

Private Health Insurance in 1974: A Review of Coverage, Enrollment, and Financial Experience

by MARJORIE SMITH MUELLER and PAULA A PIRO*

In 1974, more than three-fourths of the civilian population had substantial economic protection through private health insurance against the costs of hospital and surgical care. Smaller proportions were covered at least in part for other health care costs, usually after payment of deductibles and coinsurance. Consumers got back 87 percent of their premium dollars in the form of benefits. The rise in premium income in 1974 lagged 4 percentage points behind the growth in claims incurred. The result was a net underwriting loss of \$359.7 million or 1.3 percent of premium income. Most consumers bought their health insurance protection through insurance companies, although Blue Cross-Blue Shield plans served about two-fifths of the insured population for hospital-associated care. In addition, about 6 percent received health care through independent prepayment and self-insured plans.

THE PRIVATE HEALTH insurance industry continued to expand in 1974, in terms of the number of Americans protected against the high costs of illness and the dollars collected and spent by the industry for this health care protection. A more comprehensive array of benefits was offered as part of the continued attempt to meet the changing needs of the American public. The depth of coverage, however, remained a problem for many of the insured population and was characterized by exclusions, restrictions, and limitations of dollar costs met by the insurers.

In 1974, 163 million persons or 78 percent of the civilian population had substantial economic protection through private health insurance against the costs of hospital care. About three-fourths of the population had considerable protection against the costs of most physicians' services, including surgical services, in-hospital physicians' visits, and X-ray and laboratory examinations. For other types of care, the proportions of the population insured were much smaller. About 67 percent of the civilian population had some coverage for out-of-hospital drugs, 16 per-

cent for dental care. Only 33 percent of Americans had any coverage for nursing-home care—mostly in the form of supplements to Medicare coverage for the aged and disabled. More than 65 percent had some insurance for other nursing services.

Most Americans bought their health insurance protection from insurance companies. Blue Cross-Blue Shield plans served about two-fifths of the insured population for hospital-associated care. Only 6 percent of the population received health care through prepaid community plans, employer-employee-union and self-insured plans, private group clinics, and health maintenance organizations (HMO's).

Despite the efforts of these insurers to broaden benefit plans and provide more protection to more people, full comprehensive coverage is not commonplace, and most nonhospital services call for substantial deductible and coinsurance payments by the insured. Buyers of hospital insurance also frequently encounter age-limit restrictions or the termination of insurance benefits after stated ceilings are reached. Their hospital coverage may be of limited duration, some kinds of illness may not be eligible for treatment and care, they may face waiting periods before they are eligible for benefits, or they may find that because of pre-existing conditions they are excluded from coverage.

Almost all persons aged 65 and over have health insurance coverage, mainly through Medicare. Many private health insurance plans for the aged are designed to complement Medicare's coverage.

An estimated 38 million Americans under age 65 have no private insurance for hospital care, 41 million have no surgical insurance. The health insurance industry estimates of the noninsured population under age 65 are lower for both types of care. Not all of these persons, however, are without any economic protection against health care bills. Some who can afford to buy private insurance choose not to do so. Others receive

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

assistance for their health care expenses through public programs—Medicare, Medicaid, the civilian health and medical care program for the uniformed services (CHAMPUS), Veterans Administration programs, State temporary disability insurance programs, and workmen's compensation.

Approximately 21.9 million persons received Medicaid payments in fiscal year 1974, for example. Forty-four percent (9.7 million) of the recipients were dependent children, and 20 percent were adults in families with dependent children. Those aged 65 and over numbered 3.8 million or 17 percent of all Medicaid recipients. The remainder were blind, permanently and totally disabled, or other eligible persons.

In addition, Medicare covered 1.8 million disabled persons for hospital care and 1.6 million for supplementary medical insurance. State temporary disability programs covered an estimated 1.6 million persons, and an estimated 6.6 million had protection under State and Federal workmen's compensation programs.

