

Medical Care Outlays for Three Age Groups: Young, Intermediate, and Aged

by BARBARA S. COOPER and MARY F. MCGEE*

MEDICAL CARE OUTLAYS and medical care prices continued their rapid upward growth during the fiscal year 1970.¹ This article examines the data on personal health care expenditures, by type and source of funds, for persons in three age groups—the young (under age 19), the intermediate group (aged 19–64), and the aged (65 and over). Data are presented for each of the 5 fiscal years 1966 to 1970. Previous estimates for 1966–69 have been revised. Summary highlights for fiscal year 1970 show that

—The total bill for personal health care expenditures reached \$58 billion and more than one-fourth was spent for the aged, who represent about one-tenth of the population.

—The average medical bill for an aged person (\$791) was more than six times that for a youth (\$123) and almost three times that for a person in the intermediate age group (\$296).

—Public funds accounted for less than one-fourth of the financing of health care expenditures for the two younger groups and more than two-thirds of medical outlays for the aged.

—Although third-party payments cover a substantial portion of the individual's medical bill, the average aged person paid \$226 directly and the person under age 65 paid \$100.

—Medicare met 43 percent of the expenditures for the aged, a slightly lower proportion than that met in the previous year.

—Differences in the amounts spent for medical care for the three age groups vary considerably with type of expenditure: per capita hospital care expenditures for the aged were more than eleven times those for the young and more than twice those for the intermediate age group; for physicians' services, the aged's per capita expenditure was triple that for a young person and twice that for a person aged 19–64.

—After adjustment for population and price increases, personal health care expenditures for the aged from fiscal year 1967 to fiscal year 1970 show a growth of 9.2 percent a year—three times the

annual rate for the youth and eight times that for the intermediate age group.

—With the advent of Medicare, financing of medical expenditures for the aged has shifted dramatically from the private sector to the public; for the younger age groups, the contribution of each sector has remained relatively stable.

EXPENDITURES IN 1970

The Nation's personal health care bill totaled \$58.0 billion in fiscal year 1970 (table 1). Personal health care expenditures include all expenditures for health and medical care services received by individuals and exclude expenditures for medical-facilities construction, medical research, public health activities not of direct benefit to individuals (disease prevention and control), and some expenses of philanthropic organizations. Also excluded is the net cost of insurance (the difference between health insurance premiums and benefits paid), as well as administrative expenses of several public programs.

Of the \$58.0 billion spent in 1970, 16 percent was spent in behalf of persons under age 19, 57 percent for persons in the group aged 19–64, and 27 percent for persons aged 65 and over. Not surprisingly, a considerably greater proportion of health care outlays was spent for the aged than for the other groups, despite their smaller weight in the population (chart 1). The average aged person has more and costlier illnesses than the average younger person: he is twice as likely to suffer from one or more chronic conditions, is much more likely to be limited in activity, is admitted to hospitals much more frequently and stays longer, and uses physicians' services to a greater extent.

The average personal health care bill for all ages was \$280. The bill for the average aged person was nearly six and one-half times that for a young person and two and two-thirds times that for a person in the intermediate age group (table 2).

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

¹ For detailed data on developments in fiscal year 1970, see Dorothy P. Rice and Barbara S. Cooper, "National Health Expenditures, 1929–70," *Social Security Bulletin*, January 1971.

TABLE 1.—Estimated personal health care expenditures, by type of expenditure, source of funds, and three age groups, fiscal years 1967-70

[In millions]

Type of expenditure	All ages			Under 19			19-64			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public
1967												
Total.....	\$41,457	\$29,000	\$12,457	\$6,910	\$5,300	\$1,610	\$25,076	\$19,873	\$5,203	\$9,473	\$3,829	\$5,644
Hospital care.....	16,814	8,626	8,188	1,580	949	631	11,064	7,330	3,734	4,170	347	3,823
Physicians' services.....	9,738	8,344	1,394	2,298	2,133	165	5,823	5,336	487	1,617	875	742
Dentists' services.....	3,158	3,077	81	811	779	32	2,088	2,053	35	259	246	13
Other professional services.....	1,139	1,060	79	268	251	17	682	657	25	189	153	36
Drugs and drug sundries.....	5,480	5,270	210	990	959	31	3,221	3,157	64	1,268	1,154	114
Eyeglasses and appliances.....	1,514	1,478	36	229	223	6	958	930	28	327	325	2
Nursing-home care.....	1,692	785	907	13	6	7	156	66	90	1,523	713	810
Other health services.....	1,922	360	1,562	720	-----	720	1,084	344	740	118	16	102
1968												
Total.....	\$46,652	\$30,319	\$16,233	\$7,601	\$5,679	\$1,922	\$26,832	\$20,707	\$6,125	\$12,121	\$3,135	\$8,186
Hospital care.....	19,259	9,346	9,913	1,751	986	765	12,135	7,987	4,148	5,373	374	4,999
Physicians' services.....	10,734	8,406	2,328	2,570	2,347	223	5,824	5,135	689	2,340	925	1,416
Dentists' services.....	3,498	3,295	203	887	800	87	2,327	2,231	96	285	264	21
Other professional services.....	1,210	1,073	137	289	251	38	657	628	29	264	154	70
Drugs and drug sundries.....	5,864	5,594	270	1,065	1,020	45	3,375	3,287	88	1,424	1,287	137
Eyeglasses and appliances.....	1,665	1,621	44	278	269	9	1,027	995	32	360	357	3
Nursing-home care.....	2,070	604	1,466	16	6	10	191	79	112	1,863	519	1,344
Other health services.....	2,253	380	1,873	746	-----	746	1,295	365	930	212	15	197
1969												
Total.....	\$52,149	\$33,425	\$18,724	\$8,454	\$6,189	\$2,265	\$29,700	\$22,956	\$6,744	\$13,994	\$4,280	\$9,714
Hospital care.....	22,300	10,974	11,326	2,113	1,188	925	13,653	9,077	4,576	6,534	709	5,825
Physicians' services.....	11,804	8,925	2,879	2,829	2,510	319	6,496	5,680	816	2,479	735	1,744
Dentists' services.....	3,815	3,581	234	982	871	111	2,515	2,424	91	317	286	31
Other professional services.....	1,329	1,130	199	319	254	65	731	688	43	279	188	91
Drugs and drug sundries.....	6,338	5,988	350	1,146	1,083	63	3,635	3,528	107	1,558	1,377	181
Eyeglasses and appliances.....	1,735	1,682	53	289	277	12	1,073	1,035	38	373	370	3
Nursing-home care.....	2,461	735	1,726	18	6	12	228	130	98	2,215	559	1,616
Other health services.....	2,368	410	1,958	759	-----	759	1,369	394	975	240	16	224
1970												
Total.....	\$58,048	\$37,586	\$20,462	\$9,318	\$6,839	\$2,479	\$32,996	\$25,631	\$7,365	\$15,736	\$5,117	\$10,619
Hospital care.....	25,625	13,292	12,333	2,494	1,441	1,053	15,725	10,699	5,026	7,406	1,152	6,254
Physicians' services.....	12,930	9,655	3,275	3,085	2,721	364	7,130	6,205	925	2,715	729	1,986
Dentists' services.....	4,147	3,906	241	1,061	952	109	2,741	2,642	99	344	312	32
Other professional services.....	1,434	1,186	248	343	275	68	790	740	50	301	171	130
Drugs and drug sundries.....	6,741	6,297	444	1,230	1,152	78	3,831	3,697	134	1,680	1,448	232
Eyeglasses and appliances.....	1,802	1,742	60	303	290	13	1,113	1,069	44	386	383	3
Nursing-home care.....	2,844	1,068	1,776	21	8	13	263	155	108	2,560	906	1,654
Other health services.....	2,527	440	2,087	782	-----	782	1,402	424	978	343	16	327

