Voluntary Health Insurance and Medical Care Expenditures, 1948–58

by AGNES W. BREWSTER*

How much of the Nation's private hospital and medical care bill was met by voluntary health insurance in 1958 is shown in the following summary—the eleventh article in the annual Bulletin series. The estimates indicate that during the year the amount spent was more than twice that in 1948, but in terms of disposable personal income the increase was only 30 percent.

THE Nation's private medical care bill rose by more than $1 billion in 1958, according to information collected by the Social Security Administration for the eleventh in its series of annual BULLETIN articles on private medical care expenditures. The total was an unprecedented $16.4 billion, or $95.65 for each of the 171 million persons in the civilian population. Almost $12 billion represented payments made by individuals at the time of receiving the services or supplies or later, and $4.5 billion represented expenditures through prepaid health insurance. Expenditures through the prepayment mechanism increased $353 million, and those made directly by consumers rose $691 million.

These sums exclude most expenditures made from public funds for the medical care of civilians. Thus, expenditures for medical care of veterans and Indians and for Public Health Service hospitals and vendor payments for persons receiving public assistance have been excluded from the data. Expenditures made under Medicare (the program that provides dependents of members of the Armed Forces with care in civilian hospitals from private doctors) were also excluded.

The amount representing prepaid expenditures includes, however, an increasing amount derived from taxes. Tax funds are used to finance the contribution of government, as employer, toward health insurance programs covering local, State, and some Federal employees. The passage of the Federal Employees Health Benefits Act, under which the Federal Government will contribute to the health insurance premiums for nearly 2 million Federal employees and their 2½ million dependents, means that the amount from tax-derived sources for financing health insurance will rise sharply after June 1960, when the law becomes effective. State employees in New York and Massachusetts already receive this form of fringe benefit, and Wisconsin is in the process of implementing a similar law. The extent to which smaller units of government contribute, as employer, to programs for their employees is not known.

Aggregate Private Expenditures for Medical Care

The yearly figures representing aggregate private expenditures for medical care used in this article are a composite of estimates for separate items developed by the National Income Division of the Department of Commerce and by the Division of Program Research of the Social Security Administration. Extensive revisions in the entire Department of Commerce series were made in 1958 and described in the December 1958 BULLETIN article. Further revisions in 1959 for the years 1956 and 1957 increased the amounts recorded as spent by consumers for physicians' services and other professional services in both years, advanced the estimate for 1957 expenditures for medicines and appliances, and lowered the estimate for dental services in 1957.

Through a special study of private payments to public general and special hospitals, the Social Security Administration found that the basis previously used for determining private payments to public mental institutions, tuberculosis sanatoriums, and chronic disease hospitals resulted in an understatement of these amounts. The entire series relating to hospital services was consequently revised from 1948 onward to reflect these findings.[1]

As a result of these various revisions, the total private medical care expenditures for earlier years are higher than those shown in the December 1958 BULLETIN article. The total for 1957 is raised by $291 million, for 1956 by $191 million, and for earlier years by lesser amounts. Since there was no reason to revise the amounts allocated to insurance benefits and expenses for prepayment in the series, the revisions in medical expenditures had the effect of slightly increasing the proportion of the consumer's expenditures represented by direct payments.

Of the $16.4 billion spent for medical care in 1958 (table 1), slightly less than 73 percent was through direct payments, compared with almost 89 percent in 1948. Amounts used for hospital care (both directly and through insurance) are becoming an increasingly significant proportion of the total—31 percent in 1958, compared with 25 percent a decade earlier. The proportion spent for medicines and appliances has also risen, and that going for physicians' services has fallen.

Direct consumer expenditures for medical care, including the costs of prepayment, represented 4.0 percent of total disposable personal income in 1948 and 5.2 percent in 1958. There has been an almost fourfold expan-

* Division of Program Research, Office of the Commissioner.

[1] Corresponding adjustments in public expenditures were made in the estimates of public funds used for medical care that appeared in the article on social welfare expenditures in the October 1959 issue of the *Bulletin*.

sion in the proportion of disposable personal income assigned through insurance to pay for medical care but only a slight relative increase in direct payments. Particularly significant is the fact that consumers today are, in the aggregate, paying directly for hospital care the same proportion of disposable personal income as in 1948. In comparison with 1948, when insurance for physicians' services was relatively insignificant, a smaller proportion of personal income was allocated in 1958 to direct payment of physicians and more for payments through third-party arrangements.