Not all of these persons, however, rely exclusively upon public programs to cover their medical expenses. Many of them also have private insurance. Because the extent of this overlap or duplication in numbers of persons covered by public programs and private insurance is not known, the number of persons without economic protection against the costs of health care and illness is not easily determined. It is estimated, however, that about 22 million or 12 percent of the population has no health insurance protection under either public or private programs.

As in earlier articles in this series, two sets of estimates of the net number and proportion of the population having private health insurance for hospital care and surgical services are used: (1) those of the Health Insurance Association of America (HIAA) and (2) those of the Office of Research and Statistics, based on figures collected in the Health Interview Survey of the National Center for Health Statistics (NCHS). Although HIAA employed improved survey techniques in 1975 to remove the duplication in coverage from their estimates of net enrollment from 1945 to 1974, HIAA estimates and ORS estimates are still several percentage points apart. The true figures lie somewhere between the two sets of estimates.

Consumer expenditures for private health in-

surance in 1974 totaled \$28.4 billion in premiums and subscription charges, up 12 percent from 1973. Benefit expenditures by private health insurers reached \$24.8 billion, 16 percent higher than the 1973 total. Eighty-seven percent of premiums in 1974 was returned in benefits; 14 percent of the premium dollar went for operating expenses. The net result of operations was an underwriting loss of \$359.7 million or 1.3 percent of premium income.

POPULATION COVERAGE

Table 1 summarizes the estimates by the Office of Research and Statistics of the net number of different persons and the percentage of the population with private insurance coverage in 1974 for hospital care, various physicians' services, and other major types of care. Although more than three-fourths of the population were covered for hospital and surgical care and close to that proportion for most other physicians' services, the actual dollar protection for these services ranged widely: 77 percent of all consumer expenditures for hospital care was met by private insurance, but only 51 percent was met by insurance for physicians' services and only 7 percent

TABLE 1—Estimates of net number of different persons under private health insurance plans and percent of population covered, by age and specified type of care, as of December 31, 1974

Type of service	All ages		Under age 65		Aged 65 and over	
	Number (in thousands)	Percent of civilian population ¹	Number (in thousands)	Percent of civilian population ¹	Number (in thousands)	Percent of civilian population ¹
Hospital care .. .	163,396	77.6	150,385	79.9	12,811	57.9
Physicians' services	159,818	75.7	147,870	78.3	11,948	54.0
Surgical services . . .	156,022	73.6	146,110	77.8	9,912	40.3
In-hospital visits	153,017	72.7	146,006	77.5	7,011	31.7
X-ray and laboratory examinations	125,183	59.4	117,321	62.3	7,862	35.5
Office and home visits	83,297	15.8	82,887	17.4	410	1.9
Dental care	141,758	67.3	138,023	73.2	3,732	16.9
Prescribed drugs (out-of-hospital)	141,167	67.0	137,446	72.9	3,721	16.8
Private-duty nursing . .	136,687	64.9	132,044	70.1	4,643	21.0
Visiting-nurse service . . .	89,840	33.2	66,343	35.2	3,497	15.8
Nursing home care . . .						
HIAA estimates						
Hospital care	171,760	81.6	160,483	85.2	11,277	51.0
Surgical services	162,571	77.2	153,346	81.4	9,225	41.7

¹ Based on Bureau of the Census estimate of 210,693,000 as of Jan. 1, 1975.

² Based on Bureau of the Census estimate of 188,467,000 as of Jan. 1, 1975.

³ Based on Bureau of the Census estimate of 22,126,000 as of Jan. 1, 1975.

TABLE 2—Gross enrollment under private health insurance plans for three age groups, by type of plan and specified type of care, as of December 31, 1974

[In thousands]