Source of Funds

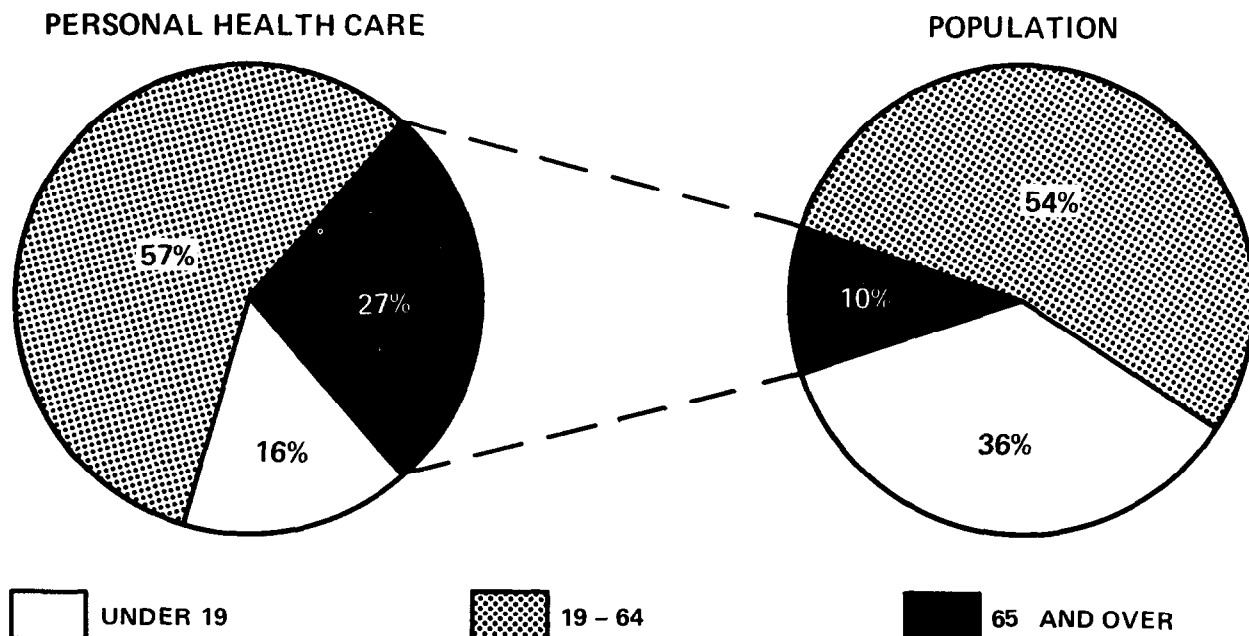
For all persons, the largest part of the personal health care dollar comes from private funds. In fiscal year 1970, these funds contributed 65 percent of the total and Federal, State, and local governments contributed the remainder. For each of the three age groups, however, the source of funds varies substantially. For the youth and the intermediate age groups, public funds accounted for 27 and 22 percent, respectively, of their 1970 expenditures. By contrast, 67 percent of the aged's health care expenditures were met by public funds (chart 2).

A breakdown of government spending shows

that the mix of Federal and State and local funds also varied considerably by age group served (table 3). For all age groups, the Federal Government was the main source in fiscal year 1970, contributing two-thirds of total medical care outlays under public programs. For the aged, as the tabulation below indicates, almost four-fifths

Age	Percentage distribution		
	Total	Federal funds	State and local funds
All ages.....	100.0	65.9	34.1
Under 19.....	100.0	59.4	40.6
19-64.....	100.0	48.9	51.1
65 and over.....	100.0	79.3	20.7

CHART 1.—Percentage distribution of personal health care expenditures and of the population, by age group, fiscal year 1970



came from Federal funds—mainly the Medicare program and the Federal matching contribution under Medicaid. For the intermediate age group, more than half the public funds came from State and local governments with the outlays primarily representing spending in their own hospitals, particularly their mental institutions. For persons in the youngest age group, about three-fifths came from Federal funds and represented chiefly expenditures under the military dependents medical care program and Federal payments under Medicaid.

Expenditures for the young.—Of the \$9.3 billion spent for health services for persons under age 19 in fiscal year 1970, 73 percent came from private sources. Public expenditures for young persons amounted to \$2.5 billion, primarily supplied by public assistance under the Medicaid program (39 percent), by the Department of Defense under its dependents' medical care program (27 percent), and by the maternal and child health care programs (13 percent) (table 4). The remainder came from several health programs, including school health, medical vocational rehabilitation, and Office of Economic Opportunity (mainly through the neighborhood health centers).

Almost three-fifths of the \$2.5 billion spent under Government programs in behalf of young

persons came from Federal funds (table 4). The largest Federal program for young persons is the Defense Department's program for dependents' medical care, which provides broad hospital and medical benefits for the dependents of military servicemen and commissioned officers of the Public Health Service in military hospitals (on a space-available basis) and in Public Health Service and civilian hospitals.

The largest State and local government program for young persons is the Medicaid program under title XIX of the Social Security Act. It provides Federal matching of vendor medical payments for indigent and medically indigent families with dependent children as well as for persons in other assistance categories. Almost half the State and local government expenditures for young persons came from the Medicaid program.

Expenditures for the intermediate age group.—Total personal health care expenditures for persons aged 19-64 amounted to \$33.0 billion in fiscal year 1970. Private sources contributed 78 percent; public sources, 22 percent. For the \$7.4 billion provided by public programs for this age group, the general hospital and medical care programs (primarily State and local mental hospitals) contributed the largest share (27 percent), followed by public assistance vendor medical payments

TABLE 2.—Estimated per capita¹ personal health care expenditures, by type of expenditure, source of funds, and three age groups, fiscal years 1967-70

