease in the proportion of claims for which physicians have accepted assignment.

Physicians who take assignments accept Medicare's determination of a reasonable charge and bill the patient only for the unmet part of the

CHART 2—Percentage of expenditures for personal health care for persons aged 65 and over paid by Medicare, by type of expenditure, fiscal years 1967-74



annual \$60 deductible plus 20 percent of the remaining part. Physicians who do not accept assignment may bill the patient for fees in excess of the "reasonable charge." In fiscal year 1969, the net assignment rate (excluding hospital-based

physicians) was 61 percent; in 1973 it had declined to 53 percent; in fiscal year 1974 the projected rate is down to 52 percent.⁶ Thus, Medicare's proportion of the expenditures for physicians' services has decreased, and Medicaid and/or private insurance or out-of-pocket payments have taken up the slack.

Nursing-home expenses of the aged are scarcely affected by Medicare. In 1974, only about 3 percent of total costs were covered, compared with a high of 15.8 percent in 1968. (Medicare pays for skilled-nursing-home care only if it is ordered by a physician and is provided in a skilled-nursing facility after a specified hospital stay; time and day limitations and co-payments are also imposed.)

After 1968, tightened controls on the use of skilled-nursing facilities resulted in a drop in outlays for nursing-home care for the aged to a low of \$154 million in 1973. Rising prices and increased use of skilled-nursing facilities, along with liberalized level-of-care requirements for covered services under the Social Security Act Amendments of 1972 brought Medicare's outlay for the aged up to \$210 million in 1974.

The portion of expenditures for other professional services covered by Medicare rose in 1974 to 24 percent after a continuing decline that began in 1970, when the share was 31 percent

⁶ *Assignment Rates for Supplementary Medical Insurance Claims, Calendar Year 1973* (Health Insurance Note No. 63), Office of Research and Statistics, Social Security Administration, 1974. The figures for 1974 are unpublished data.

TABLE 6.—Community hospital utilization and expenses, by age group, fiscal years 1967-74

Fiscal year	Number of admissions (in thousands)			Number of patient days (in thousands)			Average length of stay (days)			Expenses	
	All ages	Under 65	65 and over	All ages	Under 65	65 and over	All ages	Under 65	65 and over	Total (in millions)	Per adjusted patient day
1967.....	27,048	21,840	5,208	214,454	148,536	65,918	7 93	6 80	12 66	\$11,510	\$40 22
1968.....	27,465	21,960	5,505	221,971	148,878	73,093	8 08	6 78	13 28	13,697	56 24
1969.....	28,027	22,123	5,904	227,633	149,585	78,048	8 12	6 76	13 22	15,965	63 66
1970.....	29,238	23,101	6,137	231,601	153,120	78,481	7 92	6 63	12 79	18,669	73 14
1971.....	30,312	23,966	6,346	234,413	155,475	78,938	7 73	6 49	12 44	21,418	82 70
1972.....	30,706	24,071	6,635	232,892	153,587	79,305	7 58	6 38	11 95	23,925	92 48
1973.....	31,483	24,513	6,970	235,984	155,623	80,361	7 50	6 35	11 53	26,589	101 05
1974.....	32,752	25,291	7,461	242,393	157,715	84,678	7 40	6 24	11 35	30,115	110 77
Percentage change from preceding year.											
1968.....	1 5	0 5	5 7	3 5	0 2	10 9	1 9	-0 3	4 9	19 0	14 3
1969.....	2 0	7	7 2	2 6	5	6 8	5	-3	-5	16 6	13 2
1970.....	4 3	4 4	3 9	1 7	2 4	6	-2 5	-1 9	-3 3	16 9	14 9
1971.....	3 7	3 7	3 4	1 2	1 5	6	-2 4	-2 1	-2 7	14 7	13 1
1972.....	1 3	4	4 6	-6	-1 2	5	-1 9	-1 7	-3 9	11 7	11 8
1973.....	2 5	1 8	5 0	1 3	1 3	1 3	-1 1	-5	-3 5	11 1	9 3
1974.....	4 0	3 2	7 0	2 7	1 3	5 4	-1 3	-1 7	-1 6	13 3	9 6

Source "Hospital Indicators," *Hospitals*, midmonth issues, and unpublished data from the American Hospital Association.

and went down to 21 percent in 1973. That decline resulted in part from the increased tightening of program requirements. The 1974 increase reflects in part the extension of Medicare coverage to services by independent physical therapists, speech pathologists, and chiropractors and the elimination of home-health co-payments.