Type of plan	Hospital care	Physicians' services				Dental care	Pre-scribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing home care	Vision care
		Surgical services	In hospital visits	X-ray and laboratory examinations	Office and home visits						
All ages											
Total enrollment	207,895	194,576	191,429	181,634	150,612	33,297	148,731	148,113	143,882	71,202	(1)
Blue Cross-Blue Shield	83,845	76,873	74,847	64,240	34,854	3,790	40,329	36,785	31,297	38,108	1,446
Blue Cross	81,899	4,239	3,785	(1)	1,261	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield	2,446	72,634	71,062	(1)	33,593	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies	114,566	105,164	104,898	108,142	108,804	16,842	103,075	103,075	103,075	29,025	(1)
Group policies	85,759	86,680	87,317	87,894	86,593	16,756	95,840	95,840	95,840	23,960	(1)
Individual policies	28,807	18,584	7,581	7,248	7,211	86	7,235	7,235	7,235	5,065	(1)
Independent plans	9,484	12,539	11,684	12,252	11,984	12,665	5,827	8,258	9,010	4,069	6,686
Community	3,638	6,110	6,110	6,010	6,020	1,211	1,796	4,830	5,400	1,600	4,200
Employer-employee-union	5,695	6,276	5,420	6,088	5,780	1,900	3,600	3,403	3,600	2,368	2,294
Private group clinic	151	154	154	154	154	54	31	20	10	106	142
Dental service corporation	-	-	-	-	-	9,800	-	-	-	-	-
Under age 65											
Total enrollment	192,487	182,960	181,324	173,747	140,785	32,887	144,924	144,318	138,646	67,670	(1)
Blue Cross Blue Shield	75,992	69,838	68,012	60,127	28,238	3,699	38,880	35,433	29,129	35,468	1,187
Blue Cross	73,798	3,830	3,492	(1)	1,187	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield	2,194	66,008	64,520	(1)	27,051	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies	107,602	101,288	102,340	102,060	101,272	16,578	101,065	101,065	101,065	28,425	(1)
Group policies	84,234	85,170	85,222	85,023	84,237	16,492	94,047	94,047	94,047	23,512	(1)
Individual policies	23,368	16,118	7,118	7,057	7,035	86	7,018	7,018	7,018	4,913	(1)
Independent plans	8,873	11,834	10,972	11,540	11,275	12,610	4,979	7,820	8,452	3,777	6,182
Community	3,442	5,838	5,838	5,738	5,748	1,187	1,713	4,638	5,146	1,502	3,946
Employer-employee union	5,299	5,863	5,001	5,669	5,394	1,871	3,255	3,165	3,296	2,178	2,107
Private group clinic	132	133	133	133	133	52	11	17	10	97	129
Dental service corporation	-	-	-	-	-	9,600	-	-	-	-	-
Aged 65 and over											
Total enrollment	15,428	11,616	10,105	7,887	9,827	410	3,807	3,795	4,736	3,532	(1)
Blue Cross Blue Shield	7,853	7,085	6,835	4,113	6,616	91	1,449	1,352	2,168	2,640	289
Blue Cross	7,601	409	293	(1)	74	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield	232	6,676	6,542	(1)	6,542	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies	6,964	3,876	2,533	3,062	2,832	264	2,010	2,010	2,010	600	(1)
Group policies	1,525	1,460	2,095	2,871	2,856	264	1,793	1,793	1,793	448	(1)
Individual policies	5,439	2,416	463	191	176	-	217	217	217	152	(1)
Independent plans	611	705	712	712	679	55	348	433	558	292	454
Community	196	272	272	272	272	24	83	192	254	98	254
Employer-employee-union	396	412	419	419	386	29	245	238	304	185	187
Private group clinic	19	21	21	21	21	2	20	3	-	9	13
Dental service corporation	-	-	-	-	-	0	-	-	-	-	-

¹ Data not available

² Includes disabled persons under age 65

³ Mainly coverage of Medicare deductibles

for other types of care. The small proportion of reimbursement for the latter reflects not only the proportionately lower rate of coverage (only 16 percent of the population had coverage for dental care, 33 percent for nursing-home care, and 67 percent for drugs) but also the limited benefit levels for such services. It is estimated, for example, that approximately 1 in 9 persons under age 65 had first-dollar coverage for physicians' office visits in their basic health insurance plans.¹ Until basic health insurance plans become

more comprehensive in scope and/or major medical insurance and extended benefits are more widely held, the consumer must continue to bear most of the cost of non-hospital-associated care.