Type of expenditure	All ages			Under 19			19-64			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public
1967												
Total.....	\$206.17	\$144.22	\$61.95	\$92.03	\$70.58	\$21.44	\$234.00	\$185.45	\$48.55	\$503.13	\$203.37	\$299.77
Hospital care.....	83.62	42.90	40.72	21.04	12.64	8.40	103.24	68.40	34.84	221.48	18.43	203.05
Physicians' services.....	48.43	41.50	6.93	30.60	28.41	2.20	54.34	49.79	4.54	85.88	46.47	39.41
Dentists' services.....	15.71	15.30	.40	10.80	10.37	.43	19.48	19.16	.33	13.76	13.07	.69
Other professional services.....	5.66	5.27	.39	3.57	3.34	.23	6.36	6.13	.23	10.04	8.13	1.91
Drugs and drug sundries.....	27.25	26.21	1.04	13.18	12.77	.41	30.06	29.46	.60	67.35	61.29	6.05
Eyeglasses and appliances.....	7.53	7.35	.18	3.05	2.97	.08	8.94	8.68	.26	17.37	17.26	.11
Nursing-home care.....	8.41	3.90	4.51	.17	.08	.09	1.46	.62	.84	80.89	37.87	43.02
Other health services.....	9.56	1.79	7.77	9.59	.....	9.59	10.12	3.21	6.91	6.27	.85	5.42
1968												
Total.....	\$229.04	\$149.17	\$79.87	\$101.35	\$75.72	\$25.63	\$246.29	\$190.07	\$56.22	\$627.74	\$203.79	\$423.95
Hospital care.....	94.75	45.98	48.77	23.35	13.15	10.20	111.39	73.31	38.07	278.26	19.37	258.89
Physicians' services.....	52.81	41.36	11.45	34.27	31.29	2.97	53.46	47.13	6.32	121.19	47.91	73.28
Dentists' services.....	17.21	16.21	1.00	11.83	10.67	1.16	21.36	20.48	.88	14.76	13.67	1.09
Other professional services.....	5.95	5.28	.67	3.85	3.35	.51	6.03	5.76	.27	13.67	10.05	3.63
Drugs and drug sundries.....	28.85	27.52	1.33	14.20	13.60	.60	30.98	30.17	.81	73.75	66.65	7.10
Eyeglasses and appliances.....	8.19	7.98	.22	3.71	3.59	.12	9.43	9.13	.29	18.64	18.49	.16
Nursing-home care.....	10.18	2.97	7.21	.21	.08	.13	1.75	.73	1.03	96.48	26.88	69.60
Other health services.....	11.08	1.87	9.22	9.95	.....	9.95	11.89	3.35	8.54	10.98	.78	10.20
1969												
Total.....	\$254.00	\$162.80	\$91.20	\$112.50	\$82.36	\$30.14	\$268.88	\$207.83	\$61.05	\$709.99	\$217.15	\$492.85
Hospital care.....	108.62	53.45	55.16	28.12	15.81	12.31	123.60	82.18	41.43	331.51	35.97	295.54
Physicians' services.....	57.49	43.47	14.02	37.65	33.40	4.25	58.81	51.42	7.39	125.77	37.29	88.48
Dentists' services.....	18.58	17.44	1.14	13.07	11.59	1.48	22.77	21.94	.82	16.08	14.51	1.57
Other professional services.....	6.47	5.50	.97	4.25	3.38	.87	6.62	6.23	.39	14.16	9.54	4.62
Drugs and drug sundries.....	30.87	29.17	1.70	15.25	14.41	.84	32.91	31.94	.97	79.05	69.86	9.18
Eyeglasses and appliances.....	8.45	8.19	.26	3.85	3.69	.16	9.71	9.37	.34	18.92	18.77	.15
Nursing-home care.....	11.99	3.58	8.41	.24	.08	.16	2.06	1.17	.89	112.38	30.39	81.99
Other health services.....	11.53	2.00	9.54	10.10	.....	10.10	12.39	3.57	8.83	12.18	.81	11.36
1970												
Total.....	\$279.98	\$181.29	\$98.69	\$122.80	\$90.13	\$32.67	\$295.82	\$229.79	\$66.03	\$790.63	\$257.10	\$533.54
Hospital care.....	123.00	64.11	59.49	32.87	18.99	13.88	140.98	95.92	45.06	372.10	57.88	314.22
Physicians' services.....	62.37	46.57	15.80	40.66	35.86	4.80	63.92	55.63	8.29	136.41	36.63	99.78
Dentists' services.....	20.00	18.84	1.16	13.98	12.55	1.44	24.57	23.69	.89	17.28	15.68	1.61
Other professional services.....	6.92	5.72	1.20	4.52	3.62	.90	7.08	6.63	.45	15.12	8.59	6.53
Drugs and drug sundries.....	32.51	30.37	2.14	16.21	15.18	1.03	34.35	33.14	1.20	84.41	72.75	11.66
Eyeglasses and appliances.....	8.69	8.40	.29	3.99	3.82	.17	9.98	9.58	.39	19.39	19.24	.15
Nursing-home care.....	13.72	5.15	8.57	.28	.11	.17	2.36	1.39	.97	128.62	45.52	83.10
Other health services.....	12.19	2.12	10.07	10.31	.....	10.31	12.57	3.80	8.77	17.23	.80	16.43

¹ Based on January 1 data from the Bureau of the Census for total U.S. population (including Armed Forces and Federal civilian employees overseas

and the civilian population of outlying areas).

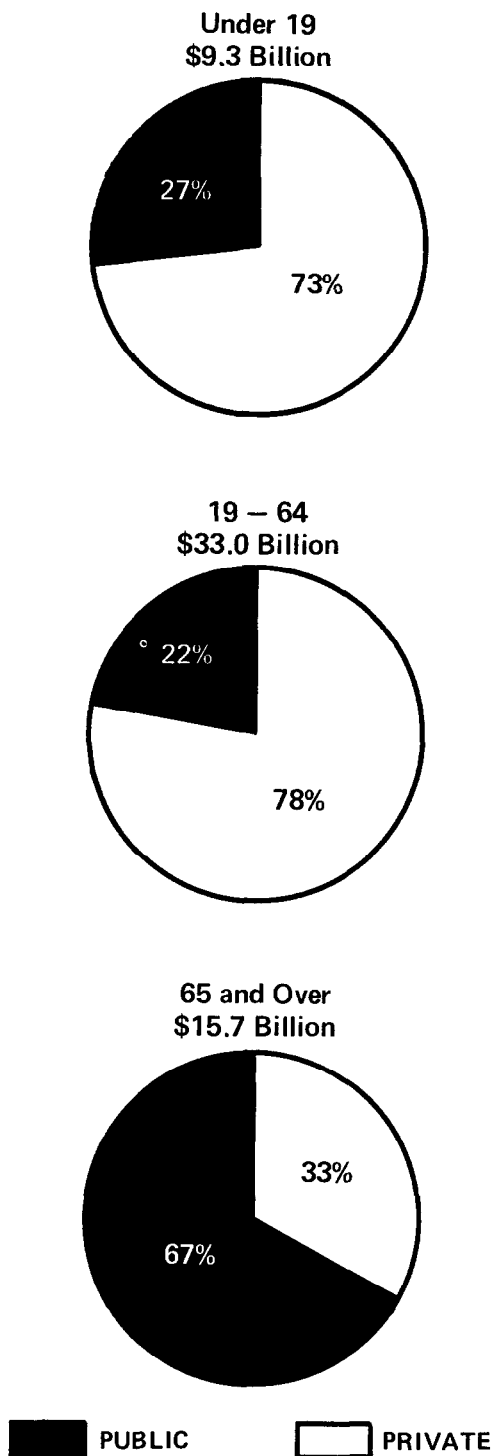
(22 percent), Veterans Administration (17 percent), and the Department of Defense (16 percent).