Medicare does not pay for dental care, out-of-hospital prescribed drugs, and eyeglasses. Medicaid and other public programs picked up the bills for only about 7 percent of dental costs, 14 percent of prescribed drug expenditures, and less than 2 percent of the costs of eyeglasses, leaving the bulk of these costs to be met by the elderly by direct out-of-pocket payments or private insurance.

Third-Party Financing

Third-party financing has probably been a major factor in the growth of health care spending. Third-party payments—by government, private health insurance, philanthropy, and industry through industrial in-plant services—have been

playing a heavy role in the financing of health care in the past 9 years (table 7).

In 1974, these payments represented almost two-thirds of the total health care expenditures of all age groups. In 1966, third parties met only 48 percent of total health care expense (chart 3). Most of the increase in third-party payments has been by government, whose share rose significantly with the influx of Medicare and Medicaid funds beginning in 1967. The impact has been especially heavy in the group aged 65 and over, for whom the government's share jumped from less than one-third of all expenditures in 1966 to two-thirds in 1968. Since that time, third-party payments have been declining gradually, reaching a plateau of approximately 65 percent during the past 3 years.

Despite the greater role by Government, the aged have been bearing a gradually increasing amount of direct expense for health care. In 1974, the average direct payment had more than doubled, from \$206 to \$415 since 1969, the year in which Medicare had reached a high point in its coverage of expenditures for this age group. The higher deductibles under Medicare, increased coinsurance by Medicare enrollees as a result of

TABLE 7.—Amount and percent of expenditures for personal health care met by third parties for two age groups, fiscal years 1966-74

Fiscal year	Total	Direct payments	Third-party payments			
			Total	Private health insurance	Government	Philanthropy and industry
All ages						
Total amount (in millions)						
1966.....	\$36,216	\$18,068	\$17,548	\$8,936	\$7,892	\$720
1967.....	41,343	18,786	22,557	9,344	12,461	753
1968.....	46,521	19,103	27,419	10,444	16,200	775
1969.....	52,690	20,957	31,733	12,206	18,705	824
1970.....	60,113	24,272	35,841	14,406	20,545	890
1971.....	67,228	26,307	40,921	16,728	23,229	964
1972.....	74,688	28,083	46,604	18,620	26,949	1,035
1973.....	81,859	30,193	51,665	20,568	29,972	1,125
1974.....	90,281	31,670	58,612	23,139	34,253	1,220
Per capita amount						
1966.....	\$181 96	\$93 79	\$88 17	\$44 90	\$39 65	\$3 62
1967.....	205 45	93 35	112 10	46 43	61 92	3 74
1968.....	228 75	93 91	134 84	51 35	79 66	3 84
1969.....	256 59	102 06	154 53	59 44	91 09	4 01
1970.....	289 76	117 00	172 76	69 44	99 03	4 29
1971.....	320 84	125 55	195 29	79 83	110 86	4 60
1972.....	353 00	132 73	220 27	88 00	127 37	4 89
1973.....	383 89	141 60	242 29	96 46	140 56	5 28
1974.....	420 38	147 46	272 91	107 74	159 49	5 68
Percentage distribution						
1966.....	100 0	51 5	48 5	24 7	21 8	2 0
1967.....	100 0	45 4	54 6	22 6	30 1	1 8
1968.....	100 0	41 1	58 9	22 5	34 8	1 7
1969.....	100 0	39 8	60 2	23 2	35 5	1 6
1970.....	100 0	40 4	59 6	24 0	34 2	1 5
1971.....	100 0	39 1	60 9	24 9	34 6	1 4
1972.....	100 0	37 6	62 4	24 9	36 1	1 4
1973.....	100 0	36 9	63 1	25 1	36 6	1 4
1974.....	100 0	35 1	64 9	25 6	37 9	1 4

TABLE 7—Amount and percent of expenditures for personal health care met by third parties for two age groups, fiscal years 1966-74—Continued

