

Private Medical Care Expenditures and Voluntary Health Insurance, 1948-61

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THE NATION'S private consumer expenditures for medical care amounted in 1961 to \$21.1 billion—\$1.3 billion or approximately 7 percent more than the amount spent in 1960. Direct out-of-pocket payments by consumers amounted to \$14.4 billion or 68 percent of the total. The balance of \$6.7 billion, representing payments for health insurance, was \$832 million or 14 percent greater than the amount spent for that purpose in 1960.

Per capita private consumer expenditures for medical care in 1961 amounted to \$116.60—up 5 percent from the 1960 figure. Direct expenditures were \$79.76 per capita, and payments for health insurance amounted to \$36.84 per capita.

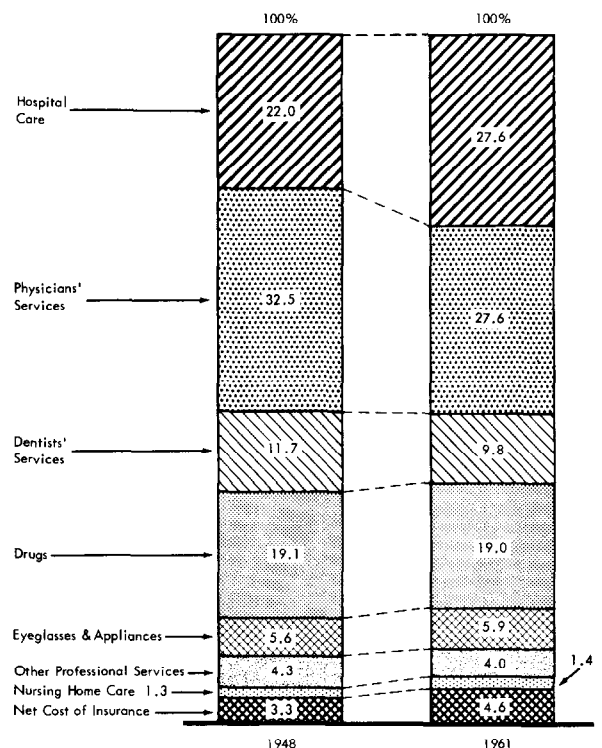
The data on private medical care expenditures and voluntary health insurance presented here continue the series of annual estimates made by the Division of Program Research and published annually in the SOCIAL SECURITY BULLETIN. In the current article a number of changes have been made—chiefly the shifting of expenditures for the services of osteopathic physicians from “other professional services” to “physicians’ services” and the inclusion for the first time (in “other professional services”) of expenditures for the services of practical nurses in private duty. Because of these changes, revised estimates for each year since 1948 are presented. Slight adjustments have been made in the data for the past 2 years to conform with revisions in source data.

DEFINITIONS AND SOURCES

Private expenditures for medical care represent amounts spent directly by consumers or by health insurance plans on their behalf, plus net consumer expenditures to obtain health insurance service. Employer (including government) contributions for health insurance for employees and their dependents are included, but industry expenditures for in-plant

health services or medical care of injured workers under workmen’s compensation are excluded. Also excluded are philanthropic contributions to hospitals or other health agencies and payments made directly by philanthropic organizations to hospitals, physicians, etc., for medical care provided to indigent and other persons. Payments made by consumers or insurance plans to government hospitals are included, but payments by government agencies to hospitals, physicians, etc., for the care of the indigent or of persons (for example, the dependents of military personnel) for whose medical care, in whole or in part, they have assumed responsibility are excluded. Though expenditures by insurance carriers for medical care under the private but legally compulsory temporary disability programs of New York and California are included, hospital benefits paid

CHART 1.—Percentage distribution of private medical care expenditures, by type of service, 1948 and 1961



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under California's public disability insurance program are not.

The data presented here are in part independent estimates made by the authors and in part estimates prepared by the National Income Division of the Department of Commerce as part of their annual estimates of personal consumption expenditures. (These estimates are published each year in the July issue of the *Survey of Current Business*.) The estimates of expenditures for hospital care are based on data in the Annual Guide issue of *Hospitals*, published by the American Hospital Association, and on certain unpublished data made available by the Association.

The estimates of expenditures for the services of doctors of medicine and dentists are derived from the *Statistics of Income . . . U. S. Business Tax Returns*, published annually by the Internal Revenue Service. This report, which also is the source of the National Income Division estimates, shows the business receipts of physicians and dentists in solo proprietorships and partnerships. Estimated consumer expenditures for physicians' services in private, consumer-sponsored, group-practice clinics have been added to physicians' gross income from professional practice, and the amounts paid to physicians in private practice by government and philanthropic agencies (for the care, for example, of

public assistance recipients, crippled children, and military dependents) have been deducted. To the resulting figure was added an estimate of the gross income from private practice of osteopathic physicians (derived from data on the number in private practice and on average gross income from practice).

The data on expenditures for drugs and drug sundries and for eyeglasses (including fees of optometrists), hearing aids, and other appliances have been taken without change from the estimates of the National Income Division.

Expenditures for "other professional services" present a departure from the series as reported in previous years, which had formerly corresponded with the estimates of the National Income Division. The National Income Division in estimating expenditures for "other professional services" has never included expenditures for practical nurses.

Since practical nurses have emerged as a distinct health occupational group, it is believed that the expenditures for their services should now be included in this series. The addition of expenditures for practical nurses and the transfer of expenditures for osteopathic physicians from "other professional services" to the "physicians' services" category, as previously noted, necessitated the development of new estimates for "other professional services." The current series includes consumer expenditures

TABLE 1.—Private expenditures for medical care: Amount and percentage distribution, by type of service, 1948-61¹