The public funds are almost equally divided between Federal and non-Federal sources. The two largest Federal medical programs for persons aged 19-64 are those of the Veterans Administration and the Department of Defense (including the program for military dependents). The continuation of the Viet Nam hostilities resulted in expenditures under these two programs amounting to almost \$2.5 billion in fiscal year 1970 for hospital and medical care of persons in this intermediate age group.

By far the largest expenditures made by State and local governments for persons aged 19-64 are for hospital and medical care for their residents through the operation and maintenance of their own facilities and through payments to or for the support of nongovernment facilities. The bulk of the outlays, however, goes for psychiatric care, traditionally considered a State or local government responsibility.

Expenditures for the aged.—Financing the health care of the aged differs significantly from financing the health care of the younger groups. As a consequence of the Medicare and Medicaid programs, the Government has become the main

CHART 2.—Percentage distribution of expenditures for personal health care, by source of funds and by age group, fiscal year 1970



purchaser of health care services for the aged. Public funds accounted for 67 percent of the \$15.7 billion spent in behalf of the Nation's elderly in fiscal year 1970. All the Medicare expenditures and almost half the Medicaid expenditures are for persons aged 65 and over. Medicare and Medicaid together were responsible for nearly nine-tenths of the \$10.6 billion expended from public funds for personal health care for the aged.

Third-party payments.—Combining payments by Government, private health insurance, philanthropy, and industry provides a measure of the extent to which third parties pay for the hospital and medical care of the population. The difference between total outlays and third-party payments represents the direct out-of-pocket payments by consumers. These direct outlays do not include the premium payments under private health insurance or under the supplementary medical insurance part of Medicare. All Medicare benefit payments are classified here as expenditures under a public program even though consumers pay premiums matched by contributions from general revenues.

Data are available on third-party payments for only two age groups—persons aged 65 and over and persons under age 65. For private health insurance benefits, a more detailed age distribution cannot be made from available data. Third-party payments for all persons represented 60 percent of personal health care expenditures. For those aged 65 and over, the third-party share was considerably larger—71 percent (table 5 and chart 3).

In terms of per capita amounts, the direct payments for these two broad age groups are significantly different. The aged person's medical care outlays averaged \$791 in fiscal year 1970. Although 71 percent of this amount was financed through third-party payments, \$226 remained to be paid directly. The average person under age 65 paid a larger proportion directly, but his direct payment was only about two-fifths that of the aged person (\$100). It is interesting to note that the average total medical bill for the person under age 65 equaled the out-of-pocket outlays of the aged person in fiscal year 1970.

Third-party payments are different for the two age groups. For persons under age 65, private health insurance is the largest component, representing 55 percent of the total. For persons

TABLE 3.—Estimated public personal health care expenditures, by type of expenditure, source of funds, and three age groups, fiscal years 1967-70

(In millions)

Type of expenditure	All ages			Under 19			19-64			65 and over		
	Total	Federal	State and local	Total	Federal	State and local	Total	Federal	State and local	Total	Federal	State and local
1967												
Total.....	\$12,457	\$7,466	\$4,991	\$1,610	\$959	\$652	\$5,203	\$2,348	\$2,855	\$5,644	\$4,159	\$1,484
Hospital care.....	8,188	4,732	3,456	631	400	231	3,734	1,485	2,250	3,823	2,848	975
Physicians' services.....	1,394	835	558	165	92	73	487	65	422	742	679	63
Dentists' services.....	81	41	40	32	16	16	35	18	17	13	7	6
Other professional services.....	79	43	36	17	11	6	25	4	21	36	28	8
Drugs and drug sundries.....	210	98	111	31	16	15	64	26	38	114	56	59
Eyeglasses and appliances.....	36	17	19	6	4	2	28	12	16	2	2	1
Nursing-home care.....	907	504	403	7	4	4	90	47	43	810	453	357
Other health services.....	1,562	1,195	368	720	416	304	740	692	48	102	87	16
1968												
Total.....	\$16,233	\$10,436	\$5,798	\$1,922	\$1,149	\$774	\$6,125	\$2,902	\$3,223	\$8,186	\$6,385	\$1,801
Hospital care.....	9,918	6,106	3,807	765	484	281	4,148	1,739	2,409	4,999	3,882	1,117
Physicians' services.....	2,328	1,640	688	223	129	94	689	155	534	1,416	1,356	60
Dentists' services.....	203	103	101	87	44	43	96	49	48	20	10	10
Other professional services.....	137	92	45	38	23	14	29	5	24	70	64	7
Drugs and drug sundries.....	270	129	141	45	24	22	88	38	50	137	67	69
Eyeglasses and appliances.....	44	22	22	9	6	3	32	14	18	3	2	1
Nursing-home care.....	1,466	912	554	10	5	5	112	59	53	1,344	848	496
Other health services.....	1,873	1,432	441	746	434	312	930	842	87	197	155	42
1969												
Total.....	\$18,724	\$12,295	\$6,429	\$2,265	\$1,337	\$928	\$6,744	\$3,240	\$3,504	\$9,714	\$7,718	\$1,996
Hospital care.....	11,326	7,293	4,032	925	588	337	4,576	2,005	2,570	5,825	4,700	1,125
Physicians' services.....	2,879	2,069	810	319	202	117	816	220	596	1,744	1,647	97
Dentists' services.....	234	124	110	111	59	52	91	49	42	31	16	15
Other professional services.....	199	148	51	65	46	19	43	16	27	91	86	5
Drugs and drug sundries.....	350	175	175	63	36	26	107	49	58	181	90	90
Eyeglasses and appliances.....	52	27	26	12	8	4	38	17	20	3	2	1
Nursing-home care.....	1,726	1,066	660	12	6	6	98	54	44	1,616	1,006	610
Other health services.....	1,958	1,393	565	759	392	366	975	828	146	224	172	52
1970												
Total.....	\$20,462	\$13,493	\$6,970	\$2,479	\$1,473	\$1,006	\$7,365	\$3,602	\$3,762	\$10,619	\$8,417	\$2,202
Hospital care.....	12,333	8,029	4,304	1,053	679	374	5,026	2,289	2,737	6,254	5,061	1,193
Physicians' services.....	3,275	2,364	911	364	231	133	925	257	668	1,986	1,876	110
Dentists' services.....	241	134	107	109	58	51	99	58	41	32	18	14
Other professional services.....	248	194	54	68	49	18	50	20	30	130	124	5
Drugs and drug sundries.....	444	222	222	78	44	33	134	62	72	232	116	116
Eyeglasses and appliances.....	60	32	28	13	8	4	44	21	23	3	2	1
Nursing-home care.....	1,776	1,058	718	13	6	6	108	61	47	1,664	960	664
Other health services.....	2,087	1,460	626	782	397	385	978	834	144	327	229	98

aged 65 and over, government financing is the predominant source of third-party funds, accounting for almost 95 percent of the total.

Type of Expenditure

In the fiscal year 1970 the largest single item of expenditure—representing 44 percent of all personal health care outlays—was for hospital care. Expenditures for this purpose, which continue to be one of the fastest-growing categories, rose 15 percent in the past year.