ENROLLMENT

Gross enrollments—the total number of persons enrolled by all types of health insurance organizations for each of 11 services—are reported in table 2. The gross enrollment for persons of all ages for hospital care was 208 million.

¹ Preliminary unpublished data, Office of Research and Statistics

According to the net estimates shown in table 1, 163 million different persons were covered for hospital care in 1974. Thus, 45 million or approximately 27 percent of gross enrollment represented multiple or duplicatory coverage. The HIAA estimated such net coverage at 172 million. Multiple coverage occurs chiefly in these ways. (a) When both spouses are employed and both have group insurance through their employer, (b) when a person with group coverage purchases an individual insurance policy to supplement the group plan, and (c) when a person not eligible for group coverage holds two or more individual insurance policies, usually to supplement each other because of limited benefits.

Blue Cross plans over the country had 74 million persons under age 65 enrolled for hospital care at the end of 1974. Blue Shield plans had an additional 2 million persons enrolled for that type of care. The commercial carriers covered 84 million persons under group policies and an additional 23 million persons under individual policies. Independent community, employer-employee-union, and private group medical clinics provided hospital care for an estimated 9 million persons. Blue Cross-Blue Shield enrollment figures include both group and nongroup subscribers.

Gross enrollment for surgical care approached the level of hospitalization insurance. Blue Shield plans accounted for 66 million persons under age 65, with nonaffiliated Blue Cross plans re-

porting an additional 4 million persons. Group insurance policies issued by the companies accounted for 85 million persons; an additional 16 million were covered by individual policies. Independent plans covered about 12 million. The vast majority of their enrollment is through employment groups; only a small percentage enrolled through individual memberships.

A total of 15.4 million persons aged 65 and over were enrolled for hospital care and 8-12 million for various physicians' services. Only 3.8 million were enrolled for insurance against at least some of the cost of out-of-hospital drugs. Most private health insurance coverage was purchased by those aged 65 and older in an effort to fill the gaps in the Medicare program—to cover deductibles and coinsurance payments, as well as part of the cost of services not included in the Federal program.

Enrollment Shares

Private insurers continued to share the market on about the same basis as in 1973 (table 3). Insurance companies held over half the total gross enrollment for all types of care except nursing-home care. Enrollment in individual policies was substantial for hospital, surgical services, and nursing-home care but represented only a small fraction of insurance coverage for

TABLE 3—Percentage distribution of total gross enrollment under private health insurance plans, by age, type of plan, and specified type of care, as of December 31, 1974

Age group and type of plan	Hospital care	Physicians' services				Dental care	Prescribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	Office and home visits					
Total, all ages.....	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0
Blue Cross-Blue Shield.....	40 3	39 5	39 1	35 4	23 1	11 4	27 1	24 8	21 8	53 5
Insurance companies.....	55 1	54 0	54 8	57 9	68 9	50 6	69 3	69 6	71 9	40 8
Group policies.....	41 2	44 5	50 8	53 9	64 1	50 3	64 4	64 7	66 8	33 7
Individual policies.....	13 9	9 5	4 0	4 0	4 8	3	4 9	4 9	5 0	7 1
Independent plans.....	4 6	6 4	6 1	6 7	7 9	38 0	3 6	5 6	6 3	5 7
Under age 65.....	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0
Blue Cross-Blue Shield.....	39 5	38 2	37 5	34 6	20 1	11 2	26 8	24 6	21 0	52 4
Insurance companies.....	55 9	55 4	56 4	58 8	71 9	50 4	69 7	70 0	72 9	42 0
Group policies.....	43 8	46 6	52 5	54 7	66 9	50 1	64 9	65 2	67 8	34 7
Individual policies.....	12 1	8 8	3 9	4 1	5 0	3	4 8	4 8	5 1	7 3
Independent plans.....	4 6	6 5	6 0	6 6	8 0	38 3	3 4	5 4	6 1	5 6
Aged 65 and over.....	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0
Blue Cross-Blue Shield.....	50 9	60 6	67 6	52 1	67 3	22 2	38 1	35 6	45 8	74 7
Insurance companies.....	45 1	33 4	25 3	38 8	25 8	64 4	52 8	53 0	42 4	17 0
Group policies.....	9 9	12 6	20 7	36 4	24 0	64 4	47 1	47 2	37 9	12 7
Individual policies.....	35 2	20 8	4 6	2 4	1 8	---	5 7	5 7	4 6	4 3
Independent plans.....	4 0	6 1	7 0	9 0	6 9	13 4	9 1	11 4	11 8	8 3

