

National Health Expenditures, 1950-65

by RUTH S. HANFT*

In 1965, government was the source of slightly more than one-fourth of all national health expenditures. The government share of health expenditures has remained about the same during the past decade. Beginning with 1966, public spending for all health purposes will probably represent a growing proportion of total health expenditures—primarily because of the new programs of health insurance for the aged, medical assistance, and the expanded maternal and child health services. The full effect of the major new programs will not be visible until 1967 when the health insurance program for the aged will have operated for a full year, when medical assistance will have been implemented by a large number of States, and when other new public programs will be in operation.

It is too early to predict the impact of the new legislation on the distribution of the health dollar, by object of expenditure. Other factors such as advances in medical technology, changes in the organization of medical care services, and increased prices will also affect the distribution. The emphasis of the major new programs, however, is on personal health services.

THE NATION EXPENDED in 1965 \$40.8 billion or 6 percent of the gross national product for health services and supplies, health research, and medical facilities construction.¹ Per capita expenditures reached \$209, increasing 7 percent from the previous year. Expenditures for health services and supplies accounted for 91.5 percent of the total, with the balance spent for research and medical facilities construction. Slightly less than three-fourths of all expenditures were private expenditures. Within the private sector, consumers—either directly or through insurance—

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¹ For a detailed description of the definitions used in this series, as well as the methodology and the major sources of data, see Louis S. Reed and Ruth S. Hanft, "National Health Expenditures, 1940-64," *Social Security Bulletin*, January 1966.

made 69 percent of all health expenditures, philanthropy accounted for 3.6 percent, and the balance came from other private sources, primarily industrial in-plant health services and funds for construction. Federal funds accounted for 12.9 percent of all expenditures from public funds, and State and local funds for 12.2 percent.

EXPENDITURES IN 1965

Source of Funds

In 1965, private funds were the source of \$30.5 billion in national health expenditures, and public funds provided \$10.2 billion. Private funds paid for 78 percent of the expenditures for health services and supplies, 11 percent of those for research, and 68 percent of those for medical facilities construction. Of total private health expenditures, more than 95 percent was spent for health services and supplies and less than 5 percent for research and construction.

The nature of the expenditures of the private sector for various health purposes differs markedly from that of the public sector (table 1 and chart 1). About 28 cents of the private dollar was spent for hospital care and 48 cents of the public dollar went for this purpose. In contrast, almost 40 cents of the private dollar was expended for the services of private practitioners but only 6 cents of the public dollar. Medical research continued to be a major expenditure of the public sector; it accounted for 13 percent of all public expenditures but only $\frac{1}{2}$ of 1 percent of private expenditures.

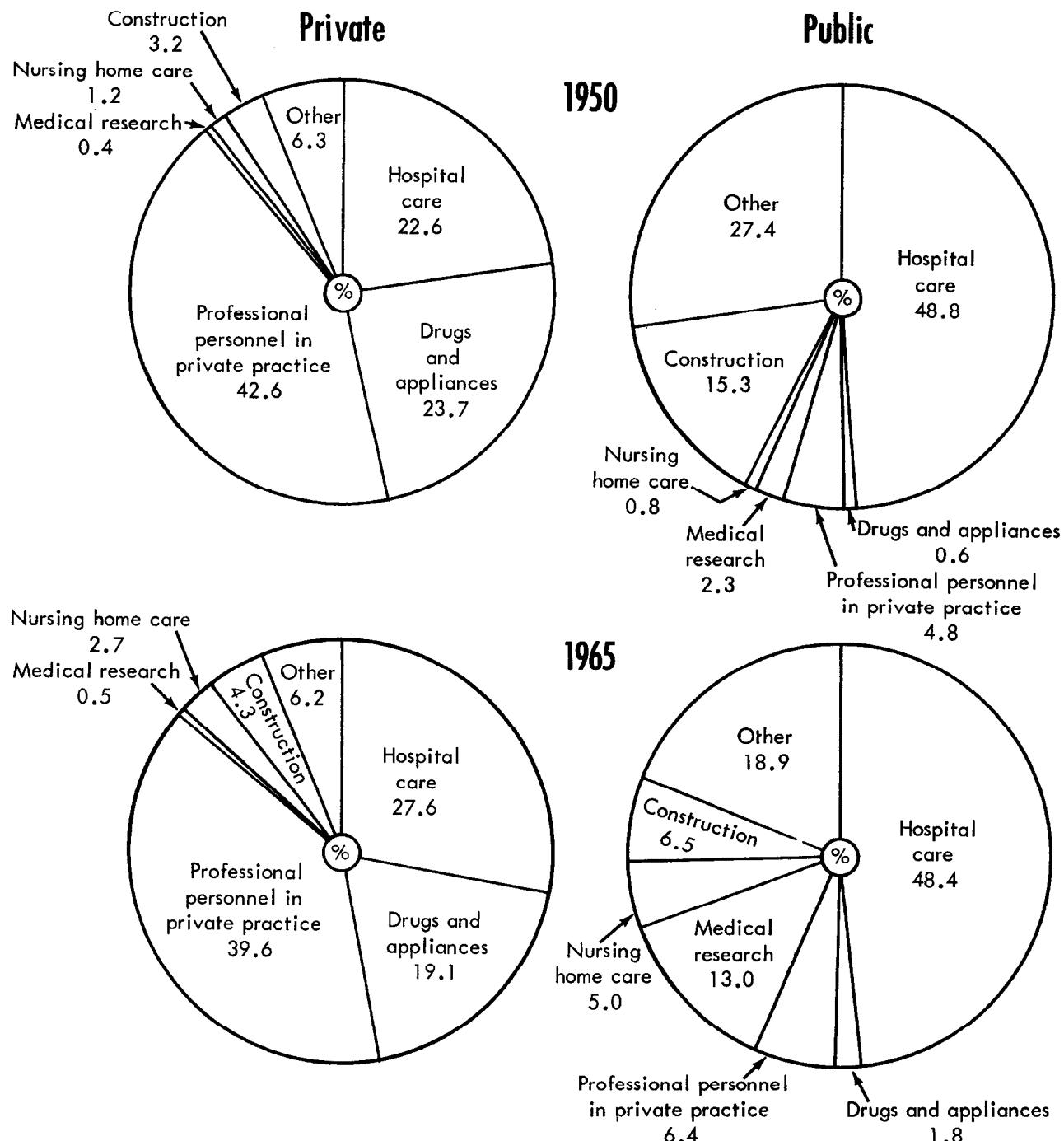
Consumers.—Consumers spent \$28.1 billion in 1965 for health purposes and were responsible for almost 69 percent of total expenditures. Consumer expenditures in this series are exclusively for personal health services (\$26.8 billion) and insurance service (\$1.2 billion), although payments for hospital care by consumers account