The second largest category of expenditure was for physicians' services. This type of service accounted for 22 percent of the total and was followed by drugs and drug sundries (12 percent), other professional services (10 percent), nursing-home care (5 percent), and all other services (7 percent).

The proportion of outlays spent for each type of service varies considerably according to age. Both for the age group 19-64 and for those aged 65 and over, hospital care is by far the largest category, representing 48 percent and 47 percent of their total health care expenditures, respectively. For young persons, however, hospital

TABLE 4.—Estimated personal health care expenditures under public programs, by program and three age groups, fiscal years 1967-70

[In millions]

Program	Total				Federal				State and local			
	1967	1968	1969	1970	1967	1968	1969	1970	1967	1968	1969	1970
All ages												
Total	\$12,457	\$16,233	\$18,724	\$20,462	\$7,436	\$10,436	\$12,295	\$13,493	\$5,021	\$5,798	\$6,429	\$6,970
Health insurance for the aged	3,172	5,126	6,299	6,784	3,172	5,126	6,299	6,784	—	—	—	—
Temporary disability insurance	54	55	58	60	—	—	—	—	54	55	58	60
Workmen's compensation (medical benefits)	715	790	875	970	14	15	17	19	701	775	858	951
Public assistance (vendor medical payments)	2,383	3,581	4,423	5,042	1,157	1,760	2,208	2,515	1,226	1,821	2,215	2,527
General hospital and medical care	2,808	2,928	3,010	3,132	134	187	193	216	2,674	2,741	2,816	2,916
Defense Department hospital and medical care (including military dependents)	1,432	1,648	1,750	1,900	1,432	1,648	1,750	1,900	—	—	—	—
Maternal and child health services	308	335	409	429	137	159	190	214	171	176	219	215
School health	178	205	231	263	—	—	—	—	178	205	231	263
Veterans' hospital and medical care	1,237	1,361	1,420	1,582	1,237	1,361	1,420	1,582	—	—	—	—
Medical vocational rehabilitation	67	102	125	152	51	76	93	114	17	26	31	38
Office of Economic Opportunity	103	104	126	149	103	104	126	149	—	—	—	—
Under 19												
Total	\$1,610	\$1,922	\$2,265	\$2,479	\$959	\$1,149	\$1,337	\$1,473	\$652	\$774	\$928	\$1,006
Health insurance for the aged	—	—	—	—	—	—	—	—	—	—	—	—
Temporary disability insurance	—	—	—	—	—	—	—	—	—	—	—	—
Workmen's compensation (medical benefits)	—	—	—	—	—	—	—	—	—	—	—	—
Public assistance (vendor medical payments)	524	684	845	958	254	336	422	478	270	348	423	480
General hospital and medical care	112	126	144	152	40	46	56	61	71	80	87	90
Defense Department hospital and medical care (including military dependents)	501	577	612	665	501	577	612	665	—	—	—	—
Maternal and child health services	233	260	337	328	104	123	156	164	129	137	181	164
School health	178	205	231	263	—	—	—	—	178	205	231	263
Veterans' hospital and medical care	—	—	—	—	—	—	—	—	—	—	—	—
Medical vocational rehabilitation	14	20	25	30	10	15	19	23	3	5	6	8
Office of Economic Opportunity	49	51	72	82	49	51	72	82	—	—	—	—
19-64												
Total	\$5,203	\$6,125	\$6,744	\$7,365	\$2,348	\$2,902	\$3,240	\$3,602	\$2,855	\$3,223	\$3,504	\$3,762
Health insurance for the aged	54	55	58	60	—	—	—	—	54	55	58	60
Temporary disability insurance	683	759	841	935	14	15	17	19	669	744	824	916
Workmen's compensation (medical benefits)	588	1,131	1,451	1,614	286	556	724	805	308	575	727	809
Public assistance (vendor medical payments)	1,848	1,908	1,944	2,021	74	118	111	123	1,774	1,790	1,834	1,898
General hospital and medical care	—	—	—	—	—	—	—	—	—	—	—	—
Defense Department hospital and medical care (including military dependents)	888	1,022	1,085	1,178	888	1,022	1,085	1,178	—	—	—	—
Maternal and child health services	75	75	72	100	34	36	33	50	42	40	38	50
School health	—	—	—	—	—	—	—	—	—	—	—	—
Veterans' hospital and medical care	965	1,048	1,150	1,281	965	1,048	1,150	1,281	—	—	—	—
Medical vocational rehabilitation	53	80	97	118	40	60	73	89	13	20	24	30
Office of Economic Opportunity	49	48	47	57	49	48	47	57	—	—	—	—
65 and over												
Total	\$5,644	\$8,186	\$9,714	\$10,619	\$4,129	\$6,385	\$7,718	\$8,417	\$1,514	\$1,801	\$1,996	\$2,202
Health insurance for the aged	3,172	5,126	6,299	6,784	3,172	5,126	6,299	6,784	—	—	—	—
Temporary disability insurance	—	—	—	—	—	—	—	—	—	—	—	—
Workmen's compensation (medical benefits)	32	31	34	35	—	—	—	—	32	31	34	35
Public assistance (vendor medical payments)	1,270	1,765	2,128	2,471	617	868	1,062	1,232	653	898	1,066	1,238
General hospital and medical care	848	894	922	939	20	23	26	32	829	872	896	927
Defense Department hospital and medical care (including military dependents)	43	49	52	57	43	49	52	57	—	—	—	—
Maternal and child health services	—	—	—	—	—	—	—	—	—	—	—	—
School health	—	—	—	—	—	—	—	—	—	—	—	—
Veterans' hospital and medical care	272	313	270	300	272	313	270	300	—	—	—	—
Medical vocational rehabilitation	1	2	2	3	1	1	1	2	(1)	1	1	1
Office of Economic Opportunity	5	5	7	10	5	5	7	10	—	—	—	—

¹ Less than 0.05.

care is only about one-fourth of their health bill, and physicians' services, comprising one-third, is their largest category of expenditure.

Nursing-home care is the third largest category for the aged, and 16 percent of their health bill goes for this purpose. It represents less than

1 percent of the outlays for persons in the two younger age groups. In contrast, other professional services figure largely in the health spending for youth—15 percent—but represent only 4 percent in the spending for the aged, as shown in the tabulation on the next page.

Type of expenditure	Age		
	Under 19	19-64	65 and over
Total.....	100.0	100.0	100.0
Hospital care.....	26.8	47.7	47.1
Physicians' services.....	33.1	21.6	17.3
Other professional services.....	15.1	10.7	4.1
Drugs and drug sundries.....	13.2	11.6	10.7
Nursing-home care.....	.2	.8	16.3
Other health services.....	11.6	7.6	4.6

The different categories of expenditures also vary considerably with source of funds. Forty-eight percent of hospital care expenditures, for example, is publicly financed. For young persons, the public share was 42 percent; for persons in the intermediate age group, the public share was 32 percent; and for the aged, it was 84 percent. Medicare alone furnished more than three-fifths of the hospital expenditures for the aged.

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

For all other types of expenditures, the public share was 25 percent: 28 percent for the young, 14 percent for the middle group, and 42 percent for the oldest group.