Type of expenditure	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
Amount (in millions)														
Total.....	\$7,663	\$7,931	\$8,669	\$9,379	\$10,134	\$11,033	\$11,895	\$12,906	\$14,357	\$15,602	\$16,742	\$18,321	\$19,797	\$21,120
Hospital care.....	1,689	1,802	2,126	2,334	2,602	2,099	3,167	3,512	3,905	4,221	4,522	4,840	5,305	5,825
Physicians' services ²	2,490	2,501	2,597	2,697	2,851	3,063	3,336	3,433	3,787	4,101	4,553	5,101	5,468	5,824
Dentists' services.....	900	920	961	997	1,098	1,234	1,406	1,508	1,625	1,737	1,850	1,878	1,979	2,076
Drugs and drug sundries ³	1,466	1,555	1,719	1,979	2,058	2,137	2,163	2,473	2,869	3,062	3,310	3,591	3,895	4,014
Eyeglasses and appliances ⁴	431	454	486	546	580	604	595	685	814	990	991	1,185	1,219	1,247
Other professional services ⁵	331	345	370	399	431	470	511	531	578	641	696	766	806	851
Nursing-home care.....	100	105	110	120	125	130	140	150	170	180	200	220	280	305
Health insurance, net cost ⁶	256	249	300	307	389	486	577	614	609	670	620	740	845	978
Percentage distribution														
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Hospital care.....	22.0	22.7	24.5	24.9	25.7	26.4	26.6	27.2	27.2	27.1	27.0	26.4	26.8	27.6
Physicians' services.....	32.5	31.5	30.0	28.8	28.1	27.8	28.0	26.6	26.4	26.3	27.2	27.8	27.6	27.6
Dentists' services.....	11.7	11.6	11.1	10.6	10.8	11.2	11.8	11.7	11.3	11.1	11.1	10.3	10.0	9.8
Drugs and drug sundries.....	19.1	19.6	19.8	21.1	20.3	19.4	18.2	19.2	20.0	19.6	19.8	19.6	19.7	19.0
Eyeglasses and appliances.....	5.6	5.7	5.6	5.8	5.7	5.5	5.0	5.3	5.7	6.3	5.9	6.5	6.2	5.9
Other professional services.....	4.3	4.4	4.3	4.3	4.3	4.3	4.3	4.1	4.0	4.1	4.2	4.2	4.1	4.0
Nursing-home care.....	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.4	1.4
Health insurance, net cost.....	3.3	3.1	3.4	3.3	3.8	4.4	4.9	4.8	4.2	4.3	3.7	4.0	4.3	4.6

¹ Includes all government and private employer contributions for health insurance of employees but excludes workmen's compensation payments for medical benefits and all medical payments under public programs. Data exclude Puerto Rico, the Virgin Islands, and Guam and, before 1960, Alaska and Hawaii.

² Services of medical and osteopathic physicians in solo and group private practice and in consumer-sponsored group clinics.

³ Includes surgical supplies.

⁴ Includes fees of optometrists and expenditures for hearing aids, orthopedic appliances, artificial limbs, crutches, wheelchairs, etc.

⁵ Services of registered and practical nurses in private duty, visiting nurses, podiatrists, physical therapists, clinical psychologists, chiropractors, naturopaths, and Christian Science practitioners.

⁶ Difference between income and benefit expenditures of all health plans.

Source: See text, pages 3-5.

for services of registered and practical nurses in private duty, visiting nurses, podiatrists, physical therapists, clinical psychologists, chiropractors, naturopaths, and Christian Science practitioners. Expenditure data for 1960 and 1961 for this category, as revised, were developed on the basis of the number of practitioners in each field and their estimated gross income. Data for earlier years in the revised series were developed on the basis of the Department of Commerce estimates, adjusted for the deletion of expenditures for osteopaths and the addition of those for practical nurses.

The estimates of consumer expenditures for nursing-home care have been developed jointly with the Division of Hospital and Medical Facilities of the Public Health Service and are based on estimates of nursing-home beds occupied by private patients together with an estimated average payment per day of care. The estimates of the net cost of health insurance, representing the difference between total premium payments for health insurance and total benefit expenditures of all carriers and plans, are derived from data described later in the article.

MEDICAL CARE EXPENDITURES

As in earlier articles in the series, the distribution of private medical care expenditures is presented in two ways. Table 1 shows amounts by type of service, with the net cost of obtaining health insurance treated as a single item, and table 2 shows direct payments of consumers for medical care and payments for health insurance.

Private Consumer Expenditures

Aggregate private consumer expenditures for medical care reached a new high of \$21.1 billion in 1961. This total was \$1.3 billion or 6.7 percent more than the amount spent in 1960. The percentage increase was the smallest for any year since 1950. In 1959 and 1960 the increases from the preceding year were 9.4 percent and 8.1 percent, respectively. The aggregate increase in expenditures from 1960 to 1961 is, of course, a composite of larger increases for some items (9.8 percent for hospital care, 8.9 percent for nursing-home care, and 15.7 percent in the net cost of insurance) and smaller

TABLE 2.—Private expenditures for medical care: Amount and percentage distribution, by type of expenditure, 1948–61

Type of expenditure	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
Amount (in millions)														
Total.....	\$7,663	\$7,931	\$8,660	\$9,379	\$10,134	\$11,033	\$11,895	\$12,906	\$14,357	\$15,602	\$16,742	\$18,321	\$19,707	\$21,120
Direct payments.....	6,801	6,915	7,377	7,719	8,141	8,628	9,139	9,756	10,733	11,458	12,245	13,182	13,956	14,447
Payments for insurance.....	862	1,016	1,292	1,660	1,993	2,405	2,756	3,150	3,624	4,144	4,497	5,139	5,841	6,673
Benefits.....	606	767	992	1,353	1,604	1,919	2,179	2,536	3,015	3,474	3,877	4,399	4,996	5,695
Insurance service.....	256	249	300	307	389	486	577	614	609	670	620	740	845	978
Hospital care.....	1,881	1,970	2,315	2,522	2,834	3,194	3,492	3,851	4,251	4,597	4,863	5,279	5,824	6,407
Direct payments.....	1,234	1,263	1,446	1,437	1,528	1,622	1,725	1,833	1,883	1,917	1,931	1,895	1,948	1,986
Payments for insurance.....	647	707	869	1,085	1,306	1,572	1,767	2,018	2,368	2,680	2,932	3,384	3,876	4,421
Benefits.....	455	539	680	897	1,074	1,287	1,442	1,679	2,022	2,304	2,591	2,945	3,357	3,840
Insurance service.....	192	168	189	188	232	285	325	339	346	341	341	439	519	582
Physicians' services.....	2,554	2,582	2,707	2,816	3,008	3,264	3,588	3,708	4,050	4,395	4,832	5,402	5,794	6,220
Direct payments.....	2,339	2,273	2,285	2,241	2,321	2,431	2,599	2,576	2,794	2,931	3,267	3,647	3,829	3,968
Payments for insurance ¹	215	309	422	575	687	833	989	1,132	1,256	1,464	1,565	1,755	1,965	2,252
Benefits.....	151	228	312	456	530	632	737	857	993	1,170	1,286	1,454	1,639	1,856
Insurance service.....	64	81	110	119	157	201	252	275	263	294	279	301	326	396
Other services (direct payments only).....	3,228	3,379	3,646	4,041	4,292	4,575	4,815	5,347	6,056	6,610	7,047	7,640	8,179	8,493
Percentage distribution														
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Direct payments.....	88.8	87.2	85.1	82.3	80.3	78.2	76.8	75.6	74.8	73.4	73.1	72.0	70.5	68.4
Payments for insurance.....	11.2	12.8	14.9	17.7	19.7	21.8	23.2	24.4	25.2	26.6	26.9	28.0	29.5	31.6
Benefits.....	7.9	9.7	11.4	14.4	15.8	17.4	18.3	19.6	21.0	22.3	23.2	24.0	25.2	27.0
Insurance service.....	3.3	3.1	3.5	3.3	3.8	4.4	4.9	4.8	4.2	4.3	3.7	4.0	4.3	4.6
Hospital care.....	24.5	24.8	26.7	26.9	28.0	28.9	29.4	29.8	29.6	29.5	29.0	28.8	29.4	30.3
Direct payments.....	16.1	15.9	16.7	15.3	15.1	14.7	14.5	14.2	13.1	12.3	11.5	10.3	9.8	9.4
Payments for insurance.....	8.4	8.9	10.0	11.6	12.9	14.2	14.9	15.6	16.5	17.2	17.5	18.5	19.6	20.9
Benefits.....	5.9	6.8	7.8	9.6	10.6	11.7	12.1	13.0	14.1	14.8	15.5	16.1	17.0	18.2
Insurance service.....	2.5	2.1	2.2	2.0	2.3	2.6	2.7	2.6	2.4	2.4	2.0	2.4	2.6	2.8
Physicians' services.....	33.3	32.6	31.2	30.0	29.7	29.6	30.2	28.7	28.2	28.2	28.9	29.5	29.3	29.5
Direct payments.....	30.5	28.7	26.4	23.9	22.9	22.0	21.8	20.0	19.5	18.8	19.5	19.9	19.3	18.8
Payments for insurance ¹	2.8	3.9	4.9	6.1	6.8	7.6	8.3	8.8	8.7	9.4	9.3	9.6	9.9	10.7
Benefits.....	2.0	2.9	3.6	4.9	5.2	5.7	6.2	6.6	6.9	7.5	7.7	7.9	8.3	8.8
Insurance service.....	.8	1.0	1.3	1.3	1.5	1.8	2.1	2.1	1.8	1.9	1.7	1.6	1.6	1.9
Other services (direct payments only).....	42.1	42.6	42.1	43.1	42.4	41.5	40.5	41.4	42.2	42.4	42.1	41.7	41.3	40.2