indirectly for a substantial portion of the accumulated funds of hospitals that are used for construction or modernization of facilities.

Consumer payments include direct out-of-

pocket payments and private health insurance payments. Slightly less than one-third or \$8.7 billion of all consumer expenditures represented health insurance payments, and \$18.1 billion

Distribution of private and public expenditures, by object of expenditure, 1950 and 1965¹



¹"Other" private expenditures include those for the net cost of health insurance, private voluntary health agencies, and industrial in-plant health services. "Other" public expenditures include those for government public

health activities, medical activities in Federal units other than hospitals, and school health services.

TABLE 1.—National health expenditures by object of expenditure and source of funds, 1965

(Amounts in millions)

Object of expenditure	Total		Source of funds						
	Amount	Percent- age distri- bution	Private				Public		
			Total	Con- sumers	Philan- thropy	Other	Total	Federal	
Total	\$40,751	100.0	\$30,534	\$28,074	\$1,459	\$1,001	\$10,217	\$5,262	\$4,955
Health services and supplies									
Hospital care	37,274	91.5	29,045	28,074	634	338	8,228	3,674	4,554
Federal facilities	13,379	32.8	8,432	8,127	305	—	4,947	1,967	2,980
State and local facilities	1,600	3.9	15	15	—	—	1,585	1,566	19
Nongovernmental facilities	4,018	9.9	1,352	1,352	—	—	2,600	166	2,500
Physicians' services	7,761	19.0	7,065	6,760	305	—	696	235	461
Dentists' services	9,003	22.1	8,437	8,428	9	—	566	137	429
Other professional services	2,832	6.9	2,800	2,800	—	—	32	18	14
Drugs and drug sundries	896	2.2	842	818	24	—	54	15	39
Eyeglasses and appliances	4,757	11.7	4,617	4,617	—	—	140	71	69
Nursing-home care	1,260	3.1	1,219	1,219	—	—	41	17	24
Net cost of insurance	1,324	3.2	814	793	21	—	510	273	237
Medical activities in Federal units other than hospitals	1,272	3.1	1,272	1,272	—	—	—	—	—
Government public health activities	888	2.1	—	—	—	—	858	858	—
Private voluntary health agencies	947	2.3	—	—	—	—	947	318	629
School health services	275	.7	275	—	275	—	—	—	—
Industrial in-plant health services	133	.3	—	—	—	—	133	—	133
Research and medical-facilities construction	3,477	8.5	1,488	—	825	663	1,989	1,588	401
Research	1,490	3.7	163	—	163	—	1,327	1,269	58
Construction	1,087	4.9	1,325	—	662	663	602	319	343
Publicly owned	555	1.4	—	—	—	—	555	223	332
Privately owned	1,432	3.5	1,325	—	662	663	107	96	11
Percentage distribution by source of funds:									
Total	100.0	—	74.9	68.9	3.6	2.5	25.1	12.9	12.2
Health services	100.0	—	77.9	75.3	1.7	.9	22.1	9.9	12.2
Research	100.0	—	10.9	—	10.9	—	89.1	85.2	3.9
Construction	100.0	—	66.7	—	33.3	33.4	33.3	16.1	17.3

TABLE 1a.—National health expenditures by object of expenditure and source of funds, 1964 (revised data)

(Amounts in millions)

Object of expenditure	Total		Source of funds						
	Amount	Percent- age distri- bution	Private				Public		
			Total	Con- sumers	Philan- thropy	Other	Total	Federal	
Total	\$37,493	100.0	\$28,217	\$25,928	\$1,367	\$922	\$9,276	\$4,693	\$4,583
Health services and supplies									
Hospital care	34,363	91.7	26,887	25,928	614	325	7,496	3,268	4,228
Federal facilities	12,621	33.7	7,902	7,612	290	—	4,719	1,881	2,838
State and local facilities	1,535	4.1	14	14	—	—	1,521	1,502	19
Nongovernmental facilities	3,827	10.2	1,262	1,262	—	—	2,565	156	2,409
Physicians' services	7,259	19.4	6,626	6,336	290	—	633	223	410
Dentists' services	8,065	21.5	7,564	7,554	10	—	501	116	385
Other professional services	2,647	7.1	2,620	2,620	—	—	27	15	12
Drugs and drug sundries	885	2.4	843	820	23	—	42	12	30
Eyeglasses and appliances	4,437	11.8	4,315	4,315	—	—	122	60	62
Nursing-home care	1,105	2.9	1,067	1,067	—	—	38	18	20
Net cost of insurance	1,215	3.2	809	789	20	—	406	203	203
Medical activities in Federal units other than hospitals	1,151	3.1	1,151	1,151	—	—	—	—	—
Government public health activities	697	1.9	—	—	—	—	697	697	—
Private voluntary health agencies	814	2.2	—	—	—	—	814	266	548
School health services	271	.7	271	—	271	—	—	—	—
Industrial in-plant health services	130	.3	—	—	—	—	130	—	130
Research and medical-facilities construction	325	.9	325	—	—	325	—	—	—
Research	3,130	8.3	1,350	—	753	597	1,780	1,425	355
Construction	1,322	3.5	157	—	157	—	1,165	1,112	53
Publicly owned	1,808	4.8	1,193	—	596	597	615	313	302
Privately owned	507	1.4	—	—	—	—	507	215	292
Percentage distribution by source of funds:									
Total	100.0	—	75.3	69.2	3.6	2.5	24.7	12.5	12.2
Health services	100.0	—	78.2	75.5	1.8	.9	21.8	9.5	12.3
Research	100.0	—	11.9	—	11.9	—	88.1	84.1	4.0
Construction	100.0	—	66.0	—	33.0	33.0	34.0	17.3	16.7