Age differences in the amounts spent for different health categories are best viewed in terms of average expenditures per person. For a person aged 19-64 the average amount spent for hospital care was more than four times that spent for a youth. The average amount spent for physicians' services was less than twice that spent for a youth. Average hospital care expenditures for the aged were more than eleven times those for the young and almost three times those for the intermediate age group. For physicians' services, the average outlay in behalf of an aged person was more than three times that for a youth and twice that for a person aged 19-64, as shown below:

Age	Per capita expenditures		
	Hospital care	Physicians' services	All other
All ages.....	\$124	\$62	\$94
Under 19.....	33	41	49
19-64.....	141	64	91
65 and over.....	372	136	282

TABLE 5.—Amount and percent of expenditures for personal health care met by third parties, for two age groups, fiscal year 1970

Age	Total	Direct payments	Third-party payments			
			Total	Private health insurance	Government	Philanthropy and other
Amount (in millions)						
Total.....	\$58,048	\$23,170	\$34,878	\$13,552	\$20,462	\$864
Under age 65.....	42,314	18,676	23,638	13,010	9,844	784
Aged 65 and over.....	15,736	4,495	11,241	542	10,619	80
Per capita						
Total.....	\$279.98	\$111.76	\$168.23	\$65.37	\$38.69	\$4.17
Under age 65.....	225.77	99.65	126.12	69.42	52.52	4.18
Aged 65 and over.....	790.63	225.85	564.79	27.23	533.54	4.02
Percentage distribution						
Total.....	100.0	39.9	60.1	23.3	35.3	1.5
Under age 65.....	100.0	44.1	55.9	30.7	23.3	1.9
Aged 65 and over.....	100.0	28.6	71.4	3.4	67.5	.5

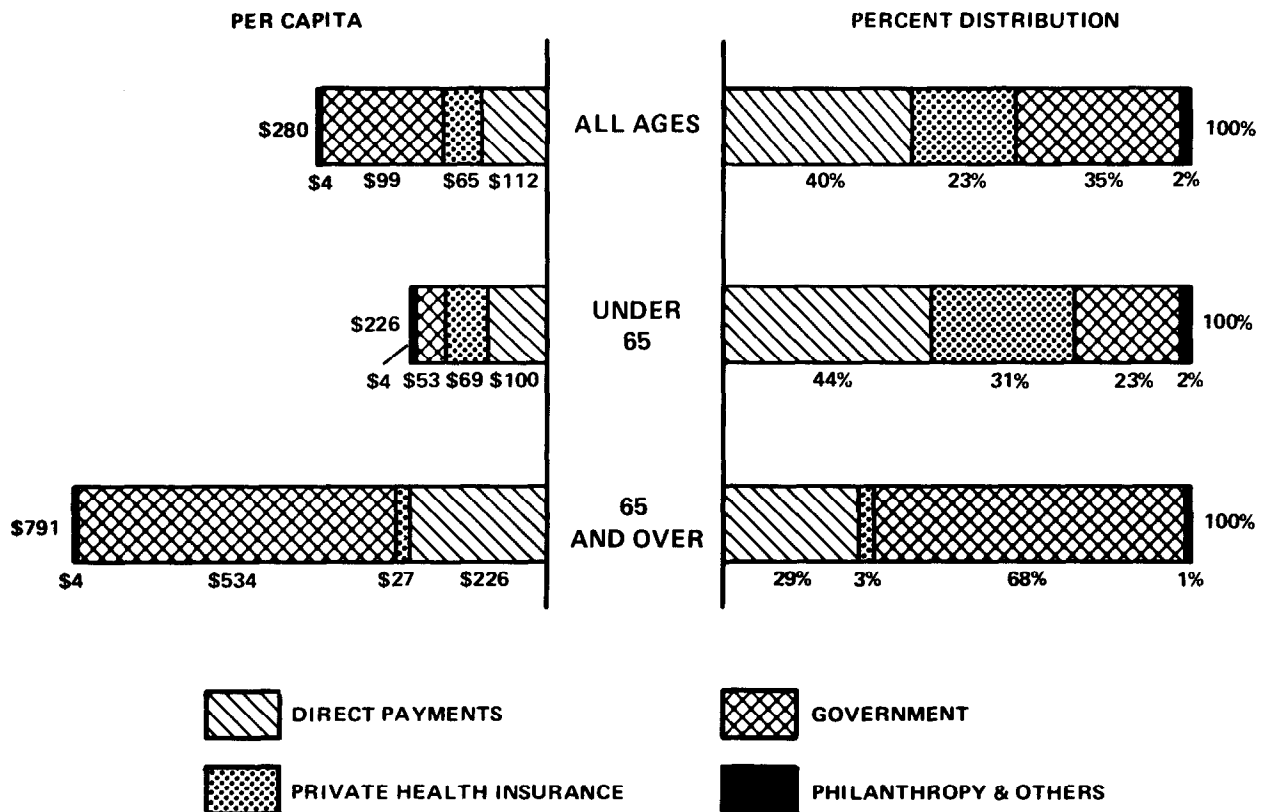
TRENDS

Personal health care expenditures showed sizable increases from fiscal year 1966—the year before Medicare and Medicaid began operations—to fiscal year 1970. This was a period when public financing of health care services accelerated, medical care prices escalated, and medical care expenditures rose 60 percent. Of the \$21.7 billion rise in expenditures, more than half (\$11.6 billion) can be attributed to the increase in prices. An additional 9 percent (\$2.0 billion) is the result of population growth. The remaining 38 percent (\$8.1 billion) reflects the increased per capita use of hospital and health professionals' services and the availability of new and improved medical techniques.

In Medicare's first year, total personal health care expenditures rose 14.0 percent. Since that time, the annual rate of increase has been declining slightly. It was down to 11.3 percent in 1970.

The largest relative increases have been in outlays for the aged. During the first year of Medicare, health care expenditures for persons under age 65 rose at three-fifths the rate of those for the aged. In Medicare's second year the disparity was even greater, with a growth rate of one-fourth that for the aged. In the next 2 years, the gap narrowed and in 1970, the rates of growth for

CHART 3.—Per capita amount and percentage distribution of expenditures for personal health care, by source of funds and age group, fiscal year 1970



both age groups were almost the same—10.9 percent, compared with 12.4 percent for the aged.

Except for 1968 when expenditures for the youngest group grew slightly faster, outlays for the two groups under age 65 have been rising at similar rates, as the figures below reveal.

Fiscal year	Total	Under age 65			Aged 65 and over
		Total	Under 19	19-64	
Expenditures (in thousands)					
1966.....	\$36,375	\$28,496			\$7,879
1967.....	41,457	31,986	\$6,910	\$25,076	9,473
1968.....	46,552	34,433	7,601	26,832	12,121
1969.....	52,149	38,154	8,454	29,700	13,994
1970.....	58,048	42,314	9,318	32,996	15,736
Percentage increase from previous year					
1967.....	14.0	12.2			20.2
1968.....	12.3	7.7	10.0	7.0	28.0
1969.....	12.0	10.8	11.2	10.7	15.5
1970.....	11.3	10.9	10.2	11.1	12.4

The most significant trend since 1966 has been the shift in source of funds with respect to the aged. For all persons, public financing of per-

sonal health care increased from 22 percent of the total in fiscal year 1966 to 36 percent in fiscal year 1969. In 1970, however, government spending decelerated to three-fifths its rate of growth in 1969 as private spending rose at its fastest rate during the decade. As a result, the government share decreased slightly to 35 percent in 1970.