¹ Includes small amount of insurance payments for drugs, private-duty nursing, dental care, nursing-home care, and appliances.

TABLE 3.—Private medical care expenditures and national disposable personal income, 1948-61

Year	Disposable personal income ¹	Private medical care expenditures		
		Total expenditures	As percent of disposable personal income	
1948	\$189,300	\$7,663	4.0	
1949	189,654	7,931	4.2	
1950	207,655	8,669	4.2	
1951	227,481	9,379	4.1	
1952	238,714	10,134	4.2	
1953	252,474	11,033	4.4	
1954	256,885	11,895	4.6	
1955	274,448	12,906	4.7	
1956	292,942	14,357	4.9	
1957	308,791	15,602	5.1	
1958	317,924	16,742	5.3	
1959	337,145	18,321	5.4	
1960	349,390	19,797	5.7	
1961	363,648	21,120	5.8	

¹ Data from *Survey of Current Business* (Department of Commerce), July 1962.

increases for others (6.5 percent for physicians' services and 2.3 percent for eyeglasses and appliances).

Private health expenditures in 1961 were 2 $\frac{3}{4}$ times the amount spent in 1948. During the 14 years, some shifts have occurred in the proportion spent for the various services. The share of the private consumer's medical care dollar going for hospital care is larger now than in 1948, and the proportion going to physicians (medical and osteopathic) is smaller (table 1 and chart 1). From 1948 to 1955 there was a gradual increase in the proportion spent for hospital care and a corresponding decline in the proportion going for physicians' services. Since 1955 the proportions for each of these services have fluctuated around 27 percent of the total, and in 1961 they were practically identical. Since 1948 the share of the total spent for dental care has decreased slightly; the net expenditure for health insurance service as a proportion of the total has increased; and there has been little change in the other items as a proportion of the total.

Direct payments by consumers for medical care amounted to \$14.4 billion in 1961, or 68.4 percent of total expenditures (table 2). The remaining 31.6 percent represented payments in the form of premiums or subscription charges to health insurance carriers and plans. Such payments, in turn, represent expenditures for (a) benefits and (b) the service of health insurance—that is, the amounts retained by carriers for expenses, reserves, and profits, if any. In the 14-year period covered by this series, total payments for health insurance have increased sevenfold, from \$862 million in 1948 to \$6.7 billion in 1961. Benefit payments only (without cost of insurance service) increased from 8 percent of total expenditures to 27 percent.

Medical care expenditures represented 4.0 percent of disposable personal income in 1948 (table 3). From 1949 to 1952, the proportion remained at approximately 4.2 percent. Since that time it has been increasing steadily, reaching 5.8 percent by 1961. Per capita expenditures increased from \$52.79 in 1948 to \$116.60 in 1961 (table 4 and chart 2).

Factors Affecting Increase in Medical Care Expenditures

The substantial increase in private health expenditures, from \$7.7 billion in 1948 to \$21.1 billion in 1961, is the result of several factors. One is simply the growth in population; others are the rising costs or prices per unit of service, the increase in the average per capita utilization of health services and supplies, and the increase in the level and scope—the content—of medical services. When growth in population is eliminated as a factor contributing to higher expenditures, the increase per capita since 1948 is found to be 121 percent, compared with an increase of 176 percent in aggregate expenditures.

TABLE 4.—Per capita private expenditures for medical care, 1948-61¹

Type of expenditure	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
Total.....	\$52.79	\$53.74	\$57.72	\$62.08	\$66.08	\$70.70	\$74.77	\$79.52	\$86.83	\$92.66	\$97.66	\$104.86	\$111.12	\$116.60
Hospital care.....	11.63	12.21	14.15	15.45	16.97	18.64	19.91	20.64	23.62	25.07	26.38	27.70	29.78	32.16
Physicians' services.....	17.15	16.95	17.29	17.85	18.59	19.63	20.97	21.15	22.90	24.36	26.56	29.19	30.69	32.15
Dentists' services.....	6.20	6.23	6.40	6.60	7.16	7.91	8.84	9.29	9.83	10.32	10.79	10.75	11.11	11.46
Drugs and drug sundries.....	10.10	10.54	11.44	13.10	13.42	13.69	13.60	15.24	17.35	18.19	19.31	20.55	21.86	22.16
Eyeglasses and appliances.....	2.97	3.08	3.24	3.61	3.78	3.87	3.74	4.22	4.92	5.88	5.78	6.78	6.84	6.88
Other professional services.....	2.28	2.34	2.47	2.64	2.81	3.01	3.21	3.27	3.50	3.81	4.06	4.38	4.52	4.70
Nursing-home care.....	.69	.71	.73	.79	.82	.83	.88	.92	1.03	1.07	1.17	1.26	1.57	1.68
Health insurance, net cost.....	1.76	1.69	1.99	2.03	2.54	3.11	3.63	3.78	3.68	3.98	3.62	4.24	4.74	5.40

¹ Data from table 1, related to civilian population as of July 1 of each year.