represented the direct out-of-pocket payments.

Philanthropy.—Private philanthropy accounted for \$1.5 billion or 3.6 percent of the total spent for health. Since 1950, philanthropy has provided a decreasing proportion of the expenditures for personal health care (\$634 million in 1965) but an increasing share (\$825 million in 1965) of the funds for research and medical-facilities construction.

Other private sources.—The remaining private expenditures of \$1 billion included the amount spent by industry for in-plant health services (more than \$300 million) and an estimated \$600 million expended for hospital construction.

Government.—Government was the source of \$10.2 billion in health spending in 1965, with more than half (\$5.3 billion) originating from the Federal Government. Government expenditures accounted for more than one-third of expenditures for hospital care, almost 90 percent of those for research, and approximately one-third of those for construction.

The distribution of government funds shown in table 1 is based on the ultimate source of funds and shows as Federal funds those amounts expended by State and local governments under grant-in-aid programs. These grant-in-aid funds

TABLE 2.—Government expenditures for health purposes by object of expenditure and unit making outlay, 1965

[In millions]

Object of expenditure	Unit of government making outlay		
	Total	Fed- eral	State and local
Total	\$10,217	\$4,222	\$5,995
Health services and supplies			
Hospital care	8,228	2,707	5,521
Federal facilities	4,947	1,636	3,311
State and local facilities	1,585	1,566	19
Nongovernmental facilities	2,666	9	2,657
Physicians' services	696	61	635
Dentists' services	566	49	517
Other professional services	32	2	30
Drugs and drug sundries	54	1	53
Eyeglasses and appliances	140	4	136
Nursing-home care	41	7	34
Medical activities in Federal units other than hospitals	510	—	510
Government public health activities	858	858	—
School health services	947	151	796
Medical research and medical-facilities construction	133	—	133
Research	1,989	1,515	474
Construction	1,327	1,269	58
Publicly owned	662	246	416
Privately owned	555	150	405
	107	96	11

include those for public assistance (vendor medical payments), maternal and child health programs, public health categorical programs such as tuberculosis and venereal disease control, and hospital construction.

Health care or health benefits provided by the Department of Defense, the Veterans Administration, and the Public Health Service are shown as direct Federal expenditures.

In terms of the unit of government making the outlay, \$4.2 billion was spent in 1965 by the Federal Government directly and \$6.0 billion by State and local governments (table 2). The difference between these estimates and the amounts shown in table 1 are the grant-in-aid funds.

Types of Service

Hospital care.—Expenditures for hospital care continued to constitute the largest item of national health expenditures and in 1965 reached \$13.4 billion, or almost 33 percent of total health expenditures.

Of the total, 58 percent was for care in non-government hospitals, 30 percent for care in State and local government hospitals, and 11 percent for care in Federal hospitals (table 3). Hospital care estimates in this series include both inpatient and outpatient hospital services.

Consumer payments of \$8.1 billion met 60.7 percent of all hospital care expenditures. Insurance benefits amounted to \$5.8 billion and met 71.2 percent of all consumer expenditures for hospital care and approximately 43 percent of all hospital care expenditures. Government provided \$4.9 billion, or almost 37 percent of the funds for hospital care; philanthropy paid for more than 2 percent. Third-party payments amounted to 82.5 percent of all hospital care costs.

The sources of financing vary with the ownership of the hospital. Federal facilities, which include facilities maintained by the Defense Department, the Veterans Administration, and the Public Health Service, are almost exclusively financed by the Federal Government. State and local government hospitals received 66 percent of their financing from public sources (\$2.7 billion):

TABLE 3.—Expenditures for hospital care by type of hospital and source of funds, 1965

(In millions)

Source of funds	All hospitals	Type of hospital		
		General	Tuberculosis	Psychiatric
All hospitals				
Total	\$13,378.4	\$11,131.8	\$186.5	\$2,060.1
Consumers	8,127.0	7,825.9	25.9	275.2
Government	4,946.4	3,000.9	160.6	1,784.9
Federal	1,967.3	1,585.5	20.4	361.4
State and local	2,979.1	1,415.4	140.2	1,423.5
Philanthropy	305.0	305.0	—	—
Federal hospitals				
Total	1,599.9	1,199.9	20.4	379.6
Consumers	15.1	15.1	—	—
Government	1,584.8	1,184.8	20.4	379.6
Federal	1,565.9	1,184.1	20.4	361.4
State and local	18.9	.7	—	18.2
State and local government hospitals				
Total	4,017.7	2,329.4	155.8	1,532.5
Consumers	1,351.9	1,209.1	15.6	127.2
Government	2,665.8	1,120.3	140.2	1,405.3
Federal	166.3	166.3	—	—
State and local	2,499.5	954.0	140.2	1,405.3
Nongovernmental hospitals				
Total	7,760.8	7,602.5	10.3	148.0
Consumers	6,760.0	6,601.7	10.3	148.0
Government	695.8	695.8	—	—
Federal	235.1	235.1	—	—
State and local	460.7	460.7	—	—
Philanthropy	305.0	305.0	—	—

62 percent (\$2.5 billion) came from State and local government sources; and a small amount (166 million) came from the Federal Government. Consumer payments of \$1.4 billion provided the balance. Voluntary and proprietary nongovernment hospitals received \$6.8 billion or 87 percent of their income from private consumers, \$696 million or 9 percent from government, and \$305 million or 3.9 percent from philanthropy.