Table 1.—*Private expenditures for medical care and for voluntary health insurance: Amount, percentage distribution, and percent of disposable personal income, by type of expenditure, selected years 1948-58* [1]

Type of expenditure	1948	1950	1952	1954	1955	1956	1957	1958
	Amount (in millions)							
Total	$7,647	$8,645	$10,098	$11,844	$12,837	$14,288	$15,353	$16,397
Direct payments	6,785	7,354	8,105	9,088	9,687	10,664	11,209	11,900
Insurance benefits	606	992	1,604	2,179	2,536	3,015	3,474	3,877
Expenses for prepayment [2]	256	299	389	577	614	609	670	620
Hospital services [3]	1,881	2,315	2,834	3,492	3,851	4,251	4,596	5,102
Direct payments	1,234	1,446	1,528	1,725	1,833	1,883	1,917	2,170
Insurance benefits	455	680	1,074	1,442	1,679	2,022	2,304	2,591
Expenses for prepayment	192	189	232	325	339	346	375	341
Physicians' services [4]	2,424	2,572	2,859	3,414	3,517	3,853	4,125	4,290
Direct payments	2,209	2,150	2,172	2,425	2,385	2,597	2,661	2,725
Insurance benefits [5]	151	312	530	737	857	993	1,170	1,286
Expenses for prepayment	64	110	157	252	275	263	294	279
Medicines and appliances	1,897	2,205	2,638	2,758	3,158	3,683	4,052	4,362
Dentists' services	900	961	1,098	1,406	1,508	1,625	1,658	1,674
Other professional services [6]	445	482	544	634	653	706	741	769
Nursing homes [7]	100	110	125	140	150	170	180	200
	Percentage distribution							
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Direct payments	88.7	85.1	80.3	76.7	75.5	74.6	73.0	72.6
Insurance benefits	7.9	11.5	15.9	18.4	19.8	21.1	22.6	23.6
Expenses for prepayment	3.3	3.5	3.9	4.9	4.8	4.3	4.4	3.8
Hospital services	24.6	26.8	28.1	29.5	30.0	29.8	29.9	31.1
Direct payments	16.1	16.7	15.1	14.6	14.3	13.2	12.5	13.2
Insurance benefits	6.0	7.9	10.6	12.2	13.1	14.2	15.0	15.8
Expenses for prepayment	2.5	2.2	2.3	2.7	2.6	2.4	2.4	2.1
Physicians' services	31.7	29.8	28.3	28.8	27.4	27.0	26.9	26.2
Direct payments	28.9	24.9	21.5	20.5	18.6	18.2	17.3	16.6
Insurance benefits	2.0	3.6	5.2	6.2	6.7	6.9	7.6	7.8
Expenses for prepayment	.8	1.3	1.6	2.1	2.1	1.8	1.9	1.7
Medicines and appliances	24.8	25.5	26.1	23.3	24.6	25.8	26.4	26.6
Dentists' services	11.8	11.1	10.9	11.9	11.7	11.4	10.8	10.2
All other	7.1	6.8	6.6	6.5	6.3	6.1	6.0	5.9
	Percent of disposable personal income [8]							
Total	4.0	4.2	4.2	4.6	4.7	4.9	5.0	5.2
Direct payments	3.6	3.5	3.4	3.5	3.5	3.6	3.6	3.8
Insurance benefits	.3	.5	.7	.8	.9	1.0	1.1	1.2
Expenses for prepayment	.1	.1	.2	.2	.2	.2	.2	.2
Hospital services	1.0	1.1	1.2	1.4	1.4	1.5	1.5	1.6
Direct payments	.7	.7	.6	.7	.7	.6	.6	.7
Insurance benefits	.2	.3	.4	.6	.6	.7	.7	.8
Expenses for prepayment	.1	.1	.1	.1	.1	.1	.1	.1
Physicians' services	1.3	1.2	1.2	1.3	1.3	1.3	1.3	1.4
Direct payments	1.2	1.0	.9	.9	.9	.9	.9	.9
Insurance benefits	.1	.2	.2	.3	.3	.3	.4	.4
Expenses for prepayment	....	.1	.1	.1	.1	.1	.1	.1
Medicines and appliances	1.0	1.1	1.1	1.1	1.2	1.3	1.3	1.4
Dentists' services	.5	.5	.5	.5	.5	.6	.5	.5
All other	.3	.3	.3	.3	.3	.3	.3	.3

[1] Except where otherwise noted, data are from tables II-4, the Department of Commerce, *U.S. Income and Output, Supplement to Survey of Current Business, 1959.* Consumer expenditures include employer contributions to health insurance premiums or health benefit costs. Excludes medical care expenditures for the Armed Forces and veterans, those made by public health and other government agencies under workmen's compensation laws, and those of private philanthropic organizations directly to or by hospitals.

[2] Data from table 3. Represents the difference between expenditures for health insurance premiums (earned income) and amounts returned to consumers as benefits.

[3] Estimates of amounts received by hospitals based on data in *Hospitals,* June of each year 1949-54 and September 1955-59. For details, see earlier articles in this series (*Social Security Bulletin,* January 1950 and December of each year 1951-59).

[4] Amounts received by physicians from patients adjusted by an addition to figure reported in *Survey of Current Business* for salaries of physicians employed in prepayment medical service plans and for physicians' services in student health services. Excludes amounts private practitioners received from nonconsumer sources (equal to about 10 percent of the amounts shown), such as those for workmen's compensation cases, and physical examinations connected with writing life insurance.

[5] Includes also prepaid dental benefits and other services provided through prepayment plans; amounts are not large enough to be allocated to the appropriate consumer expenditure.

[6] Services of osteopathic physicians, chiropractors, podiatrists, private-duty trained nurses, and miscellaneous curative and healing professions.

[7] Only nursing homes with skilled nursing care.

[8] Data from table II-1, p. 10, *Survey of Current Business,* July 1959.