Nearly all of the shift to government spending since 1966 has been in the financing of health care of the aged: the private share declined from 69 percent in 1966 to 33 percent in 1970 (tables 1 and 6). Medicare was responsible for the sizable change, assuming a significant portion of the expenditures formerly made by the private sector and a small portion of the expenditures previously made by other public programs.

A comparison of expenditures for the aged under public programs between 1966 and 1970 illustrates the impact of Medicare and Medicaid. In 1970, expenditures under Medicare alone were nearly three times total public expenditures for the aged in 1966. Public assistance vendor medical payments more than doubled during this period,

TABLE 6.—Total and per capita expenditures for personal health care, by type of expenditure, source of funds and two age groups, fiscal year 1966

Type of expenditure	All ages			Under 65			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public
Total (in millions)									
Total.....	\$36,375	\$28,490	\$7,885	\$28,496	\$23,072	\$5,424	\$7,879	\$5,418	\$2,461
Hospital care.....	14,157	9,000	5,157	10,837	7,279	3,558	3,321	1,721	1,600
Physicians' services.....	8,865	8,273	592	7,567	7,062	495	1,308	1,211	97
Dentists' services.....	2,866	2,822	44	2,628	2,596	32	238	226	12
Other professional services.....	1,140	1,102	38	972	941	31	168	161	7
Drugs and drug sundries.....	5,032	4,866	166	3,877	3,799	78	1,155	1,067	88
Eyeglasses and appliances.....	1,309	1,278	31	1,025	997	28	283	281	2
Nursing-home care.....	1,407	804	603	141	69	72	1,266	735	531
Other health services.....	1,599	345	1,254	1,460	329	1,131	139	16	123
Per capita ¹									
Total.....	\$183.01	\$143.33	\$39.67	\$158.08	\$128.00	\$30.09	\$425.71	\$292.74	\$132.97
Hospital care.....	71.22	45.28	25.94	60.12	40.38	19.74	179.44	92.99	86.45
Physicians' services.....	44.60	41.62	2.98	41.92	39.18	2.75	70.67	65.43	5.24
Dentists' services.....	14.42	14.20	.22	14.58	14.40	.18	12.86	12.21	.65
Other professional services.....	5.74	5.54	.19	5.39	5.22	.17	9.08	8.70	.38
Drugs and drug sundries.....	25.32	24.48	.84	21.51	21.07	.43	62.41	57.65	4.75
Eyeglasses and appliances.....	6.58	6.43	.16	5.69	5.53	.16	15.29	15.18	.11
Nursing-home care.....	7.08	4.04	3.03	.78	.38	.40	68.40	39.71	28.69
Other health services.....	8.04	1.74	6.31	8.10	1.82	6.27	7.51	.86	6.65

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

the civilian population of outlying areas).

while expenditures under the Veterans Administration hospital and medical program substantially declined (tables 4 and 7).

The portion of the aged's health bill met by Medicare grew from 34 percent in its first year, to 42 percent and 45 percent in its second and third years (table 8). In 1970, however, Medicare's share (\$6.8 billion) declined to 43 percent. This decrease mirrored the general deceleration in the rate of increase in Government spending for all age groups. In 1970, total Government outlays for the aged rose only 9.3 percent as private spending jumped 20 percent. Medicare's spending in 1970 increased 8 percent; in 1969 the increase had reached 23 percent. The slowdown in Medicare spending was in the categories of hospital care and extended-care facilities. One factor in the decelerating rate of increase in Medicare hospital insurance outlays was the tightening of utilization review requirements and claims review procedures for hospitals and extended-care facilities during the year.

The average length of hospital stay for persons aged 65 and over dropped from 13.2 days to 12.8 days. This decrease in the average length of stay affected Medicare's share of the total bill. Since the aged person was responsible for a hospital deductible roughly equivalent to one day of care, as the average length of stay went down, his

proportion of the bill went up. In addition, a 2-percent allowance in the hospital reimbursement formula was removed in fiscal year 1970, so Medicare's share was further lowered.

Table 9 summarizes data for the past 4 years on the use and costs of community hospital care (nongovernment short-term hospitals), as published by the American Hospital Association.

Total expenditures for nursing-home care for the aged rose 16 percent in fiscal year 1970. Medicare outlays for extended-care services, however, declined from \$367 million to \$295 million. As a result, Medicare's share of the nursing home bill

TABLE 7.—Estimated personal health care expenditures under public programs, by program and two age groups, fiscal year 1966

Program	[In millions]		
	All ages	Under age 65	Aged 65 and over
Total.....	\$7,886	\$5,490	\$2,397
Health insurance for the aged.....	—	—	—
Temporary disability insurance.....	54	54	—
Workmen's compensation (medical benefits).....	630	602	28
Public assistance (vendor medical payments).....	1,710	603	1,107
General hospital and medical care.....	2,721	2,003	718
Defense Department hospital and medical care (including military dependents).....	1,107	1,085	22
Maternal and child health services.....	257	257	—
School health.....	157	157	—
Veterans' hospital and medical care.....	1,155	636	519
Medical vocational rehabilitation.....	48	47	1
Office of Economic Opportunity.....	48	46	2

TABLE 8.—Estimated amount and percentage distribution of personal health care expenditures for the aged, by type of expenditure and source of funds, fiscal years 1967–70