TABLE 4—Gross enrollment under private health insurance plans for hospital and surgical care, by type of plan, 1950-74

[In thousands]

End of year	Gross enrollments											
	Total	Blue Cross-Blue Shield			Insurance companies			Independent plans				
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	Total	Community	Employer-employee-union	Medical society	Private group clinic
Hospital care												
1950	81,691	37,645	37,435	210	39,601	22,305	17,296	4,445	1,445	2,280	600	220
1955	113,976	48,924	47,719	1,205	58,507	35,620	19,887	6,545	2,920	3,220	360	45
1960	140,055	57,464	55,938	1,526	78,597	54,418	22,181	5,994	1,604	4,000	340	60
1965	180,485	63,062	61,651	2,012	89,839	65,415	24,424	6,984	1,954	4,971	8	51
1966	164,958	65,638	63,408	2,230	92,687	67,799	24,888	6,633	1,964	4,618	-	61
1967	170,636	67,513	65,188	2,325	96,073	71,454	24,619	7,050	2,300	4,700	-	50
1968	177,138	70,510	67,958	2,552	99,351	74,073	25,278	7,277	2,507	4,749	-	20
1969	184,808	73,211	70,620	2,591	103,895	77,973	25,922	7,702	2,672	5,000	-	30
1970	190,758	75,464	72,942	2,522	107,163	80,505	26,658	8,131	2,900	5,200	-	31
1971	193,308	76,349	74,383	1,966	108,414	80,641	27,773	8,545	3,100	5,400	-	45
1972	198,132	78,605	76,322	2,283	110,537	81,626	29,011	8,990	3,370	5,590	-	60
1973	201,684	81,345	79,199	2,146	111,170	83,626	27,544	9,169	3,538	5,491	-	140
1974	207,895	83,845	81,399	2,446	114,566	85,759	28,807	9,484	3,638	5,695	-	151
Surgical care												
1950	55,950	17,253	1,151	16,102	34,937	21,219	13,718	3,760	940	1,950	600	270
1955	98,000	37,395	3,194	34,201	54,675	39,703	14,972	5,930	2,130	3,200	430	170
1960	127,091	48,266	3,773	44,493	71,489	55,464	16,025	7,336	2,760	4,020	346	210
1965	148,236	56,330	3,600	52,669	83,222	65,487	17,736	8,684	3,400	5,068	10	208
1966	152,106	57,916	3,417	54,499	85,965	68,114	17,751	8,325	3,525	4,601	-	198
1967	158,654	60,433	3,416	57,017	89,641	72,038	17,603	8,580	3,900	4,500	-	180
1968	164,540	63,279	3,404	59,815	92,509	75,038	17,471	8,752	4,132	4,476	-	148
1969	173,108	66,895	3,629	62,966	96,583	78,864	17,699	9,950	4,500	5,300	-	150
1970	179,152	69,110	3,874	65,236	99,510	81,549	17,961	10,532	4,900	5,500	-	132
1971	181,191	70,395	3,831	66,564	99,936	81,802	18,134	10,860	5,100	5,630	-	130
1972	185,133	72,433	4,020	68,413	101,230	82,670	18,560	11,490	5,350	6,000	-	140
1973	190,359	75,136	4,098	71,038	103,091	84,483	18,608	12,132	5,890	6,057	-	145
1974	194,676	76,873	4,239	72,634	105,164	86,630	18,534	12,539	6,110	6,275	-	154

all other services Blue Cross-Blue Shield claimed 22-40 percent of the enrollment for all services except dental care (11 percent) and nursing-home care (54 percent) Independent plans had only 4 percent of the market for out-of-hospital drugs, 5 percent for hospital care, 6-8 percent for physicians' services, and 35 percent for dental care