Fiscal year	Total	Direct payments	Third-party payments			
			Total	Private health insurance	Government	Philanthropy and industry
Under age 65						
Total amount (in millions)						
1966	\$27,974	\$14,286	\$13,688	\$7,627	\$5,432	\$629
1967	31,302	15,070	16,233	8,755	6,801	677
1968	34,159	15,702	18,457	9,786	7,971	701
1969	38,349	16,938	21,411	11,437	9,229	748
1970	43,599	18,885	24,714	13,498	10,407	809
1971	48,213	19,802	28,411	15,708	11,820	874
1972	53,041	20,390	32,651	17,503	14,207	941
1973	57,979	21,892	36,087	19,334	15,730	1,023
1974	63,605	22,571	41,034	21,751	18,172	1,111
Per capita amount						
1966	\$154 96	\$79 13	\$75 82	\$42 25	\$30 09	\$3 48
1967	171 55	82 59	88 96	47 98	37 27	3 71
1968	185 39	85 22	100 17	53 11	43 26	3 80
1969	206 36	91 14	115 21	61 54	49 66	4 01
1970	232 50	100 71	131 79	71 98	55 50	4 31
1971	255 09	104 77	150 32	83 11	62 59	4 62
1972	278 23	106 96	171 27	91 81	74 52	4 94
1973	302 12	114 07	188 04	100 75	81 97	5 33
1974	329 80	117 03	212 77	112 78	94 22	5 76
Percentage distribution						
1966	100 0	51 1	48 9	27 3	19 4	2 2
1967	100 0	48 1	51 9	28 0	21 7	2 2
1968	100 0	46 0	54 0	28 7	23 3	2 1
1969	100 0	44 2	55 8	29 8	24 1	2 0
1970	100 0	43 3	56 7	31 0	23 9	1 9
1971	100 0	41 1	58 9	32 6	24 5	1 8
1972	100 0	38 4	61 6	33 0	26 8	1 8
1973	100 0	37 8	62 2	33 4	27 1	1 8
1974	100 0	35 5	64 5	34 2	28 6	1 8
Aged 65 and over						
Total amount (in millions)						
1966	\$8,242	\$4,382	\$3,860	\$1,309	\$2,460	\$91
1967	10,041	3,716	6,325	589	5,660	76
1968	12,362	3,401	8,961	658	8,229	74
1969	14,342	4,019	10,323	769	9,476	78
1970	16,514	5,387	11,127	908	10,138	81
1971	19,015	6,505	12,510	1,020	11,400	90
1972	21,649	7,696	13,953	1,117	12,742	94
1973	23,877	8,297	15,580	1,234	14,244	102
1974	26,678	9,099	17,579	1,388	16,082	109
Per capita amount						
1966	\$445 25	\$236 72	\$208 52	\$70 71	\$132 89	\$4 92
1967	535 03	198 01	337 03	31 38	301 59	4 05
1968	646 65	177 90	468 75	34 42	430 45	3 87
1969	735 19	206 02	529 17	39 42	485 75	4 00
1970	828 31	270 20	558 11	45 54	508 50	4 06
1971	925 98	316 78	609 20	49 67	555 15	4 38
1972	1,033 51	367 40	666 11	53 33	608 30	4 49
1973	1,119 78	389 11	730 67	57 87	668 01	4 78
1974	1,217 84	415 37	802 47	63 36	734 14	4 98
Percentage distribution						
1966	100 0	53 2	46 8	15 9	29 8	1 1
1967	100 0	37 0	63 0	5 9	56 4	.8
1968	100 0	27 5	72 5	5 3	66 6	6
1969	100 0	28 0	72 0	5 4	66 1	5
1970	100 0	32 6	67 4	5 5	61 4	5
1971	100 0	34 2	65 8	5 4	60 0	5
1972	100 0	35 6	64 5	5 2	58 9	4
1973	100 0	34 8	65 3	5 2	59 7	4
1974	100 0	34 1	65 9	5 2	60 3	4