Consumers were the source of most of the expenditures in general hospitals, and government provided \$3.0 billion or 26.9 percent, with the balance coming from philanthropic sources. In contrast, public funds were the source of 87 percent of the care in psychiatric hospitals and 86 percent of the care in tuberculosis hospitals.

Government expenditures for hospital care include not only Federal, State, and local government expenditures for maintenance of publicly

owned hospitals but also vendor payments for care of patients under various public medical care programs. Payments in 1965 under the largest of these programs—vendor medical payments under public assistance—were estimated at \$644.7 million.

Physicians' services.—Expenditures for the services of physicians in private practice amounted to \$9.0 billion in 1965, or 22 percent of all health expenditures. Consumers, directly or through insurance, were the source of almost 94 percent (\$8.4 billion) of the expenditures. Health insurance payments met approximately 32 percent of consumer payments for physicians' services and almost 30 percent of all expenditures for these services. (This year more accurate information became available on insurance payments, permitting the allocation of payments previously reported for physicians' services to other types of care, such as nursing homes, special nursing, etc.)

The balance of the expenditures for physicians' services consisted mainly of government expenditures (\$566 million) and small amounts of philanthropic payments (estimated at \$9 million). Public payments for the services of physicians in private practice will probably show a considerable rise in 1966 when the expanded public assistance medical program and the program of health insurance for the aged have been in operation.

Dentists' services.—Spending for the services of dentists in private practice amounted to \$2.8 billion in 1965. Almost all expenditures for the services of dentists were consumer payments (\$2.8 billion), with government funds paying for only slightly more than 1 percent of these services.

Other professional services.—Slightly more than 2 percent of the health dollar (\$896 million) was spent for other professional services. These services include the services of registered and practical nurses, podiatrists, chiropractors, naturopaths, physical therapists, clinical psychologists, and Christian Science practitioners in private practice and the expenses of private visiting-nurse associations.

Drugs and drug sundries, eyeglasses, and appliances.—Total expenditures for drugs and drug

sundries amounted to \$4.8 billion, or almost 12 percent of all health expenditures; of the total, \$4.6 billion was spent by consumers. Expenditures for eyeglasses and appliances were \$1.8 billion, and again the bulk of the expenditures came from consumers.

Nursing-home care.—Total estimated expenditures for nursing-home care were \$1.3 billion, of which government funds paid approximately \$510 million and consumers approximately \$793 million, and the small balance was paid for from philanthropic sources.

Net cost of insurance.—Consumers spent \$1.3 billion for insurance service. These are the retentions of the health insurance organizations for operating expenses, additions to reserves, and profits² and are exclusively a consumer expenditure.

Medical activities in Federal units other than hospitals.—Expenditures for medical facilities, such as dispensaries and outpatient clinics separate from hospitals that are operated by the Federal Government, reached \$858 million in 1965. Included in such expenditures are the costs of maintaining military medical dispensaries, field stations, and medical units on naval vessels. The increase in this category of expenditures between 1964 and 1965 was more than 23 percent, reflecting the activities in Viet Nam.

Government public health activities.—Federal, State, and local governments spent \$947 million for public health activities. Although some personal health care expenditures are included (services in public health clinics, for example), the expenditures in this category are primarily for community and environmental health services. State and local governments were the source of \$629 million or 66 percent of public health expenditures, and the Federal Government was the source of \$318 million.

Voluntary health agencies.—Philanthropic expenditures of voluntary health agencies were \$275 million in 1965. This category represents

residual expenditures of voluntary health agencies for community health activities, health education, and administrative costs. Expenditures of these agencies for research, hospital care, and physicians' services are shown under the specific services.

School health services and industrial in-plant health services.—School health services provided by public education agencies amounted to \$133 million in 1965. Services of this type that are provided by public health agencies are included with public health activities. Expenditures for in-plant health services totaled \$388 million.

Research.—Expenditures for medical research amounted to almost \$1.5 billion, an increase of approximately 13 percent over 1964. Government funds were the source of 89 percent or \$1.3 billion of these expenditures. The Federal Government continued to be the major supplier of funds for medical research and provided 85 percent of all funds for this purpose in 1965.

Medical facilities construction.—Almost \$2.0 billion was spent for the construction of medical facilities, with \$1.3 billion or slightly more than two-thirds of the funds provided from private sources. About \$319 million or 16 percent came from the Federal Government, and \$343 million or 17 percent was from State and local governments. Approximately 30 percent of the Federal funds supported the construction of privately owned facilities, but the bulk of State and local funds went for the construction of State and local facilities. The remaining amount of Federal funds—\$223 million—was spent for the construction of military, veterans, and other Federal facilities and for grants-in-aid for the construction of State and local government facilities.

Private funds include philanthropy (gifts of corporations and individuals) and "other" sources (accumulated funds of hospitals and loans and funds advanced by proprietary interests).

HISTORICAL DATA

National health expenditures increased from \$12.9 billion in 1950 to \$40.8 billion in 1965

² See Louis S. Reed, "Private Health Insurance: Coverage and Financial Experience, 1965," *Social Security Bulletin*, November 1966.