The distribution pattern was about the same for enrollment of persons under age 65, but Blue Cross-Blue Shield plans dominated the market with respect to enrollments of persons aged 65 and over They had 75 percent of the enrollment of the older group for nursing-home care and more than half the enrollment for hospital care and surgical services Most of the insured aged were enrolled for dental care, drugs, and private-duty nursing through insurance companies

Historical Data

For all ages, insurance coverage for hospital and surgical care—in terms of gross enrollments by type of insurer—is detailed in table 4. Blue

Cross-Blue Shield enrollment for hospital care rose 31 percent in 1974, for surgical care it went up slightly less (23 percent) In the previous 6 years the annual gain for both types of care was 3-5 percent, except in 1971 when the rate dropped to 1 percent for hospital care and 2 percent for surgical care Insurance company enrollment rose 31 percent in 1974 for hospital care and 20 percent for surgical care Enrollments for surgical care through individual policies showed a slight drop in 1974; from 1968 to 1973 the average annual growth was 13 percent Individual business for hospital care showed a better picture In 1974 the increase was 46 percent; in the previous 6 years it had been 17 percent Group business was stable 1974 enrollment rose 26 percent for hospital care and 25 percent for surgical care—rates just slightly above the previous 6-year average rise of 25 percent for hospital care and 24 percent for surgical care

Independent plans showed slower gains in 1974 than they had since 1968 Enrollments for hospital and surgical care rose 34 percent in 1974, compared with average annual gains of 47 per-

TABLE 5—Net enrollment for hospital and surgical care, as estimated by HIAA and household surveys, 1962-74

[Numbers in thousands]

End of year	Hospital care				Surgical care			
	HIAA		Household surveys		HIAA		Household surveys	
	Number	Percent of civilian population	Number ¹	Percent of civilian population	Number	Percent of civilian population	Number ¹	Percent of civilian population
1962	129,407	69.8	129,800	70.0	119,766	64.6	120,528	65.0
1963	133,472	71.0	128,047	67.0	124,105	66.0	120,528	65.0
1964	136,304	71.4	128,047	67.0	127,092	66.6	120,528	65.0
1965	138,671	71.9	128,047	67.0	130,530	67.7	120,528	65.0
1966	142,369	73.2	128,047	67.0	133,995	68.9	120,528	65.0
1967	146,409	74.4	145,454	73.9	136,898	70.6	142,082	72.2
1968	151,947	76.4	150,888	75.9	143,625	72.2	148,082	74.6
1969	155,625	77.2	150,888	75.9	147,774	73.6	150,001	73.9
1970	158,847	78.2	150,888	75.9	151,440	74.6	150,001	73.9
1971	161,849	78.8	150,888	75.9	153,093	74.6	150,001	73.9
1972	164,098	79.2	155,263	74.9	154,687	74.6	152,651	73.6
1973	167,147	80.0	155,263	74.9	158,624	75.9	152,651	73.6
1974	171,760	81.6	163,396	77.6	162,571	77.2	159,518	75.7

¹ Estimated by applying percentages to total civilian population

cent for hospital care and 6.7 percent for surgical care from 1968 to 1973

In 1974, HIAA again revised downward its estimates of gross coverage by insurance companies for 1945-73 as a result of an improved methodology that made possible better reporting by the companies. The major revisions occurred in individual policy gross enrollments where estimates for 1945-73 were nearly cut in half.

HIAA also revised its net estimates of the number of persons and the percentage of population covered for hospital and surgical care for the period 1945-73, as a result of improved reporting techniques, particularly in relation to the extent of duplicate coverage. The HIAA estimates and the net coverage, as estimated by the NCHS household surveys for 1962-74, are shown in table 5. The HIAA estimates of the total civilian population insured for hospital and surgical care remained higher for the most part than the estimates based on household surveys. Some of the remaining difference probably results from underreporting in the household surveys. Nearly 3 percent of the respondents under age 65 who may have had private health insurance, for example, were uncertain of their coverage (see text table in technical note) and are not counted among the insured population.