To adjust for changes in the price level, total and per capita expenditures were converted to the 1961 level of medical care prices based on the medical care component of the consumer price index published by the Bureau of Labor Statistics (table 5). With medical care prices held constant, per capita expenditures increased 39 percent from 1948 to 1961. Thus, about two-thirds of the increase in per capita expenditures for medical care since 1948 can be attributed to the increase in the prices of hospital care, physicians' services, etc. The remaining third reflects the increase in per capita volume of medical care (days of hospital care, number of physician visits, etc.) used by consumers and the enrichment of the scope and content of health services.

HEALTH INSURANCE

Health insurance is becoming an increasingly important aspect of health care in the United States. It is defined here as prepayment arrangements

under which individuals are entitled to specified health services as needed or to specified allowances against medical charges incurred. Payments for loss of income during disability resulting from illness are excluded.

Health insurance is provided by three main groups of organizations: (a) Blue Cross hospital-service plans and Blue Shield medical-service plans (the first largely sponsored by hospitals and the second by medical societies), (b) insurance companies writing health insurance on a group or individual basis or both, and (c) all other plans (generally called the independent plans). The third group includes community and consumer-sponsored plans; plans that are sponsored by medical societies but that are not Blue Shield plans; plans sponsored by dental societies; health insurance plans or programs of union welfare funds, employers, or employee organizations; prepayment plans offered by physician-owned group medical clinics; and student health services operated by colleges and universities. The predominant types among the independent

CHART 2.—Per capita expenditures for medical care, 1948–61

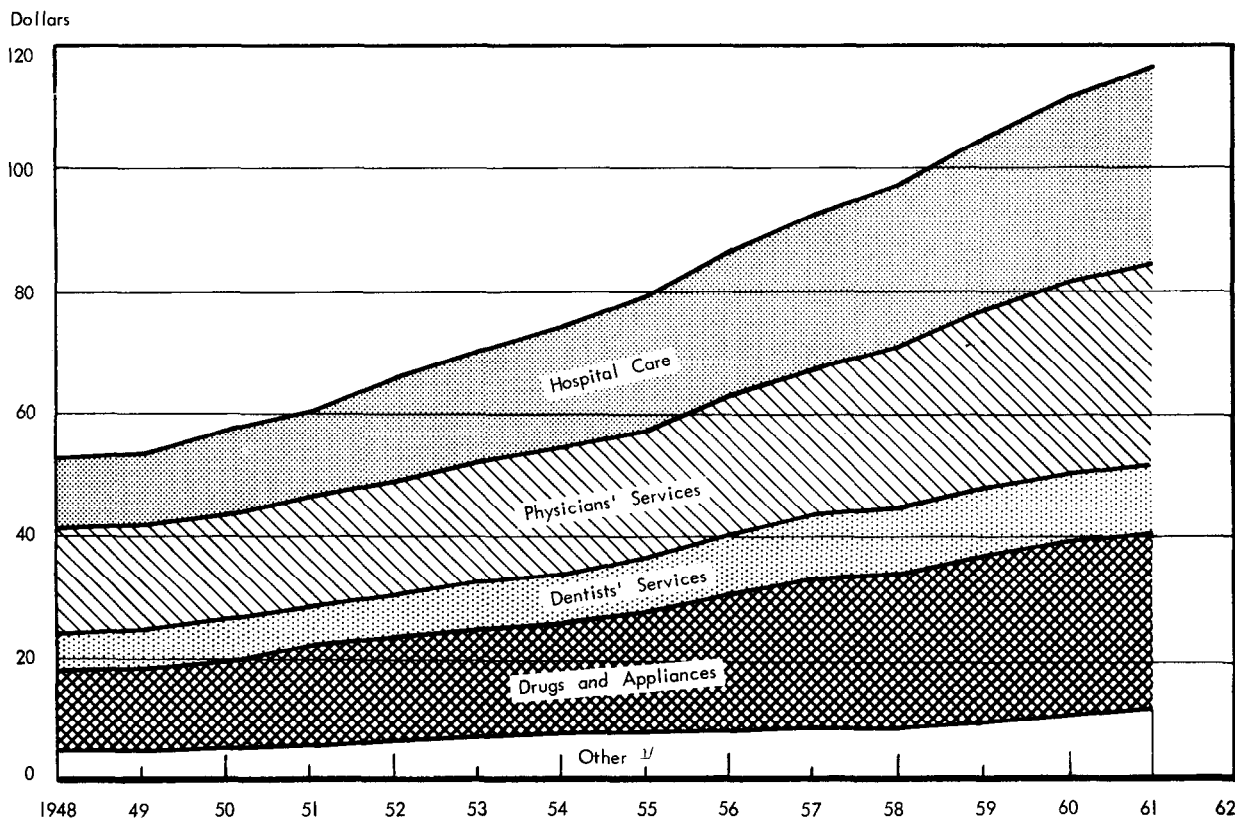


TABLE 5.—Total and per capita private health and medical care expenditures in 1961 prices, ¹ 1948-61

Year	Total (in millions)	Per capita ²
1948.....	\$12,222	\$84.19
1949.....	12,258	83.06
1950.....	13,155	87.59
1951.....	13,573	89.84
1952.....	13,901	90.64
1953.....	14,633	93.77
1954.....	15,289	96.11
1955.....	16,214	99.90
1956.....	17,402	105.25
1957.....	18,184	108.00
1958.....	18,623	108.63
1959.....	19,532	111.79
1960.....	20,388	114.44
1961.....	21,120	116.60

¹ Based on medical-care component of consumer price index, Bureau of Labor Statistics, Department of Labor.

² Based on civilian population estimated by the Bureau of the Census as of July 1 of each year.

plans are community and consumer-sponsored plans and self-insured union welfare funds.

Income and Benefit Expenditures

Since 1948 the Division of Program Research has compiled annually data on the income and benefit expenditures of all health insurance plans in the United States. For this purpose data are obtained from the Blue Cross Association and the National Association of Blue Shield Plans for all Blue Cross and Blue Shield plans and from the Health Insurance Association of America for all insurance companies writing group or individual health insurance.

Data for the independent health insurance plans are obtained from periodic surveys conducted by the Division. Findings of the latest survey of independent plans, made in the spring of 1962, will be reported in detail in the BULLETIN within the next few months.

Table 6 shows for the various types of voluntary health insurance plans in 1961 their income, expenditures for benefits, and amounts retained for operating costs.

Total income of all health insurance plans in 1961 amounted to \$6.7 billion, of which \$2.8 billion represented the earned premium income of Blue Cross and Blue Shield plans, \$3.4 billion the earned premiums of insurance companies for both group and individual business, and \$0.4 billion the income of all other health insurance plans. The premium income of all insurance plans represents, of course, the total expenditures of the public for health insurance. Of the total income received by all insurance plans, approximately \$4.4 billion was for hospital services and \$2.3 billion for physicians' services. This distribution is made, in part, on the basis of estimated figures and contains some degree of inaccuracy, since minor amounts of premium income are actually for insurance coverage of services other than hospitalization and physicians' services.