TABLE 4.—National health expenditures by object of expenditure, selected years, 1950–65

[Amounts in millions]

Object of expenditure	1950	1955	1960	1961	1962	1963	1964	1965
Total.....	\$12,867	\$18,030	\$26,892	\$28,811	\$31,378	\$33,623	\$37,493	\$40,751
Health services and supplies.....								
Hospital care.....	11,910	17,099	25,155	26,770	28,916	30,951	34,363	37,274
Federal facilities.....	3,845	5,929	9,044	9,869	10,598	11,642	12,621	13,379
State and local facilities.....	728	902	1,221	1,358	1,433	1,480	1,535	1,600
Nongovernmental facilities.....	1,175	1,911	2,827	3,066	3,252	3,541	3,827	4,018
Physicians' services.....	1,942	3,116	4,996	5,445	5,913	6,621	7,259	7,761
Dentists' services.....	2,755	3,680	5,684	5,895	6,499	6,891	8,065	9,003
Other professional services.....	975	1,525	1,977	2,068	2,234	2,277	2,647	2,832
Drugs and drug sundries.....	395	559	830	848	867	884	885	896
Eyeglasses and appliances.....	1,730	2,385	3,663	3,833	4,098	4,234	4,437	4,757
Nursing-home care.....	490	597	784	809	913	983	1,105	1,260
Net cost of insurance.....	142	222	526	607	695	891	1,215	1,324
Medical activities in Federal units other than hospitals.....	300	614	845	978	1,067	1,074	1,151	1,272
Government public health activities.....	547	656	629	600	578	619	697	858
Private voluntary health agencies.....	401	473	565	617	689	745	814	947
School health services.....	140	175	230	237	244	266	271	275
Industrial in-plant health services.....	34	69	108	122	130	131	130	133
Research and medical-facilities construction.....	156	215	270	287	304	314	325	338
Research.....	957	937	1,737	2,041	2,462	2,672	3,130	3,477
Construction.....	117	216	663	844	1,033	1,184	1,322	1,490
Publicly owned.....	840	721	1,074	1,197	1,429	1,488	1,808	1,987
Privately owned.....	496	370	469	426	444	458	507	555
Total expenditures as a percent of gross national product.....	4.5	4.5	5.3	5.5	5.6	5.7	5.9	6.0

(table 4). In 1950 these expenditures had represented 4.5 percent of the gross national product; in 1965 they accounted for 6 percent of the gross national product. Per capita expenditures increased from \$84.49 to \$209.40 (table 5). In absolute terms, per capita expenditures increased by 148 percent. If the increases are adjusted to account for the changes in the cost of living, per capita expenditures increased by 89 percent from 1950 to 1965.

There were only slight changes in the distribution of the sources of funds for all health purposes from 1950 to 1965. Private expenditures represented 72 percent of the expenditures in 1950, 74 percent in 1955, slightly more than 75 percent in 1960, and slightly less than 75 percent in 1965.

Type of Service

Some changes occurred in the distribution of health expenditures by type of service between 1950 and 1965. The more perceptible shifts were increases in expenditures for hospital and nursing-home care and research, with relative declines in the spending for most other types of service.

Expenditures for hospital care as a proportion of all national health expenditures rose from 29.9 percent in 1950 to 32.8 percent in 1965 (table 6). The distribution of hospital expenditures by type of hospital showed a considerable shift. In 1950, 19 percent of the hospital expenditures were for

care in Federal facilities, compared with 12 percent in 1965. Expenditures for care in State and local government facilities remained at a constant 30 percent, but expenditures for care in nongovernmental facilities rose from approximately 51 to 57 percent.

In the article on national health expenditures in the BULLETIN for January 1966, the estimates indicated a decline in the proportion of health expenditures for the services of physicians in private practice. Revised data for 1964 and estimates for 1965 indicate that the proportion of expenditures for physicians' services has not dropped but risen slightly. The upward revision of the estimates for 1964 and 1965 are based on more recent data from the Internal Revenue Service and can probably be attributed to a combination of factors, including an improved data-collection and reporting system and a rise in medical care prices.

The relative importance of expenditures for the services of dentists and other professionals, and for drugs, eyeglasses, and appliances has declined. The greatest percentage increase in gross and per capita expenditures for health supplies and services was for nursing-home care. In 1950, nursing-home care took 1.1 percent of the health dollar; in 1965 it used up 3.2 percent.

Except for school health services and the net cost of insurance, all remaining components of health services and supplies declined in importance.

TABLE 5.—Per capita national health expenditures, selected years, 1950–65¹

Object of expenditure	1950	1955	1960	1961	1962	1963	1964	1965
Total national health expenditures.....	\$84.49	\$108.67	\$148.81	\$156.76	\$168.08	\$177.48	\$195.12	\$209.40
Health services and supplies.....	78.20	103.03	139.20	145.66	154.89	163.37	178.83	191.54
Hospital care.....	25.25	35.72	50.05	53.70	56.77	61.45	65.68	68.75
Physicians' services.....	18.09	22.17	31.45	32.07	34.81	36.37	41.97	46.26
Dentists' services.....	6.40	9.19	10.94	11.25	11.97	12.02	13.78	14.55
Other professional services.....	2.59	3.37	4.59	4.61	4.64	4.67	4.61	4.60
Drugs and drug sundries.....	11.36	14.37	20.27	20.86	21.95	22.35	23.09	24.44
Eyeglasses and appliances.....	3.22	3.60	4.34	4.40	4.89	5.19	5.75	6.47
Nursing-home care.....	.93	1.34	2.91	3.30	3.72	4.70	6.32	6.80
Net cost of insurance.....	1.97	3.70	4.68	5.32	5.72	5.67	5.99	6.54
Medical activities in Federal units other than hospitals.....	3.59	3.95	3.48	3.26	3.10	3.27	3.63	4.41
Government public health activities.....	2.63	2.85	3.13	3.36	3.69	3.93	4.24	4.87
Private voluntary health agencies.....	.92	1.05	1.27	1.29	1.31	1.40	1.41	1.41
School health services.....	.22	.42	.60	.66	.70	.69	.68	.68
Industrial in-plant health service.....	1.02	1.30	1.49	1.56	1.63	1.66	1.69	1.74
Total national health expenditures in 1965 prices.....	110.73	128.00	158.65	165.36	175.27	182.78	198.29	209.40

¹ Based on total population, including Armed Forces and Federal civilian employees abroad as of July 1.