Per Capita Medical Care Expenditures

Table 2 shows total per capita expenditures for medical care and for each of the different types. In the 11 years covered, expenditures for nearly every item have increased by at least 50 percent, and for some items the increase was much more. As already noted, the outstanding exception is direct payments for physicians' services. The growth in prepayment for physicians' services has occurred chiefly, however, in relation to surgery, obstetrics, and in-hospital medical care; most of the expenditures for care in the doctor's office and the patient's home are still in the realm of direct payments. Per capita the population is spending directly only a little less for uninsured areas of physicians' services ($15.90) than it spent directly and through prepayment for all physicians' services ($16.26, excluding expenses for prepayment) in 1948, when only a small proportion (6.4 percent) of physicians' charges were met by insurance benefits.

For those in the population without health insurance or with only minimal protection, accommodation to the rise in medical care costs since 1948 presents real problems. To the extent that they are unable to budget hospital and physician costs over a period of time, they find it increasingly difficult to make direct payments at the time of using the services. Expenditures per capita rose 81 percent in a period when per capita disposable personal income was going up only 41 percent. Direct expenditures for hospital care increased an average of 140 percentage points and those for drugs 95 points. Expenditures for physicians' services rose 44 points, about keeping pace with the

Table 2.—*Private expenditures for medical care and for voluntary health insurance: Amount per capita, by type of expenditure, selected years, 1948–58*

Type of expenditure	1948	1950	1952	1954	1955	1956	1957	1958	Change, 1958 from 1948	
									Amount	Percent
Total [1]	$52.68	$57.56	$65.84	$74.45	$79.09	$86.42	$91.19	$95.65	$42.97	81.6
Direct payments	46.74	48.96	52.85	57.13	59.68	64.50	66.57	69.41	22.67	48.5
Insurance benefits	4.17	6.60	10.46	13.70	15.62	18.24	20.63	22.62	18.45	442.4
Expenses for prepayment	1.76	1.99	2.54	3.63	3.78	3.68	3.98	3.62	1.86	105.7
Hospital services	12.96	15.41	18.48	21.95	23.73	25.71	27.30	29.76	16.80	129.6
Direct payments	8.50	9.63	9.96	10.84	11.29	11.39	11.39	12.66	4.16	48.9
Insurance benefits	3.13	4.53	7.00	9.06	10.34	12.23	13.68	15.11	11.98	382.7
Expenses for prepayment	1.32	1.26	1.51	2.04	2.09	2.09	2.23	1.99	.67	50.8
Physicians' services	16.70	17.12	18.64	21.46	21.67	23.30	24.50	25.02	8.32	49.8
Direct payments	15.22	14.31	14.16	15.24	14.69	15.71	15.80	15.90	.68	4.5
Insurance benefits	1.04	2.08	3.46	4.63	5.28	6.01	6.95	7.50	6.46	621.2
Expenses for prepayment	.44	.73	1.02	1.58	1.69	1.59	1.75	1.63	1.19	270.5
Medicines and appliances	13.07	14.68	17.20	17.34	19.46	22.28	24.07	25.44	12.37	94.6
Dentists' services	6.20	6.40	7.16	8.84	9.29	9.83	9.85	9.76	3.56	57.4
All other [2]	3.75	3.94	4.36	4.87	4.95	5.30	5.47	5.65	1.90	50.7

[1] Includes expenditures by consumers and employers for health insurance premiums. (See footnotes to table 1 for details.)

[2] Other professional services and nursing homes with skilled nursing care.

expansion in disposable personal income.

"Expenses for prepayment" of hospitalization declined in 1958, after an almost unbroken rise from 1948 to 1957, partly because expenditures for benefits in 1958 took such a large share of prepayment income (premiums) that many plans had to dip into their reserves. In part, however, the drop has resulted from the declining position of nongroup insurance, with its low ratios of benefits to premiums. It seems probable that upward adjustment of premium income where operation has been at a loss will restore the gradual rising trend in per capita expenditures for "expenses for prepayment." For the entire industry, the amount of premium returned as benefits (the "loss ratio") has in general been rising in the past decade, as shown in the following tabulation:

Year	Hospitalization	Physicians' services
1949	76.3	73.8
1950	78.2	73.9
1952	82.1	77.0
1954	81.6	74.3
1956	85.4	79.1
1958	88.3	82.2

Medicines and appliances remain almost entirely in the category of direct purchases; the amount of prepayment is negligible. Yet more than a fourth of the Nation's medical bill must be allocated to these items, and the proportion is rising.

Insurance Against Medical Care Costs

Earlier articles have presented, for each of the five categories of health insurance carriers, only 1 year's data on premiums and expenditures for benefits, although this information for each year from 1948 on has been summarized annually for the industry as a whole. The growth of each of the major types of voluntary health insurance carriers during the past 11 years is shown separately this year in table 3.

Less than $1 billion represented premium income among all the carriers in 1948; in 1958, $4.5 billion was received as earned income. Expenditures for benefits equaled $606 million 11 years ago and in 1958 totaled $3.9 billion. For Blue Cross, the largest insurer in 1948, the expansion in income was fourfold and in expenditures for benefits it was nearly fivefold. The income and benefit expenditures of the Blue Shield plans were both more than 10 times greater in 1958 than they had been in 1948. For group insurance, income during 1948 had been only about one-eighth the amount received in 1958 and expenditures for benefits had been about one-tenth the 1958 amount.