Health insurance plans in 1961 spent an estimated \$5.7 billion in providing benefits. For Blue Cross-

TABLE 6.—Income, benefit expenditures, and amounts retained for operating costs of voluntary health insurance plans, by type of carrier or plan, 1961

[In millions]

Type of carrier or plan	Income ¹			Benefit expenditures ²			Amounts retained for operating costs ⁴		
	Total	Hospital care	Physicians' services ²	Total	Hospital care	Physicians' services ²	Total	Hospital care	Physicians' services ²
Total.....	\$6,673.3	\$4,421.4	\$2,251.9	\$5,695.4	\$3,839.8	\$1,855.6	\$977.9	\$581.6	\$396.3
Blue Cross-Blue Shield.....	2,805.1	2,002.9	802.2	2,585.4	1,867.3	718.1	219.7	135.6	84.1
Blue Cross ³	2,004.4	1,961.6	42.8	1,867.1	1,830.1	37.0	137.3	131.5	5.8
Blue Shield ⁶	800.7	41.3	759.4	718.3	37.2	681.1	82.4	4.1	78.3
Insurance companies.....	3,427.0	2,229.0	1,198.0	2,706.0	1,799.0	907.0	721.0	430.0	291.0
Group.....	2,414.0	1,504.0	910.0	2,170.0	1,415.0	755.0	244.0	89.0	155.0
Individual.....	1,013.0	725.0	288.0	536.0	384.0	152.0	477.0	341.0	136.0
Other plans.....	441.2	189.5	251.7	404.0	173.5	230.5	37.2	16.0	21.2
Community.....	147.6	49.4	98.2	134.0	44.7	89.3	13.6	.7	8.9
Medical society, not Blue Shield.....	18.9	8.2	10.7	15.5	6.7	8.8	3.4	1.5	1.9
Dental society.....	3.4	-----	3.4	2.6	-----	2.6	.8	-----	.8
Private group clinic.....	11.1	1.1	10.0	9.9	1.0	8.9	1.2	.1	1.1
Employer-employee-union.....	252.9	127.9	125.0	234.9	118.3	116.6	18.0	9.6	8.4
Student health services.....	7.3	2.9	4.4	7.1	2.8	4.3	.2	.1	.1

¹ Earned premium income for Blue Cross, Blue Shield, and insurance companies; total income for other plans.

² Includes small amount of insurance payments for drugs, private-duty nursing, dental care, nursing-home care, and appliances.

³ Claim expenses for Blue Cross and Blue Shield; losses incurred for insurance companies; benefits paid or cost of providing benefits for most other plans.

⁴ Amount retained for administrative expenses, premium taxes, additions to reserves, and profits.

⁵ Includes data for Health Services, Inc.

⁶ Includes data for Medical Indemnity of America.

Source: Data for Blue Cross and Blue Shield plans from the national organizations of these plans; for insurance companies from the Health Insurance Association of America; for "other plans" from the 1962 survey by the Division of Program Research (except that data for student health services were estimated by the Division).

Blue Shield plans, these benefit expenditures represent payments to hospitals or physicians (with a small amount going for other services); for insurance companies, they represent payments to policyholders to reimburse them for hospital and medical costs incurred. Benefit expenditures made by many of the independent plans represent money spent in the actual, direct provision of care—that is, for salaries paid to physicians and other personnel, for supplies, and for operating and maintaining health facilities.

The amount of the difference between income and benefit expenditures is retained by the insuring organizations to cover operating costs—that is, administrative and acquisition expenses (including the premium taxes paid by insurance companies and by a few Blue Cross and Blue Shield plans), additions to reserves, and net profits of the companies or plans operated for profit. The amounts retained by the insuring organizations represent for consumers the net cost of obtaining health insurance service—almost \$1 billion in 1961.

Benefit Expenditures for Other Than Hospital Care and Physicians' Services

In table 6 all income, benefit expenditures, and operating costs are allocated to either hospital care or physicians' services. Actually, small amounts apply to other services or supplies (such as dental care, visiting nurses or special nursing service, drugs, orthopedic appliances, and nursing-home care).

The Health Insurance Council reports that 23 percent of the total benefits paid under group policies by insurance companies were under major medical policies. These policies generally cover—in addition to costs for hospital and physicians' services—expenses incurred for special nursing care, drugs, orthopedic appliances, and sometimes nursing-home care. Since under these policies benefits are paid only after the insured person has paid an initial "deductible" in any one illness or year, it is difficult to determine the distribution of benefits paid by type of service and generally the companies make little effort to keep such accounts.

The Health Insurance Association of America has estimated that under all major medical policies, about 53 percent of benefit expenditures were for hospital care, 39 percent for physicians' services, and 8 percent for other services and supplies. The

amount represented by this 8 percent has been included in the data for insurance companies in table 6 with expenditures for physicians' services; it amounts to less than 2 percent of all insurance company benefit expenditures.

Blue Cross and Blue Shield plans have increasingly been offering "extended benefit" or major medical contracts, which provide some coverage of drugs, special nursing, visiting-nurse service, nursing-home care, etc. Generally these contracts are written cooperatively between the Blue Cross plan and its affiliated Blue Shield plan. Although no precise data are available from the national Blue Cross-Blue Shield associations, it is believed that the plans' aggregate benefit expenditures for services other than hospital and physicians' services are as yet relatively small—less than 2 percent of the total. Such benefit expenditures are variously included by individual plans under hospital care or physicians' services; the aggregate distribution is not known.

For the independent plans, fairly precise data on the distribution of benefit expenditures by type of service are available from the Division's 1962 survey (which did not cover college and university health services). The figures for 1961 are as follows:

Type of service	Amount (in millions)	Percent
Total.....	\$396.9	100.0
Hospital care.....	170.7	43.0
Physicians' services.....	193.6	48.8
Dental care.....	10.6	2.7
Drugs.....	13.6	3.4
Nursing services and other.....	8.4	2.1

In the data for "all other" plans in table 6, benefit expenditures for types of care other than hospital care and physicians' services have been lumped with those for physicians' services, and income has been allocated on the same basis. The more inclusive coverage by the independent plans of services other than hospitalization and physicians' services is to be expected, since many of these plans are organized primarily for the purpose of providing services not offered by other types of insurance plans.

All told, it may be estimated that the benefit expenditures shown in table 6 include amounts in the general magnitude of \$130 million, or 2.3 percent of the total, paid for services other than hospital and physicians' services. In the main, though not entirely, these expenditures are included with those shown for physicians' services.