Research continues to be the fastest-growing component of all national health expenditures, increasing from \$117 million in 1950 to \$1.5 billion in 1965. Between 1964 and 1965, expenditures for research increased by almost 13 percent. In 1950, these expenditures represented 0.9 percent of all health expenditures; by 1965 the proportion had risen to 3.7 percent.

Although expenditures for construction declined in relation to all health expenditures, the drop primarily reflected the decreasing proportion of funds for the construction of publicly owned facilities—from 3.9 percent of total health expenditures in 1950 to 1.4 percent in 1965. Construction of privately owned facilities, which represented 2.7 percent of health expenditures in 1950, made up 3.5 percent of the 1965 total.

TABLE 6.—Percentage distribution of national health expenditures by object of expenditure, selected years, 1950–65

Object of expenditure	1950	1955	1960	1965
Total.....	100.0	100.0	100.0	100.0
Health services and supplies.....	92.6	94.8	93.5	91.5
Hospital care.....	29.9	32.9	33.6	32.8
Federal facilities.....	5.7	5.0	4.5	3.9
State and local facilities.....	9.1	10.6	10.5	9.9
Nongovernmental facilities.....	15.1	17.3	18.6	19.0
Physicians' services.....	21.4	20.4	21.1	22.1
Dentists' services.....	7.6	8.5	7.4	6.9
Other professional services.....	3.1	3.1	3.1	2.2
Drugs and drug sundries.....	13.4	13.2	13.6	11.7
Eyeglasses and appliances.....	3.8	3.3	2.9	3.1
Nursing-home care.....	1.1	1.2	2.0	3.2
Net cost of insurance.....	2.3	3.4	3.1	3.1
Medical activities in Federal units other than hospitals.....	4.3	3.6	2.3	2.1
Government public health activities.....	3.1	2.6	2.1	2.3
Private voluntary health agencies.....	1.1	1.0	.9	.7
School health services.....	.3	.4	.4	.3
Industrial in-plant health services.....	1.2	1.2	1.0	.8
Research and medical-facilities construction.....	7.4	5.2	6.5	8.5
Research.....	.9	1.2	2.5	3.7
Construction.....	6.5	4.0	4.0	4.9
Publicly owned.....	3.9	2.1	1.7	1.4
Privately owned.....	2.7	1.9	2.3	3.5

Personal Health Care and Third-Party Payments

Personal health care expenditures more than trebled between 1950 and 1965, growing from \$11.1 billion to \$34.8 billion (table 7). In 1950, about 35 percent of personal health expenditures were met by third-party payments, compared with 48 percent in 1965 (table 8). Direct out-of-pocket payments by consumers, which met two-thirds of all personal health care expenditures in 1950, met only slightly more than half in 1965.

Third-party payments include health insurance benefit payments, government expenditures, philanthropy, and the expenditures of employers to maintain industrial in-plant health facilities.

Voluntary insurance in 1965 was the largest source of third-party payments. Insurance met 9 percent of personal health care expenditures in 1950, compared with slightly more than 25 percent in 1965. Government payments as a source of third-party payments declined from 23.0 percent of personal health care expenditures in 1950 to 20.9 percent in 1965. Data for 1966 will probably start a reversal of this trend as operations of the new public programs begin to be reflected. Philanthropy and other private sources of funds met 2.9 percent of the personal health care expenditures in 1950, compared with 2 percent in 1965.

The importance of third-party payments varies considerably by type of service. Third-party payments for hospital care met 67 percent of hospital expenditures in 1950 and almost 83 percent in 1965. Insurance benefits met 43 percent of all hospital care expenditures in 1965, government expenditures met approximately 37 percent, with

TABLE 7.—Amount and percent of personal health care expenditures and consumer expenditures for medical care met by private insurance, selected years, 1950–65¹

Year	Personal health care expenditure	Consumer expenditure for personal health care		Insurance payments			
		Amount	Percent	As percent of—		Amount	Percent
				Personal health care	Consumer expenditure		
All types of services							
1950.....	\$11,069	\$8,201	74.1	\$992	9.0	12.1	
1955.....	15,837	11,807	74.6	2,536	16.0	21.5	
1960.....	23,515	18,066	76.8	4,996	21.2	27.7	
1965.....	34,781	26,802	77.1	8,729	25.1	32.6	
Hospital care ²							
1950.....	3,845	1,965	51.1	680	17.7	34.6	
1955.....	5,929	3,244	54.7	1,679	28.3	51.8	
1960.....	9,044	5,281	58.4	3,304	36.5	62.6	
1965.....	13,379	8,127	60.7	5,790	43.3	71.2	
Physicians' services ²							
1950.....	2,755	2,597	94.3	312	11.3	12.0	
1955.....	3,680	3,433	93.3	857	23.3	25.0	
1960.....	5,684	5,304	93.3	1,593	28.0	30.0	
1965.....	9,003	8,428	93.6	2,680	29.8	31.8	
Other							
1950.....	4,469	3,639	81.4	(*)	(*)	(*)	
1955.....	6,228	5,130	82.4	(*)	(*)	(*)	
1960.....	8,787	7,481	85.1	99	1.1	1.3	
1965.....	12,398	10,247	82.6	259	2.1	2.5	

¹ Based on data from Louis S. Reed, "Private Health Insurance, 1965," *Social Security Bulletin*, November 1966.