Under individual insurance (also referred to as "accident and health

Table 3.—*Income and expenditures for medical care among voluntary health insurance plans, by major type of carrier or plan, 1948–58* [1]

[In millions]

Year	All carriers	Blue Cross-Blue Shield plans			Insurance companies			All other plans
		Total	Blue Cross	Blue Shield	Total	Group	Individual	
Income								
1948	$862.0	$365.0	[2] $315.0	[2] $50.0	$421.0	$212.0	$209.0	$89.0
1949	1,015.5	455.3	362.2	93.1	461.0	241.0	220.0	99.0
1950	1,291.5	574.0	436.7	137.3	605.0	333.0	272.0	112.5
1951	1,660.3	684.9	505.5	179.4	797.6	468.6	329.0	177.8
1952	1,993.4	851.3	616.2	235.1	957.6	569.0	388.6	184.5
1953	2,405.3	988.6	708.4	280.2	1,181.4	722.6	458.8	235.3
1954	2,756.3	1,133.7	806.5	330.0	1,389.6	867.3	522.3	233.0
1955	3,149.6	1,292.4	910.7	381.7	1,626.9	1,022.5	604.4	230.3
1956	3,623.7	1,493.2	1,046.3	446.9	1,839.1	1,216.3	622.8	291.4
1957	4,143.9	1,667.8	1,162.9	504.9	2,175.0	1,476.0	699.0	301.1
1958	4,497.8	1,866.9	1,306.3	561.1	2,314.0	1,606.0	708.0	316.8
Expenditures for benefits								
1948	$606.0	$309.0	[2] $270.0	[2] $39.0	$224.0	$148.0	$80.0	$70.0
1949	766.8	382.8	308.6	74.2	295.0	180.0	115.0	89.0
1950	991.9	490.6	382.9	107.7	400.0	257.0	143.0	101.7
1951	1,352.6	605.0	454.0	151.0	587.5	415.5	172.0	160.1
1952	1,603.9	736.5	550.1	186.4	698.7	498.1	200.6	168.7
1953	1,919.2	851.5	626.8	224.7	854.7	625.8	228.9	213.0
1954	2,178.9	984.6	718.1	266.5	983.0	716.6	266.4	211.3
1955	2,535.7	1,146.7	832.2	314.5	1,179.0	858.0	321.0	210.0
1956	3,014.7	1,353.7	968.1	385.6	1,410.6	1,082.5	328.1	250.4
1957	3,474.0	1,547.0	1,106.0	441.0	1,655.0	1,318.0	337.0	272.0
1958	3,877.3	1,768.0	1,268.8	499.2	1,809.0	1,464.0	345.0	300.3

[1] Data for Blue Cross and Blue Shield plans from the respective commissions of these plans. Data on insurance companies furnished by the health insurance industry. Data on "all other" plans compiled from plan reports by the Division of Program Research.

[2] Estimated.

insurance") income increased to three and one-half times the 1948 amount and expenditures for benefits to more than four times the total in 1948. The remaining plans have expanded about fourfold in both income and benefits. Because expenditures for benefits have risen faster than income in each category of insurance, consumers have generally benefited. Sixteen cents more of each premium dollar was being used for benefits in 1958 than in 1948—86.3 cents compared with 70.3 cents. Obviously, growth in enrollment has enabled the various insurance carriers to effect some reduction in their operating costs. "Expenses for prepayment" represents additions to reserves, costs of acquiring enrollees, costs of processing claims, State taxes (where called for), and other operating costs. In terms of the insured population—some 123 million persons at the end of 1958—these expenses averaged about $5 per capita in 1958, slightly more than the average for the preceding 10 years. For Blue Cross, Blue Shield, and group insurance plans these costs in 1958 were considerably less than their 10-year averages per insured person.

Table 4.—*Income and expenditures for medical care among voluntary health insurance plans: Total amount and percentage distribution for hospital services and physicians' services, by major type of carrier or plan, selected years, 1949–58* [1]