TABLE 7.—Income and benefit expenditures of voluntary health insurance plans, by major type of carrier or plan, 1948-61

[In millions]

Year	Total	Blue Cross-Blue Shield plans			Insurance companies			Other plans
		Total	Blue Cross	Blue Shield	Total	Group	Individual	
Income								
1948	\$862.0	\$365.0	\$315.0	\$50.0	\$421.0	\$212.0	\$209.0	\$76.0
1949	1,015.5	455.3	362.2	93.1	461.0	241.0	220.0	99.2
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	803.7	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	1,867.0	1,305.9	561.1	2,314.0	1,606.0	708.0	316.8
1959	5,139.2	2,157.4	1,522.5	634.9	2,639.0	1,853.0	786.0	342.8
1960	5,841.0	2,482.1	1,773.0	709.1	3,027.0	2,104.0	923.0	331.9
1961	6,673.3	2,805.1	2,004.4	800.7	3,427.0	2,414.0	1,013.0	441.2
Benefit expenditures								
1948	\$606.0	\$308.0	\$269.0	\$39.0	\$228.0	\$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	101.3
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
1959	4,398.8	1,994.8	1,424.3	570.5	2,080.0	1,680.0	400.0	324.0
1960	4,996.3	2,287.1	1,646.2	640.9	2,389.0	1,901.0	488.0	331.9
1961	5,695.4	2,585.4	1,867.1	718.3	2,706.0	2,170.0	536.0	404.0

Source: See table 6.

Distribution of Health Insurance Business

Table 7 shows income and benefit expenditures of the different groups of health insurance plans since 1948, and table 8 shows changes in the percentage share of each type of plan in the total. The 1961 income of all plans was almost eightfold the amount it had been in 1948, and benefit expenditures were more than ninefold the earlier figure. Chart 3 shows the benefit expenditures by type of carrier or plan since 1948.

In 1961, premium income of the Blue Cross and Blue Shield plans constituted 42.0 percent of the total, that of insurance companies 51.4 percent (36.2 percent for group business and 15.2 percent for individual business), and that of other plans 6.6 percent. In terms of benefit expenditures, those of Blue Cross-Blue Shield were 45.4 percent of the total, those of insurance companies 47.5 percent, and those of "all other plans" 7.1 percent.

During the years 1948-61 there has been relatively little change in the total Blue Cross-Blue Shield share of total health insurance income. In the early part of this period, when Blue Shield plans

were being established, they had comparatively greater gains in income than did the Blue Cross plans. The share of insurance companies in the total increased somewhat up to 1955 and since then has remained about the same. Within the insurance company group, however, there has been a pronounced increase in the group business share and a decline in the individual business share. The share of the independent plans in the total has consistently declined, chiefly because of the faster growth of other types of plans and partly because of the shifting of several large medical-society plans from the independent group to Blue Shield plans.

In terms of benefit expenditures, the Blue Cross-Blue Shield share declined until 1951. Since then it has been fairly constant (at about 45 percent of the total). The insurance company share has grown since 1948—with a pronounced increase in group insurance and a pronounced decrease in individual insurance—and the share of the independent plans has declined.

The relative shares of the three main groups of health insurance plans in total income and benefit expenditures differ when the situation is considered

TABLE 8.—Percentage distribution of total income and benefit expenditures of voluntary health insurance plans, by major type of carrier or plan, 1948-61¹

Year	Total	Blue Cross-Blue Shield plans			Insurance companies			Other plans
		Total	Blue Cross	Blue Shield	Total	Group	Individual	
Income								
1948	100.0	42.3	36.5	5.8	48.8	24.6	24.2	8.8
1949	100.0	44.8	35.7	9.2	45.4	23.7	21.7	9.8
1950	100.0	44.4	33.8	10.6	46.8	25.8	21.1	8.7
1951	100.0	41.3	30.4	10.8	48.0	28.2	19.8	10.7
1952	100.0	42.7	30.9	11.8	48.0	28.5	19.5	9.3
1953	100.0	41.1	29.5	11.6	49.1	30.0	19.1	9.8
1954	100.0	41.1	29.2	12.0	50.4	31.5	18.9	8.5
1955	100.0	41.0	28.9	12.1	51.7	32.5	19.2	7.3
1956	100.0	41.2	29.0	12.3	50.8	33.6	17.2	8.0
1957	100.0	40.2	28.1	12.2	52.5	35.6	16.9	7.3
1958	100.0	41.5	29.0	12.5	51.4	35.7	15.7	7.0
1959	100.0	42.0	29.6	12.4	51.4	36.1	15.3	6.7
1960	100.0	42.5	30.4	12.1	51.8	36.0	15.8	5.7
1961	100.0	42.0	30.0	12.0	51.4	36.2	15.2	6.6
Benefit expenditures								
1948	100.0	50.8	44.4	6.4	37.6	24.4	13.2	11.6
1949	100.0	49.9	40.2	9.7	38.5	23.5	15.0	11.6
1950	100.0	49.5	38.6	10.9	40.3	25.9	14.4	10.2
1951	100.0	44.7	33.6	11.2	43.4	30.7	12.7	11.8
1952	100.0	45.9	34.3	11.6	43.6	31.1	12.5	10.5
1953	100.0	44.4	32.7	11.7	44.5	32.6	11.9	11.1
1954	100.0	45.2	33.0	12.2	45.1	32.9	12.2	9.7
1955	100.0	45.2	32.8	12.4	46.5	33.8	12.7	8.3
1956	100.0	44.9	32.1	12.8	46.8	35.9	10.9	8.3
1957	100.0	44.5	31.8	12.7	47.6	37.9	9.7	7.8
1958	100.0	45.6	32.7	12.9	46.7	37.8	8.9	7.7
1959	100.0	45.3	32.4	13.0	47.3	38.2	9.1	7.4
1960	100.0	45.8	32.9	12.8	47.8	38.0	9.8	6.4
1961	100.0	45.4	32.8	12.6	47.5	38.1	9.4	7.1

¹ Derived from table 7.

separately for hospitalization and physicians' services (table 9). The share of Blue Cross-Blue Shield in the total is larger for hospitalization than for physicians' services; for insurance companies the situation is reversed. The share of the independent plans in total income and benefit expenditures is relatively much larger for physicians' services (including other items of care) than for hospitalization, partly because two of the larger independent plans (the Health Insurance Plan of Greater New York and Group Health Insurance) do not cover hospitalization.

Operating Costs

Examination of the ratio of operating costs to total income for the various types of plans or carriers reveals a pattern of general decline since 1948 (table 10). In 1948 almost 30 cents of every dollar spent for health insurance went for administration, reserves, and net gain; in 1961, only 15 cents. This decline in operating costs (or increase in the proportion of income paid out in benefits) reflects a number of factors: smaller additions to reserves as the plans mature and growth rates lessen; lower administrative expense ratios; and the relative decline of the share of individual policy insurance company business, with its outstandingly high operating costs.