² Includes insurance payments of small amounts for other types of professional services for 1950 and 1955.

³ Not available.

the balance of third-party payments provided by philanthropic sources.

Approximately 36 percent of the expenditures for the services of physicians in private practice were met by third-party payments. Health insurance accounted for approximately 30 percent, with the major part of the balance coming from government funds. Improved data on the distribution of health insurance benefits by type of service have resulted in lower estimates of the proportion of physicians' services met by insurance than those published previously.³

A negligible portion of the expenditures for dentists' services, other professional services, drugs, eyeglasses, and appliances were paid for through third parties. Beginning with data for 1966, government payments for some of these services will probably show an increase.

³ Louis S. Reed, *ibid.*

TABLE 8.—Amount and percent of expenditure for personal health care met by third parties, selected years, 1950–65

Year	Total expenditures ¹	Third-party payments					
		Total		Health insurance		Government	
		Amount	Percent	Amount	Percent	Amount	Percent
1950....	\$11,069	\$3,860	34.9	\$992	9.0	\$2,548	23.0
1955....	15,837	6,566	41.5	2,536	16.0	3,609	22.8
1960....	23,515	10,445	44.4	4,996	21.2	4,912	20.9
1961....	24,938	11,633	46.6	5,695	22.8	5,361	21.5
1962....	26,916	12,680	47.1	6,344	23.6	5,718	21.2
1963....	28,886	13,812	47.8	6,980	24.2	6,191	21.4
1964....	32,127	15,182	47.3	7,832	24.4	6,682	20.8
1965....	34,781	16,708	48.0	8,729	25.1	7,282	20.9
							668
							2.0

¹ All expenditures for health services and supplies other than (1) net cost of insurance, (2) government public health activities, and (3) expenditures of private voluntary health agencies.

Third-party payments accounted for approximately 40 percent of nursing-home care in 1965, compared with 22 percent in 1950. Government payments were the major source of third-party payments for nursing-home care, and paid for more than 38 percent of these expenditures in 1965.

Private Consumer Expenditures

Private consumer expenditures for health services and supplies accounted for 6.0 percent of the national disposable income in 1965, compared with 4.1 percent in 1950 (table 9). Per capita expenditures rose almost 160 percent—from \$56.38 to \$146.31. When adjustments are made for the rise in medical care prices, consumer spending for health purposes grew approximately 56 percent between 1950 and 1965.

The growth in consumer expenditures has shown substantially the same long-range trends as that of national expenditures for health services and supplies. The one major variation was in nursing-home care. As national per capita expenditures for nursing-home care increased sevenfold, consumer payments per capita rose at a slower rate, reflecting the proportionately growing share of government payments for nursing-home care. The percentage distribution of consumer expenditures is shown in table 10.

By 1965, almost one-third of all consumer payments were met by health insurance, compared with 12 percent in 1950 (table 7). Insurance benefits for hospital care paid for 71 percent of

TABLE 9.—Gross and per capita amounts of private consumer expenditures for health services and supplies, by type of expenditure, selected years, 1950–65

Object of expenditure	1950	1955	1960	1961	1962	1963	1964	1965
Amount (in millions)								
Total	\$8,501	\$12,421	\$18,911	\$19,978	\$21,657	\$23,108	\$25,928	\$28,074
Hospital care	1,965	3,244	5,281	5,743	6,231	6,931	7,612	8,127
Physicians' services	2,597	3,433	5,304	5,472	6,042	6,408	7,554	8,428
Dentists' services	961	1,508	1,962	2,048	2,213	2,254	2,620	2,800
Other professional services	370	531	795	809	822	834	820	818
Drugs and drug sundries	1,716	2,355	3,598	3,750	4,002	4,127	4,315	4,617
Eyeglasses and appliances	482	586	760	783	885	951	1,067	1,219
Nursing-home care	110	150	366	395	395	529	789	793
Net cost of insurance	300	614	845	978	1,067	1,074	1,151	1,272
Total consumer expenditures as a percent of national disposable personal income	4.1	4.5	5.4	5.5	5.6	5.7	5.9	6.0
Per capita ¹								
Total	\$56.38	\$76.22	\$106.15	\$110.25	\$117.83	\$123.79	\$136.92	\$146.31
Hospital care	13.03	19.91	29.64	31.69	33.90	37.13	40.20	42.36
Physicians' services	17.22	21.07	29.77	30.20	32.87	34.33	39.89	43.92
Dentists' services	6.37	9.25	11.01	11.30	12.04	12.07	13.84	14.59
Other professional services	2.45	3.26	4.46	4.46	4.47	4.47	4.33	4.26
Drugs and drug sundries	11.38	14.45	20.20	20.69	21.77	22.11	22.79	24.06
Eyeglasses and appliances	3.20	3.60	4.27	4.32	4.82	5.09	5.63	6.35
Nursing-home care	.73	.92	2.05	2.18	2.15	2.83	4.17	4.13
Net cost of insurance	1.99	3.77	4.74	5.40	5.81	5.75	6.08	6.63
Total consumer expenditures per capita in 1965 prices	93.97	105.28	120.08	121.15	126.16	129.35	140.29	146.31

¹ Based on U.S. civilian resident population as of July 1.

consumer expenditures in 1965; they met about 35 percent of these expenditures in 1950.