Type of carrier or plan	1949	1954	1955	1956	1957	1958
	All hospital and physicians' services					
Income, amount (in millions)	$1,016	$2,756	$3,150	$3,624	$4,144	$4,498
Total percent	100.0	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield	44.8	41.1	41.0	41.2	40.3	41.5
Insurance companies	45.4	50.4	51.7	50.8	52.5	51.4
Group	23.7	31.5	32.5	33.6	35.6	35.7
Individual	21.7	18.9	19.2	17.2	16.9	15.7
All other	9.8	8.5	7.3	8.0	7.2	7.0
Expenditures, amount (in millions)	$766	$2,179	$2,536	$3,015	$3,474	$3,877
Total percent	100.0	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield	49.9	45.2	45.2	44.9	44.6	45.6
Insurance companies	38.5	45.1	46.5	46.8	47.7	46.7
Group	23.5	32.9	33.8	35.9	38.0	37.8
Individual	15.0	12.2	12.7	10.9	9.7	8.9
All other	11.6	9.7	8.3	8.3	7.7	7.7
	Hospital services					
Income, amount (in millions)	$706	$1,767	$2,018	$2,368	$2,679	$2,932
Total percent	100.0	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield	50.9	45.4	45.0	44.0	43.1	44.2
Insurance companies	43.0	47.5	49.1	49.7	51.8	50.7
Group	20.5	29.3	30.7	31.0	33.5	33.2
Individual	22.5	18.2	18.4	18.6	18.3	17.5
All other	6.1	7.1	5.9	6.3	5.1	5.1
Expenditures, amount (in millions)	$539	$1,442	$1,679	$2,022	$2,304	$2,591
Total percent	100.0	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield	56.8	49.8	49.5	47.7	47.8	48.7
Insurance companies	35.6	42.2	44.1	45.9	46.9	45.8
Group	20.2	30.7	31.9	34.1	36.5	36.2
Individual	15.4	11.5	12.2	11.8	10.4	9.6
All other	7.6	8.0	6.4	6.4	5.3	5.5
	Physicians' services					
Income, amount (in millions)	$309	$989	$1,132	$1,256	$1,464	$1,565
Total percent	100.0	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield	30.7	33.4	33.9	36.1	35.0	36.4
Insurance companies	50.8	55.7	56.2	52.8	53.9	52.8
Group	31.1	35.5	35.6	38.3	39.6	40.3
Individual	19.7	20.2	20.6	14.5	14.3	12.5
All other	18.5	10.9	9.9	11.2	11.1	10.8
Expenditures, amount (in millions)	$228	$737	$857	$993	$1,170	$1,286
Total percent	100.0	100.0	100.0	100.0	100.0	100.0
Blue Cross-Blue Shield	32.9	36.2	36.7	39.0	38.2	39.2
Insurance companies	45.2	50.8	51.4	48.7	49.2	48.4
Group	31.1	37.1	37.7	39.7	41.0	41.0
Individual	14.1	13.7	13.7	9.0	8.2	7.5
All other	21.9	13.0	11.9	12.2	12.6	12.3

[1] Data for hospital services and physicians' services for 1948 not available by type of carrier. For years omitted here, see the December issues of the *Bulletin*, 1951–54.

Table 4 shows the percentage distribution of income and of expenditures for benefits by category of insurance carrier; the changing position of each carrier over the past decade can thus be examined. The extent to which the relative positions of the different carriers have shifted depends to some degree on whether hospitalization insurance or insurance for physicians' services is in question or whether the two combined are being examined. The relative amount of change also varies if benefit expenditures rather than premium income are being studied.

Blue Cross and Blue Shield plans were receiving a slightly smaller proportion of total income in 1958 than in 1949. The income of group insurance carriers had risen, and that of individual insurance and of all other plans[2] had fallen in relation to the total.

Group insurance by 1958 was gaining in the field of hospitalization at the same time that Blue Cross-Blue Shield and individual insurance were falling back. In relation to physicians' services, Blue Cross-Blue Shield and group insurance have both improved their positions; there has been a marked drop in the proportion of all policies underwritten by individual insurance companies and all other plans. (The hospitalization data for Blue Cross-Blue Shield largely relate to Blue Cross; the converse is true for the data on physicians' services (tables 3 and 4).) In 1958, however, there was a slight

[2] In this category are industrial and consumer plans, medical-society-sponsored plans not affiliated with Blue Shield, and community-sponsored hospital plans not affiliated with Blue Cross, as well as prepaid group-practice plans.

reversal in the downward trend of Blue Cross-Blue Shield income in relation to all income in the field of hospitalization — and hence in the overall picture.

Some of the changes in the relative positions of the different forms of insurance are less significant than they may appear. Connecticut Blue Cross, Inc., for example, ceased to be a Blue Cross Commission affiliate in 1951; its data subsequently appear among those for "all other" plans. There have been other transfers of plans between the Blue Cross-Blue Shield category and the "all other" category and a few transfers from "all other" to the insurance company category.

The accompanying chart illustrates graphically how combined income for hospitalization and physicians' services has risen since 1948 for each of the five categories of health insurance carriers.

Table 5 provides detailed information related to the 1958 health insurance business. Of the $4.5 billion received in premiums, nearly two-thirds was for hospitalization. More than half the increase in hospitalization premium income and in payments to hospitals in the 12 months occurred among Blue Cross plans. Consequently, if group insurance and individual insurance are considered as separate types, it is found that Blue Cross continued to lead in this field. Blue Shield plans received slightly more than half the increased amounts spent in 1958 for premiums for physicians' services, and their benefit payments likewise showed the greatest expansion from 1957.