In 1961 operating costs of the major types of insurance plans and carriers varied considerably—from 6.8 percent of total income for Blue Cross plans to 47.1 percent for the individual policies of insur-

CHART 3.—Benefit expenditures of voluntary health insurance plans, by type of carrier or plan, 1948-61

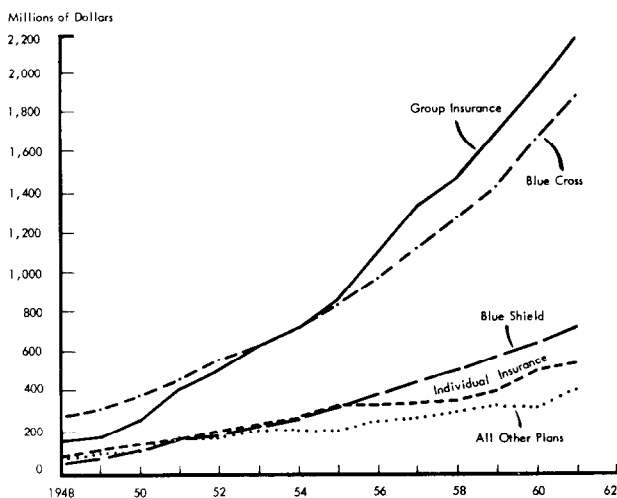


TABLE 9.—Income and benefit expenditures of voluntary health insurance plans: Total amount and percentage distribution for hospital care and physicians' services, by major type of carrier or plan, 1961

Type of carrier or plan	Total	Hospital care	Physicians' services ¹
Income			
Amount (in millions).....	\$6, 673	\$4, 421	\$2, 252
Total, percent.....	100.0	100.0	100.0
Blue Cross-Blue Shield.....	42.0	45.3	35.6
Blue Cross.....	30.0	44.4	1.9
Blue Shield.....	12.0	.9	33.7
Insurance companies.....	51.4	50.4	53.2
Group.....	36.2	34.0	40.4
Individual.....	15.2	16.4	12.8
Other.....	6.6	4.3	11.2
Benefit expenditures			
Amount (in millions).....	\$5, 695	\$3, 840	\$1, 856
Total, percent.....	100.0	100.0	100.0
Blue Cross-Blue Shield.....	45.4	48.6	38.7
Blue Cross.....	32.8	47.7	2.0
Blue Shield.....	12.6	.9	36.7
Insurance companies.....	47.5	46.9	48.9
Group.....	38.1	36.9	40.7
Individual.....	9.4	10.0	8.2
Other.....	7.1	4.5	12.4

¹ Includes small amount of insurance payments for drugs, private-duty nursing, dental care, nursing-home care, and appliances.

ance companies. Any comparison of these ratios should take into account various qualifying factors.

For Blue Cross and Blue Shield plans, operating costs—that is, the difference between earned premium income and claims expenses—represent administrative expenses and additions to or withdrawals from reserves. According to the data from the national organizations of these plans, in 1961 the administrative expenses of Blue Cross plans amounted to 4.9 percent of total earned income (premium income plus income from investments), and net income (additions to reserves) amounted to 2.5 percent of the total. For Blue Shield plans, the administrative expenses were somewhat higher—9.7 percent of total earned income—and additions to reserves were 1.6 percent. These data are based on the financial reports of the plans before adjustment for duplication of reporting by plans offering both hospitalization and medical-surgical benefits.

In considering the Blue Cross-Blue Shield administrative expense ratio, it should be borne in mind that these plans offer coverage on both group and individual bases. (About 77 percent of those covered under Blue Cross are enrolled on a group basis and 23 percent on an individual basis. The proportion for Blue Shield would be about the same.) The plans do not calculate separately the administrative expenses for group and for individ-

TABLE 10.—Operating costs of voluntary health insurance plans as percent of income, by major type of carrier or plan, 1948-61¹

Year	All plans	Blue Cross	Blue Shield	Insurance companies		Other plans
				Group	Individual	
1948	29.7	14.6	22.0	30.2	61.7	7.9
1949	24.5	14.8	20.3	25.3	47.7	10.3
1950	23.2	12.3	21.6	22.8	47.4	10.0
1951	18.5	10.2	15.8	11.3	47.7	10.0
1952	19.5	10.7	20.7	12.5	48.4	8.6
1953	20.2	11.5	19.8	13.4	50.1	9.5
1954	20.9	10.7	19.2	17.4	49.0	9.3
1955	19.5	8.6	17.6	16.1	46.9	8.8
1956	16.8	7.5	13.7	11.0	47.3	14.1
1957	16.2	4.9	12.7	10.7	51.8	9.7
1958	13.8	2.8	11.0	8.8	51.3	5.2
1959	14.4	6.4	10.1	9.3	49.1	5.5
1960	14.5	7.2	9.6	9.6	47.1	3.5
1961	14.7	6.8	10.3	10.1	47.1	8.4

¹ Derived from table 7.

ual enrollment. The latter, of course, is much more expensive to administer.

The operating cost ratio of insurance companies as set forth in table 10 includes (a) premium taxes (payable by only a few Blue Cross and Blue Shield plans), licenses, and fees amounting to 2-3 percent of premium income; (b) administrative expenses; (c) acquisition expenses, including commissions and brokerage; (d) additions to reserves; and (e) for stock companies, net profits. As expected, the acquisition costs run considerably higher for policies sold on an individual basis than for group policies.

Data on a nationwide basis are not available, but some idea of the relative size of acquisition and administrative expenses and net gain may be obtained from the financial data reported by the New York State Insurance Department for insurance companies licensed to do business in New York State. These companies write about 85 percent of the Nation's group health and accident insurance business and approximately 60 percent of the individual insurance business of this type.

An analysis of the 1961 data published¹ for group and individual health and accident insurance—which includes disability as well as hospital and medical insurance—shows that acquisition costs (commissions, brokerage, and other selling costs) constitute 5 percent of premiums earned for group policies and 28 percent for individual policies. Premium taxes and fees were proportionately about the same for both types—2.4 percent of premiums earned for group business and 2.5 percent for indi-

¹ New York State Insurance Department, *1961 Loss and Expense Ratios* (tables 9j for group insurance and 9h and 9i for individual insurance).