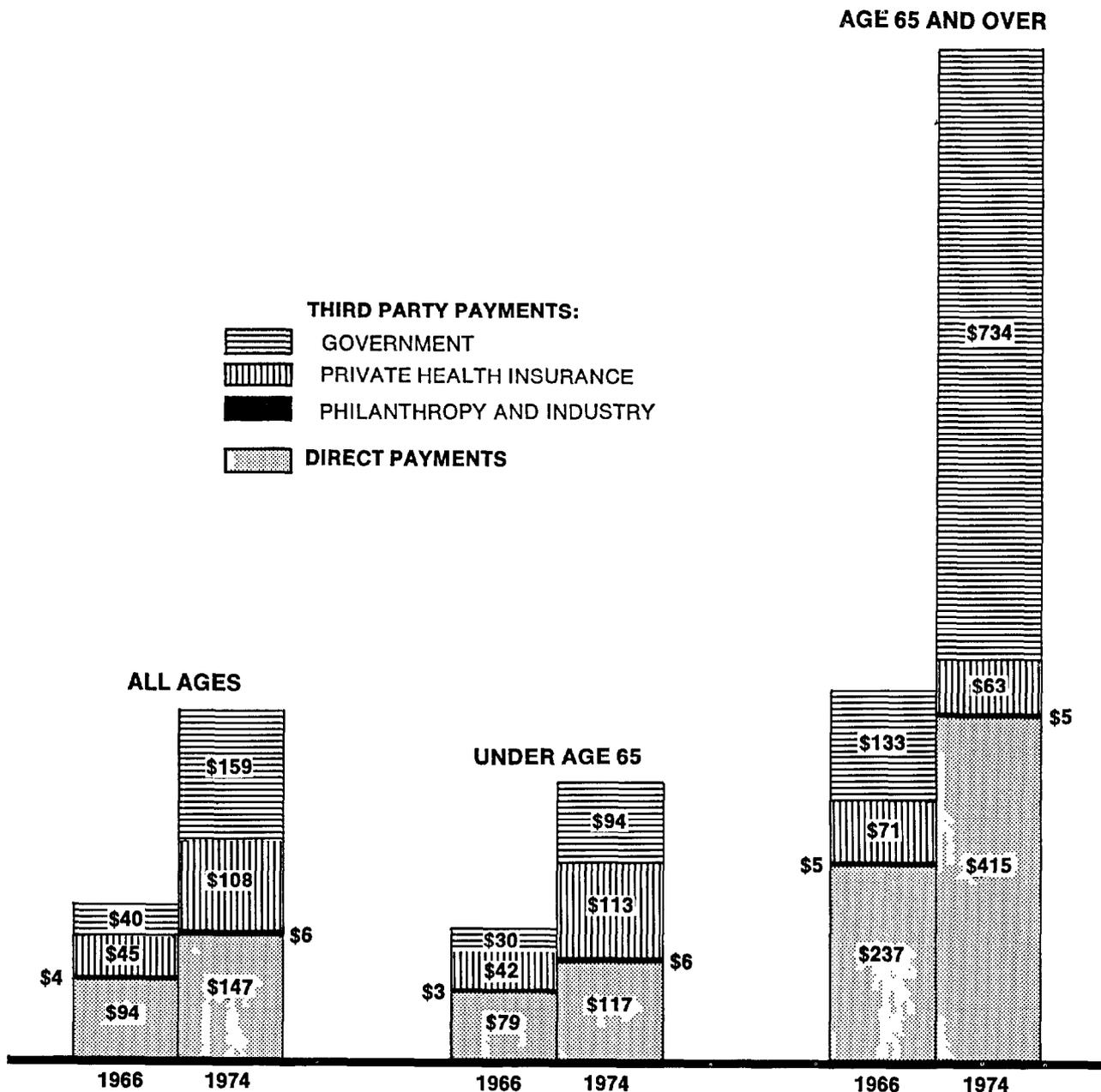
higher medical prices, and in recent years the decline in the rate of assignments accepted by physicians have contributed greatly to these increased expenses.

Medicaid has played a significant part in reducing direct costs to the poor and to the medically indigent among the young and intermediate age groups. Thus, government programs, includ-

ing Medicaid, met 29 percent of health care expenditures of those under age 65, compared with only 19 percent in 1966.

Private insurance benefits—reflecting the results of collective bargaining in the work force—have played an increasingly important part in financing health care for the worker and his dependents. In 1966, private health insurance met

CHART 3—Per capita expenditures for personal health care met by third parties and paid directly, by age group, fiscal years 1966 and 1974



27 percent of the health care bills of those under age 65; by 1974 the proportion met was 34 percent. Despite the role of third-party payments, the average individual under age 65 made direct payments for health care in 1974 amounting to \$117.

Although about 57 percent of the aged bought

private health insurance mostly to supplement Medicare, insurance benefits met only a small portion of their total expenses—5 percent in the past 3 years—leaving untouched direct payments for some 35 percent of their total medical bills. These payments went for the most part for items not generally covered by Medicare or private in-

insurance—prescribed drugs (out-of-hospital) and drug sundries, for example, and nursing-home care.

It should be noted, too, that premiums for private health insurance and supplementary medical insurance premiums are also paid by the aged individual, or in some cases by an employer in his behalf.

Per Capita Spending

The change in the average amount spent for health care per person probably provides a better understanding of health care spending in the

past 9 years than do the aggregate amounts and percentage increases provided in a global view. In 1966, the average amount spent for health care was \$182. In 1974, this amount reached \$420, two-and-one-third times the 1966 amount. The rise reflects inflationary costs and prices, increased use of services, and advancements in technology in the field of medical care and treatment. The growth in the average amount spent for medical care has been substantial for all ages. For a person under age 65 the average amount has more than doubled since 1966. In 1966 per capita spending for the aged averaged \$445; in 1974 it had jumped to \$1,218, almost three times the 1966 figure.