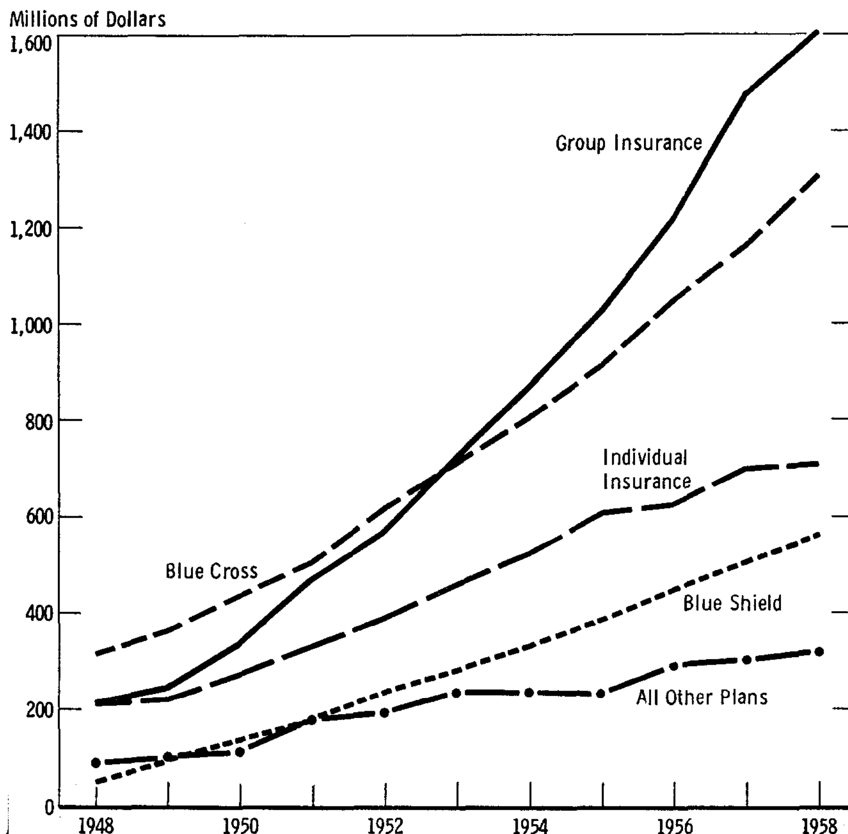
Benefits as a percent of income reached an all-time high of 86.2 percent in 1958 for all carriers and all types of benefits combined. The ratio varied among major carriers, from 49 percent to 98 percent. For hospitalization, Blue Cross plans as a group paid out 97.6 percent of premium, indicating that many of the 79 plans had little or no margin for operating expenses and additions to reserves. With such a large proportion of their income going to hospitals, many Blue Cross plans drew on reserves to meet expenses in 1958. The 91-percent loss ratio of the group insurance business was 2 percent higher than it was a year earlier. The implications are the same as for the Blue Cross plans—that is, income and outgo were not in balance among many group insurance underwriters.

The data in the preceding tables are not confined exclusively to nongovernmental programs. Since 1950 they have included a small amount of health insurance resulting from the compulsory temporary disability insurance laws of California and New York. Not included, however, are the expenditures for hospitalization from California's State fund ($12.7 million in 1958). The extent of medical care benefits provided under the two State laws is shown in table 6 separately for private carriers and for the public program in operation in California.

The 1958 data shown in table 1 include the California hospitalization benefits of $12.7 million among the direct payments for hospital care; they also contain—within the insurance benefits shown for hospital and physicians' services—the $23 million in benefits from private plans under public auspices. To confine table 1 to voluntary health insurance requires an adjustment (1) to reduce private expenditures by $35.7 million (the combined benefits under public auspices) plus an estimated $4-$5 million for the cost of providing these benefits and (2) to remove the $23 million from the amounts shown as paid by insurance. To measure the extent of prepayment—whether voluntary or not—calls for adding the $12.7 million for California's State-operated program to the $3,877 million of private health insurance benefits. The original data are altered very little by these adjustments.

As already noted, neither the personal expenditures data nor the health insurance income and expense data include the amounts spent by the Department of Defense under Medicare, the program of health **benefits for dependents of the Armed Forces that covers care in civilian hospitals from civilian physicians.**

Chart 1.—*Income of voluntary health insurance plans, by type of carrier or plan, 1948–58*



The aggregates for 1958 in table 1 for personal expenditures for medical care were reduced by $99 million to take into account payments derived from this program. The two insurance organizations that handle hospital claims under Medicare do not include their Medicare accounts in their report of insurance income or expenditures for benefits. The other contractors (Blue Shield and State medical societies) also do not report Medicare as private insurance.

A growing area of quasi-public expenditures that are recorded as private expenditures and insurance benefits in this series and that may soon warrant delineation is health insurance for civil servants. The program in New York State cost the State as employer about $4.5 million in contributions in the first 12 months of operation. The enactment of the legislation under which Federal civil-service employees will obtain group health insurance with an employer contribution will require about $110 million as the Government's share in the first year. Massachusetts also has a program and Wisconsin has recently passed enabling legislation. Since about 8.2 million persons are in Federal, State, or local employment, sizable amounts may ultimately be involved, which some students of medical economics will want to have identifiable.

Trends in Insurance Protection

Comparisons of the extent of health insurance protection provided at different periods of time are influenced by the proportion of the population with one or another form of insurance protection, by the value of the dollar, and by changes in the kinds or amounts of benefits provided. Some seeming improvements in benefits are largely adjustments to reductions in the purchasing power of the dollar. They include, for example, the raises in the amounts of benefits payable for room and board in the hospital and the larger dollar values obtaining in surgical fee schedules in 1958. Others actually represent additional protection or new areas of benefits. Examples are the expansion in prepaid dental insurance and the inclusion of private-duty nursing, prescribed drugs, and the like in major medical expense policies.