TABLE 11.—Private expenditures for medical care: Amount and percent met by voluntary health insurance, 1948-61

Year	[Amounts in millions]							
	Total medical care expenditures		Hospital care only		Physicians' services		Hospital care and physicians' services	
	Amount	Percent met by insurance	Amount	Percent met by insurance	Amount	Percent met by insurance ¹	Amount	Percent met by insurance ¹
With expense to obtain insurance excluded								
1948	\$7,407	8.2	\$1,689	26.9	\$2,490	6.1	\$4,179	14.5
1949	7,682	10.0	1,902	29.9	2,501	9.1	4,303	17.8
1950	8,368	11.9	2,125	32.0	2,597	12.0	4,723	21.0
1951	9,072	14.9	2,334	38.4	2,697	15.9	5,031	26.9
1952	9,745	16.5	2,602	41.3	2,851	18.6	5,453	29.4
1953	10,547	18.2	2,909	44.2	3,063	20.6	5,972	32.1
1954	11,318	19.3	3,167	45.5	3,336	22.1	6,503	33.5
1955	12,292	20.6	3,512	47.8	3,433	25.0	6,945	36.5
1956	13,748	21.9	3,905	51.8	3,787	26.2	7,692	39.2
1957	14,932	23.3	4,221	54.6	4,101	28.5	8,322	41.7
1958	16,122	24.0	4,522	57.3	4,553	28.2	9,075	42.7
1959	17,581	25.0	4,840	60.8	5,101	28.5	9,941	44.3
1960	18,952	26.4	5,305	63.3	5,468	30.0	10,773	45.4
1961	20,142	28.3	5,825	65.9	5,824	31.9	11,649	48.9
With expense to obtain insurance included								
1948	7,663	7.9	1,881	24.2	2,554	5.9	4,435	13.7
1949	7,931	9.7	1,970	27.4	2,582	8.8	4,552	16.8
1950	8,669	11.4	2,315	29.4	2,707	11.5	5,022	19.8
1951	9,379	14.4	2,522	35.6	2,816	16.2	5,338	25.3
1952	10,134	15.8	2,834	37.9	3,008	17.6	5,842	27.5
1953	11,033	17.4	3,194	39.9	3,264	19.9	6,458	28.7
1954	11,895	18.3	3,492	41.3	3,588	20.5	7,080	30.8
1955	12,906	19.6	3,851	43.6	3,708	23.1	7,559	33.5
1956	14,357	21.0	4,251	47.6	4,050	24.5	8,301	36.3
1957	15,602	22.3	4,597	50.1	4,395	26.6	8,992	38.6
1958	16,742	23.2	4,863	53.3	4,532	26.6	9,695	40.0
1959	18,321	24.0	5,279	55.8	5,402	26.9	10,681	41.2
1960	19,797	25.2	5,824	57.6	5,794	28.3	11,618	43.0
1961	21,120	27.0	6,407	59.9	6,220	29.8	12,627	45.1

¹ Includes small amount of insurance payments for drugs, private-duty nursing, dental care, nursing-home care, and appliances.

vidual business. Other expenses equaled 5.1 percent of premiums for group coverage and 10.9 percent for individual coverage. Net gain—what was left to the companies after claims and all expenses—amounted to 1.4 percent of premiums for group business and 1.3 percent for individual business.

The aggregate operating cost ratios of independent plans have fluctuated over the years (table 10). In part these changes reflect the shifting of certain large plans into or out of the independent group. The 1961 ratios are shown below.

Type of plan	Percent
All independent plans	8.4
Community	9.2
Medical society, not Blue Shield	18.0
Dental society	23.5
Private group clinic	10.8
Employer-employee-union	7.1
Student health services	2.7

The relatively high ratio shown for dental society plans undoubtedly reflects the fact that these

plans are just getting under way; as enrollment increases, benefit expenditures lag behind receipt of premium income. The figures for plans other than those sponsored by medical and dental societies are presented with some qualifications. Plans that provide service through their own facilities and staffs encounter some difficulty in accurately allocating the expenses of administering the prepayment program and the group clinic. Some employer-sponsored plans reported no administrative expenses, considering them part of business costs.

In union welfare funds the operating costs for health benefits reported, or calculated from the reported data, are in some instances rough allocations. Such plans may purchase insurance for benefits, in addition to those benefits provided directly, and generally buy disability insurance and life insurance as well. Their total operating cost ratio (difference between total income and expenditures) for all benefits may not accurately reflect the operating cost ratio for the self-insured medical benefit part of their program. The figure for the operating cost ratio for the college and university health plans is no more than a rough estimate.

PRIVATE EXPENDITURES MET BY INSURANCE

In 1961 insurance payments met 28.3 percent of private consumer costs for medical care, not counting the cost of obtaining insurance service (table 11). Insurance met 65.9 percent of private expenditures for hospital care and 31.9 percent of those for physicians' services; for both together the proportion was 48.9 percent. When consumer expenditures include the amount spent for obtaining health insurance service, the proportion is slightly lower. As table 11 shows, the proportion of consumers' expenditures paid by insurance has increased steadily.

Table 11 gives a somewhat inaccurate picture of the extent of health insurance coverage, since the insurance payments shown for hospital care and physicians' services—mainly the latter—include some benefit expenditures for other items of care. The effect is to overstate slightly the degree of coverage of hospital care and physicians' services (mainly the latter) and to indicate that there is no insurance coverage of dental care, drugs, nursing service, etc., which is, of course, not strictly the case.

It may be roughly estimated that in 1961 approximately 2.3 percent of all insurance payments were

for items other than hospital care and physicians' services. When this estimate is taken into account, the percentage coverage of physicians' services may be reduced to approximately 29.6 percent, and it may be calculated that insurance met approximately 1.5 percent of expenditures for items other than hospital care and physicians' services. Gradually health insurance is broadening its coverage; it may be anticipated that in years ahead larger gains will be made in the coverage of dental care, nursing service, drugs, and nursing-home care.

The extent to which medical care expenses are insurable, or should be insured against, is controversial. Opinions vary widely on the question of the desirability and feasibility of covering all physicians' services in the office and home, dental care, drugs, etc. Some believe that health insurance should meet, in whole or part, only expenses that would be burdensome and that insurance coverage of occasional doctor visits or prescriptions is wasteful, inefficient, and unnecessary. Others hold that health insurance is potentially a means both of spreading a risk and of budgeting and prepaying health costs and that prepayment enables and encourages people to obtain service that they might otherwise forgo to the detriment of their health.

There are, however, certain items included in present expenditures that few persons believe should be covered under insurance. Among them are the extra costs of luxury hospital accommodations, expenditures for nonprescribed drugs and appliances, the luxury component of eyeglass frames, nonmedical sunglasses, and the services of certain types of practitioners whose services may not be regarded by medical authority as required for adequate care.² It is estimated that, after deduction of these items, 32.5 percent of total expenditures for medical care that might be covered by insurance (not counting net expenditures to obtain insurance) was met in 1961 by insurance payments.

² The deductions that might be made from total medical care expenditures for these items are estimated at \$2,675 million. They include (a) \$125 million for the extra cost of private hospital accommodations (estimated from the report of the American Hospital Association, *Daily Service Charges in Hospitals*, 1960); (b) \$2 billion for drugs and drug sundries other than prescribed drugs and prescription accessories (based on data from "Summary of 1961 Sales of Drug Store Products," *Drug Topics*, July 16, 1962); (c) \$250 million for the extra cost of luxury eyeglass frames and nonmedical sunglasses (estimated at 20 percent of the total for eyeglasses and appliances); and (d) \$300 million for the services of chiropractors, naturopaths, and Christian Science practitioners (see footnote 5, table 1).