Revised data on insurance payments for physicians' services indicate that in 1965 about 32 percent of consumer expenditures for these services were paid for by insurance.

Government Expenditures

Government expenditures for health grew from \$3.6 billion in 1950 to \$10.2 billion in 1965 (table 11). The fastest-growing government expenditures have been for nursing-home care and medical research. Public expenditures for nursing-home care accounted for less than 1 percent

of public expenditures in 1950 and for 5 percent in 1965. Expenditures for research represented 2.3 percent of public expenditures in 1950 and for 13 percent in 1965. The proportion of the public dollar spent for construction has taken a reverse trend, declining from 15.3 percent in 1950 to 6.5 percent in 1965.

There has been a shift in the proportions of total public expenditures that represent Federal spending and State and local spending. Expenditures of the Federal Government have shown a faster rate of increase than those of State and local governments. Federal expenditures accounted for slightly more than 47 percent of public expenditures in 1950, and they represented more than 51 percent of these expenditures in 1965.

The new programs that became effective in 1966 will probably increase the proportion of public spending for health purposes in comparison with the proportion spent privately. In addition, the trend of a more rapid growth of Federal expenditures for health is likely to continue, since the health insurance program for the aged is exclusively a Federal program. Furthermore, the new medical assistance program provides for an increased Federal share of expenditures for medically indigent people.

TABLE 10.—Percentage distribution of private consumer expenditures for health services and supplies, selected years, 1950–65

Object of expenditure	1950	1955	1960	1965
Total	100.0	100.0	100.0	100.0
Hospital care	23.1	26.1	27.9	28.9
Physicians' services	30.5	27.6	28.0	30.0
Dentists' services	11.3	12.1	10.4	10.0
Other professional services	4.4	4.3	4.2	2.9
Drugs and drug sundries	20.2	19.0	19.0	16.4
Eyeglasses and appliances	5.7	4.7	4.0	4.3
Nursing-home care	1.3	1.2	1.9	2.8
Net cost of insurance	3.5	4.9	4.5	4.5

TABLE 11.—Government expenditures for health purposes, selected years, 1950–65

[In millions]

Object of expenditure	1950	1955	1960	1961	1962	1963	1964	1965
Total								
	\$3,578	\$4,638	\$6,579	\$7,217	\$7,856	\$8,598	\$9,276	\$10,217
Health services and supplies								
Hospital care	2,949	4,082	5,477	5,978	6,407	6,936	7,496	8,228
Physicians' services	1,745	2,510	3,533	3,876	4,107	4,431	4,719	4,947
Dentists' services	151	239	371	414	447	473	501	566
Other professional services	14	17	15	20	21	23	27	32
Drugs and drug sundries	5	8	15	18	22	27	42	54
Eyeglasses and appliances	14	30	65	83	96	107	122	140
Nursing-home care	8	11	24	26	28	32	38	41
Medical activities in Federal units other than hospitals	30	69	152	202	289	348	406	510
Government public health activities	547	656	629	600	578	619	697	858
School health services	401	473	565	617	689	745	814	947
Research and construction	34	69	108	122	130	131	130	133
Research	629	556	1,102	1,239	1,449	1,662	1,780	1,989
Construction	83	159	538	712	892	1,033	1,165	1,327
	546	397	564	527	557	629	615	662
Federal								
	\$1,706	\$2,061	\$3,067	\$3,463	\$3,894	\$4,307	\$4,693	\$5,262
Health services and supplies								
Hospital care	1,398	1,777	2,275	2,508	2,757	3,001	3,268	3,674
Physicians' services	732	942	1,349	1,535	1,693	1,785	1,881	1,967
Dentists' services	16	26	74	88	102	108	116	137
Other professional services	11	13	7	10	11	12	15	18
Drugs and drug sundries	2	4	6	8	11	12	15	15
Eyeglasses and appliances	1	10	27	37	46	52	60	71
Nursing-home care	2	3	10	11	12	15	18	17
Medical activities in Federal units other than hospitals	2	27	62	90	140	175	203	273
Government public health activities	547	656	629	600	578	619	697	858
Research and construction	87	99	113	131	167	224	266	318
Research	308	284	792	955	1,137	1,306	1,425	1,588
Construction	79	151	511	678	851	986	1,112	1,269
	229	133	281	277	286	320	313	319
State and local								
	\$1,872	\$2,577	\$3,512	\$3,754	\$3,962	\$4,291	\$4,583	\$4,955
Health services and supplies								
Hospital care	1,551	2,305	3,202	3,470	3,650	3,935	4,228	4,554
Physicians' service	1,013	1,569	2,184	2,341	2,414	2,646	2,838	2,980
Dentists' services	135	213	297	326	345	365	385	429
Other professional services	3	4	8	10	10	11	12	14
Drugs and drug sundries	5	6	11	12	14	16	30	39
Eyeglasses and appliances	13	20	38	46	50	55	62	69
Nursing-home care	6	8	14	15	16	17	20	24
Government public health activities	28	42	90	112	149	173	203	237
School health services	314	374	452	486	522	521	548	629
Research and construction	34	69	108	122	130	131	130	133
Research	321	272	310	284	312	356	355	401
Construction	4	8	27	34	41	47	53	58
	317	264	283	250	271	309	302	343

The emphasis of both of these programs, as well as that of the expanded maternal and child health programs and the Office of Economic Opportunity health programs, are for personal health care services rather than community and environmental health. The trend of declining share of government third-party payments for personal health services will therefore probably reverse.

SOURCES OF DATA

A detailed explanation of the definitions used in this series, the methodology, and sources of data was published in the January 1966 BULLETIN.

The data for the most recent year, in this case 1965, are preliminary estimates and are revised in the succeeding year. (Revisions for 1964 data are shown in table 1a).