The method of measuring the extent of health insurance protection developed in this series provides a yardstick that can be used without specific reference to rising prices, increases in enrollment, or upgrading of benefits. Table 7 shows for selected years from 1948 through 1958 the proportion of the medical bill of the Nation accounted for by insurance. Since the dollars of insurance benefits in any of the years are similar in value to the dollars of medical care expenditures, a comparison of the two is valid.

Table 6.—*Benefits from hospital and medical care insurance under California and New York State temporary disability insurance laws, 1950–58*

[In millions]

Year	Total	Under public plans [1]	Under private plans [2]
1950	$6.5	$2.7	$3.8
1951	11.0	2.6	8.4
1952	13.4	3.3	10.1
1953	16.2	3.7	12.5
1954	19.2	5.7	13.5
1955	21.3	6.3	15.0
1956	24.1	7.0	17.1
1957	28.1	8.1	20.1
1958	35.7	12.7	23.0

[1] Hospital benefits in California.
[2] Hospital benefits in California; hospital, surgical, and medical benefits in New York.

Insurance was meeting 8 percent of the Nation's private medical bill in 1948 and about 24 percent in 1958. On the average, however, the gain was somewhat less than 2 percentage points a year. Less than 1 percentage point of improvement was recorded from 1957 to 1958.

In relation to hospitalization expenditures, insurance made no gains in 1958 though it was meeting more than half the Nation's hospital bill in both 1957 and 1958 and only 27 percent 11 years earlier. As table 3 shows, insurance to meet the cost of physicians' services has expanded greatly from its small base in 1948. The growth from 1957 to 1958 was,

Table 5.—*Income and expenditures for medical care among voluntary health insurance plans, by type of carrier or plan, 1958*

[Amounts in millions]

Type of carrier or plan	Income [1]			Expenditures for benefits [4]			Benefits as percent of income
	Total	For hospital services [2]	For physicians' services [3]	Total	For hospital services [2]	For physicians' services [3]	
Total	[5] $4,497.7	$2,932.7	$1,565.0	$3,877.2	$2,591.2	$1,285.9	86.2
Blue Cross plans [6]	1,305.9	1,269.3	36.6	1,268.8	1,239.3	29.5	97.2
Blue Shield plans [7]	561.1	27.1	534.0	499.2	24.6	474.6	89.0
Other medical-society-sponsored plans [8]	9.1	.6	8.5	8.3	.5	7.8	90.7
Other nonprofit plans	260.9	131.9	129.0	247.6	125.9	121.7	94.9
Community	90.7	51.8	38.8	88.9	50.9	38.0	98.0
Consumer-sponsored	6.2	2.0	4.2	5.4	1.8	3.7	86.8
Fraternal societies	2.0	1.1	.9	2.0	1.1	.9	98.3
Employer and/or employee	64.6	31.7	32.9	59.6	29.2	30.4	92.3
Union health and welfare [9]	97.4	45.3	52.1	91.7	43.0	48.7	94.1
Student health services [10]	5.9	2.4	3.5	5.8	2.3	3.5	98.3
Private group clinics with prepayment	40.8	13.5	27.3	38.6	12.7	25.8	94.5
Insurance companies [11]	2,314.0	1,488.0	826.0	1,809.0	1,186.0	623.0	78.2
Group	1,606.0	975.0	631.0	1,464.0	937.0	527.0	91.2
Individual	708.0	513.0	195.0	345.0	249.0	96.0	48.7

[1] Earned income for Blue Cross, Blue Shield, and similar plans and for insurance companies; total income for plans providing services rather than third-party or cash-indemnity benefits. Division of income between hospital services and physicians' services among service plans providing both types estimated on the basis of their expenditures.
[2] Includes some income or expenditures for out-patient services.
[3] Includes some income or expenditures for services other than those received from physicians (nurses, dentists, laboratories, etc.).
[4] Benefits paid, for nonprofit and other organizations; losses incurred, for insurance companies.
[5] Includes premiums or benefits for hospitalization and physicians' services among private plans under the State temporary disability insurance laws of California and New York (see table 6).
[6] For the 5 combined Blue Cross-Blue Shield plans, data for medical-surgical insurance shown under Blue Shield plans. Distribution between hospital and physicians' services for these combined plans and for the 9 Blue Cross plans that write both types of insurance furnished by Blue Shield medical care plans. Addition made for Health Services, Inc.
[7] Addition made for Medical Indemnity of America. Excludes hospital insurance of the 5 Blue Cross-Blue Shield plans. Includes 4 Blue Shield plans that also furnish hospital insurance. Data supplied by Blue Shield medical care plans.
[8] Excludes plans underwritten by insurance companies.
[9] Covers only those funds or portions of funds used for the direct purchase of medical care without an intermediary insurance company or plan.
[10] Estimated.
[11] Estimated by Health Insurance Council.