Type of expenditure	Amount (in millions)					Percentage distribution				
	Total	Private	Public			Total	Private	Public		
			Total	Medicare ¹	Other			Total	Medicare ¹	Other
1967										
Total.....	\$9,473	\$3,829	\$5,644	\$3,172	\$2,472	100.0	40.4	59.6	33.5	26.1
Hospital care.....	4,170	347	3,823	2,410	1,413	100.0	8.3	91.7	57.8	33.9
Physicians' services.....	1,617	875	742	633	109	100.0	54.1	45.9	39.1	6.7
Dentists' services.....	259	248	13	36	3	100.0	95.0	5.0	-----	5.0
Other professional services.....	189	153	36	21	15	100.0	81.0	19.0	11.1	7.9
Drugs and drug sundries.....	1,268	1,154	114	-----	114	100.0	91.0	9.0	-----	9.0
Eyeglasses and appliances.....	327	325	2	-----	2	100.0	99.4	.6	-----	.6
Nursing-home care.....	1,523	713	810	97	713	100.0	46.8	53.2	6.4	46.8
Other health services.....	118	16	102	11	91	100.0	13.6	86.4	9.3	77.1
1968										
Total.....	\$12,121	\$3,935	\$8,186	\$5,126	\$3,060	100.0	32.5	67.5	42.3	25.2
Hospital care.....	5,373	374	4,999	3,375	1,624	100.0	7.0	93.0	62.8	30.2
Physicians' services.....	2,340	925	1,416	1,311	105	100.0	39.5	60.5	56.0	4.5
Dentists' services.....	285	264	21	58	21	100.0	92.6	7.4	-----	7.4
Other professional services.....	264	194	70	-----	12	100.0	73.5	26.5	22.0	4.5
Drugs and drug sundries.....	1,424	1,287	137	-----	137	100.0	90.4	9.6	-----	9.6
Eyeglasses and appliances.....	360	357	3	-----	3	100.0	99.2	.8	-----	.8
Nursing-home care.....	1,863	519	1,344	344	1,000	100.0	27.9	72.1	18.5	53.7
Other health services.....	212	15	197	38	159	100.0	7.1	92.9	17.9	75.0
1969										
Total.....	\$13,994	\$4,280	\$9,714	\$6,299	\$3,415	100.0	30.6	69.4	45.0	24.4
Hospital care.....	6,534	709	5,825	4,233	1,592	100.0	10.9	89.1	64.8	24.4
Physicians' services.....	2,479	735	1,744	1,561	183	100.0	29.6	70.4	63.0	7.4
Dentists' services.....	317	286	31	80	31	100.0	90.2	9.8	-----	9.8
Other professional services.....	279	188	91	-----	11	100.0	67.4	32.6	28.7	3.9
Drugs and drug sundries.....	1,558	1,377	181	-----	181	100.0	88.4	11.6	-----	11.6
Eyeglasses and appliances.....	373	370	3	-----	3	100.0	99.2	.8	-----	.8
Nursing-home care.....	2,215	599	1,616	367	1,249	100.0	27.0	73.0	16.6	56.4
Other health services.....	240	16	224	58	166	100.0	6.7	93.3	24.2	69.2
1970										
Total.....	\$15,736	\$5,117	\$10,619	\$6,784	\$3,835	100.0	32.5	67.5	43.1	24.4
Hospital care.....	7,406	1,152	6,254	4,527	1,727	100.0	15.6	84.4	61.1	23.3
Physicians' services.....	2,715	729	1,986	1,776	210	100.0	26.9	73.1	65.4	7.7
Dentists' services.....	344	312	32	118	32	100.0	90.7	9.3	-----	9.3
Other professional services.....	301	171	130	-----	12	100.0	56.8	43.2	39.2	4.0
Drugs and drug sundries.....	1,680	1,448	232	-----	232	100.0	86.2	13.8	-----	13.8
Eyeglasses and appliances.....	386	383	3	-----	3	100.0	99.2	.8	-----	.8
Nursing-home care.....	2,560	906	1,654	295	1,359	100.0	35.4	64.6	11.5	53.1
Other health services.....	343	16	327	68	259	100.0	4.7	95.3	19.8	75.5

¹ Includes premium payments under the supplementary medical insurance program.

for the aged dropped from 17 percent in 1969 to 12 percent in 1970.

A different picture emerged for Medicare coverage of physicians' and other professional services. For those two categories, Medicare's share went up in 1970. For physicians' services, Medicare's share of the total rose from 63 percent in 1969 to 65 percent the following year. For other professional services, the program's share rose 10 percentage points—from 29 percent in 1969 to 39 percent in 1970. During this period, physicians' fees, as reported by the Consumer Price Index of the Bureau of Labor Statistics, increased

7.2 percent and fees for all medical services rose 7.4 percent. Because of the higher fees and the static medical insurance deductible, more older people apparently reached the \$50 deductible in 1970 than in 1969. In addition, the higher charges result in higher Medicare payments because the program pays 80 percent of the reasonable charges after the deductible is met.

Another trend in expenditures in recent years has been the increasing proportion spent for hospital care for each of the age groups. From 1967 to 1970, hospital care outlays as a proportion of the total rose 4 percentage points for both

the young and the intermediate age groups. For the aged, hospital care outlays now comprise three percentage points more of the total than in 1967.

The increasing role played by hospital care is a reflection, in large part, of the substantial rise in hospital costs. As indicated above, expenses per patient day in community hospitals rose 50 percent in the 4-year period 1967-70, an average increase of 10.7 percent a year.

Per Capita Amounts

Examining medical care outlays in terms of per capita amounts enables one to eliminate population growth as a factor in rising expenditures. With this factor eliminated, personal health care expenditures still showed a substantial increase for all age groups between fiscal year 1967 and fiscal year 1970 (table 10). During the past 3

TABLE 9.—Community hospital utilization and expenses, by age group, fiscal years 1967-70

Item	Fiscal year amounts				Percentage change from preceding year		
	1967	1968	1969	1970	1968	1969	1970
Number of admissions (in thousands).....	27,048	27,465	28,027	29,247	1.5	2.0	4.4
Under age 65.....	21,840	21,960	22,122	23,103	.5	.7	4.4
Aged 65 and over.....	5,208	5,505	5,904	6,145	5.7	7.2	4.1
Number of patient days (in thousands).....	214,454	221,891	227,633	231,601	3.5	2.6	1.7
Under age 65.....	148,536	148,798	149,585	153,120	.2	.5	2.4
Aged 65 and over.....	65,918	73,093	78,048	78,481	10.9	6.8	.6
Average length of stay, total..	7.9	8.1	8.1	7.9	2.5	0.	-2.5
Under age 65.....	6.8	6.8	6.8	6.6	0.	0.	-2.9
Aged 65 and over.....	12.7	13.3	13.2	12.8	4.7	-1.8	-3.0
Total expenses (in millions)....	\$11,510	\$13,697	\$15,965	\$18,693	19.0	16.6	17.1
Expenses per patient day.....	53.67	61.73	70.13	80.71	15.0	13.6	15.1

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

TABLE 10.—Per capita personal health care expenditures in fiscal year 1970 dollars and percentage change from previous years, by age group, fiscal years 1966-70

Fiscal year	Total	Under age 65			Aged 65 and over
		Total	Under 19	19-64	
Per capita expenditures (in 1970 dollars)					
1966.....	\$234.80	\$202.82			\$546.19
1967.....	248.64	211.67	\$110.99	\$282.20	606.77
1968.....	259.27	211.90	114.73	278.80	710.60
1969.....	270.26	218.73	119.70	286.09	755.43
1970.....	279.98	225.77	122.80	295.82	790.63
Percentage change from previous years					
1967.....	5.9	4.4			11.1
1968.....	4.3	.1	3.4	-1.2	17.1
1969.....	4.2	3.2	4.3	2.6	6.3
1970.....	3.6	3.2	2.6	3.4	4.7

years, per capita expenditures for persons under age 19 increased 10.1 percent per year; for persons aged 19 to 64, they rose 8.1 percent per year; and for persons aged 65 and over, 16.3 percent per year.

By eliminating price as well as population growth, one can determine the increase in expenditures that results from greater utilization and improved techniques. When per capita expenditures are converted to constant fiscal year 1970 dollars by means of the medical care component of the BLS Consumer Price Index, personal health expenditures exhibit somewhat different growth rates. Per capita constant dollars rose at an annual rate of 3.4 percent for those under age 19 and 1.2 percent for those in the intermediate age group. Per capita constant dollars for the aged grew at the fastest rate (9.2 percent)—almost triple that for young persons and almost eight times that for the intermediate age group.