Table. 7—*Private expenditures for medical care: Amount and percent met by voluntary health insurance, selected years 1948–58*

[Amounts in millions

Year	Total medical care expenditures		Hospital services only		Physicians' services		Hospital and physicians' services		Currently insurable expenditures		Potentially insurable expenditures	
	Amount	Percent met by insurance	Amount [1]	Percent met by insurance	Amount	Percent met by insurance [2]	Amount	Percent met by insurance [2]	Amount [3]	Percent met by insurance	Amount [4]	Percent met by insurance
	With expense to obtain insurance excluded											
1948	$7,391	8.2	$1,689	26.9	$2,360	6.4	$4,049	15.0	$5,139	11.8	$5,722	10.6
1950	8,346	11.9	2,126	32.0	2,462	12.7	4,588	21.6	5,769	17.2	6,448	15.4
1952	9,709	16.5	2,602	41.3	2,702	19.6	5,304	30.2	6,666	24.1	7,468	21.5
1954	11,267	19.3	3,167	45.5	3,162	23.3	6,329	34.4	8,011	27.2	8,864	24.6
1955	12,223	20.7	3,512	47.8	3,242	26.4	6,754	37.5	8,578	29.6	9,532	26.6
1956	13,679	22.0	3,905	51.8	3,590	27.7	7,495	40.2	9,488	31.8	10,572	28.5
1957	14,683	23.7	4,221	54.6	3,831	30.5	8,052	43.1	10,114	34.3	11,295	30.8
1958	15,777	24.6	4,761	54.4	4,011	32.1	8,772	44.2	10,882	35.6	12,146	31.9
	With expense to obtain insurance included											
1948	$7,647	7.9	$1,881	24.2	$2,424	6.2	$4,305	14.1	$5,395	11.2	$5,978	10.1
1950	8,645	11.5	2,315	29.4	2,572	12.1	4,887	20.3	6,068	16.3	6,747	14.7
1952	10,098	15.9	2,834	37.9	2,859	18.5	5,693	28.2	7,055	22.7	7,857	20.4
1954	11,844	18.4	3,492	41.3	3,414	21.6	6,906	31.6	8,588	25.4	9,441	23.1
1955	12,837	19.8	3,851	43.6	3,517	24.4	7,368	34.4	9,192	27.6	10,146	25.0
1956	14,288	21.1	4,251	47.6	3,853	25.8	8,104	37.2	10,097	29.9	11,181	27.0
1957	15,353	22.6	4,596	50.1	4,125	28.4	8,721	39.8	10,784	32.2	11,965	29.0
1958	16,397	23.6	5,102	50.8	4,290	30.0	9,392	41.3	11,502	33.7	12,766	30.4

[1] Expenditures include outpatient services provided by hospitals. Insurance benefits are applicable to such services when service is given in an emergency.

[2] Slight overstatement because the data used for insurance benefits include some payments for services from nurses, dentists, and laboratories.

[3] Includes total expenditures for services of physicians, dentists, and hospitals and one-tenth the expenditures for drugs and appliances.

[4] Includes total expenditures for services of physicians, hospitals, dentists, and nurses and one-third the expenditures for drugs and appliances.

however, the smallest (1.6 percentage points) of any year in the series.

When the two major areas of insurance benefits are considered together, it is found that some 44 percent of the $8.8 billion that went to hospitals and physicians in 1958 was paid through insurance. Insurance benefits as a proportion of expenditures rose 1.1 percentage points.

In actuality, some of these insurance benefits pay for the services of dentists and nurses and for drugs and appliances, but since the amounts cannot be identified no adjustment can be made for them. If they could be segregated it is probable that no increase in the extent of protection afforded against the cost of hospital care and physicians' services would have been recorded in 1958.

Some of these other types of expenditures are combined with the total expenditures for hospitalization and physicians' services and used as the benchmark labeled "currently insurable expenditures." This total omits the costs of nursing homes, nursing care, and care from other nonphysician practitioners, as well as nine-tenths of the Nation's expenditures for drugs and appliances. It can be considered as "currently insurable under the prevailing forms of existing health insurance." Insurance benefits met about 36 percent of this benchmark in 1958 and 12 percent in 1948.

Some existing forms of health insurance are already providing benefits of broader scope than the items included in the data labeled "currently insurable." Certain comprehensive prepayment plans, major medical expense policies, and comprehensive policies of insurance companies include drugs, private-duty nursing, and, in some instances, dentists' services among their benefits. The benchmark for "potentially insurable" expenditures amounted to $12.1 billion in 1958. It included about 80 percent of all private expenditures for medical care, exclusive of the cost of the prepayment mechanism. Insurance benefits represented 32 percent of this benchmark.

The last two benchmarks are designed only to illustrate a technique of measuring the potential areas as yet unmet by voluntary health insurance. The reader may establish the level of expenditures that he considers potentially insurable, using the data in table 1 for his selections, and then relate them to the insurance benefits to establish hypothetical goals for voluntary health insurance in the years ahead.

When the small degree of growth in voluntary health insurance protection in the past 12 months is noted, the impact of the recent recession should be remembered. Unemployment brought in its wake some losses in insurance coverage. The return of full employment may result in a return to patterns of expansion in protection closer to those recorded in earlier years.