Household Interview Surveys

Table 6 presents, for persons under age 65 and for persons aged 65 and older, the net number

of different persons and the percentage of population covered. The estimates for hospital and surgical care are based on household interview surveys conducted by the NCHS in 1962, 1967, 1970, 1972, and 1974.

During the 1970-74 surveys, data were also collected on the enrollment for physicians' visits in the home and office. In those surveys, especially in the 1974 survey, a large proportion of the respondents reported that they did not know whether they had that type of insurance coverage.

TABLE 6—Benefits for hospital and surgical care: Net number of different persons covered, by age, as estimated by household surveys, 1962-74

[Numbers in thousands]

Year	Hospital care		Surgical care	
	Number	Percent of civilian population	Number	Percent of civilian population
Under age 65				
1962	120,220	72.3	113,569	68.3
1967	136,907	77.0	133,706	75.2
1968	141,572	78.9	139,061	77.9
1970	143,611	78.6	140,505	76.5
1972	143,309	77.0	141,448	76.0
1974	150,585	79.9	147,570	78.3
Aged 65 and over				
1962	9,125	54.1	7,792	46.2
1967	8,547	45.0	8,376	44.1
1970	10,452	51.4	9,498	46.7
1972	11,944	56.4	11,203	52.9
1974	12,811	57.9	11,948	54.0

¹ In the Current Medicare Survey of the Social Security Administration, 60.4 percent of those enrolled for supplementary medical insurance were reported as having private hospital insurance, 51.9 percent as having private surgical insurance as of Jan. 1, 1975.

Source: Data reported by various National Center for Health Statistics household surveys conducted during 1962-74. (The 1968 household survey provided no data for persons aged 65 and over.)

TABLE 7—Estimates of the net number of different persons under private health insurance plans and percent of population covered, by specified type of care, 1962-74

End of year	Hospital care	Physicians' services				Dental care	Prescribed drugs (out of hospital)	Private duty nursing	Visiting nurse service	Nursing-home care
		Surgical services	In hospital visits	X-ray and laboratory examinations	Office and home visits					
Number (in thousands)										
1962.....	129,800	120,528	(1)	65,671	(1)	1,066	47,907	46,143	43,203	4,975
1965.....	(1)	(1)	(1)	79,500	(1)	3,100	53,200	56,000	60,100	9,900
1966.....	(1)	(1)	(1)	90,000	(1)	4,227	65,544	68,722	78,004	17,814
1967.....	145,454	142,082	(1)	92,460	(1)	4,679	71,201	76,080	81,771	18,754
1968.....	(1)	(1)	128,174	97,703	(1)	5,821	79,280	83,485	90,523	19,046
1969.....	(1)	(1)	133,914	125,002	(1)	8,510	89,805	91,211	100,343	28,044
1970.....	154,263	150,001	145,589	142,441	101,970	12,210	100,966	100,235	108,882	32,392
1971.....	(1)	(1)	148,514	145,207	(1)	15,348	106,985	104,730	110,215	38,636
1972.....	155,253	152,651	149,734	149,444	(1)	17,904	111,374	108,959	115,904	45,460
1973.....	(1)	(1)	153,461	152,797	(1)	21,626	124,971	118,803	122,688	69,152
1974.....	163,396	159,518	155,022	153,017	125,183	33,297	141,755	141,167	136,687	69,840
Percent of civilian population										
1962.....	70.0	65.0	(1)	35.0	(1)	0.5	26.0	25.0	23.0	3.0
1965.....	(1)	(1)	(1)	41.2	(1)	1.6	27.6	29.0	31.2	5.1
1966.....	(1)	(1)	(1)	48.0	(1)	2.2	33.7	36.0	40.6	9.2
1967.....	73.9	72.2	(1)	47.0	(1)	2.4	36.2	38.7	41.6	9.2
1968.....	(1)	(1)	64.5	49.2	(1)	2.9	39.9	42.0	45.9	9.6
1969.....	(1)	(1)	66.6	62.2	(1)	4.2	44.7	45.4	49.9	14.0
1970.....	75.9	73.9	71.7	70.2	60.2	6.0	49.7	49.4	52.6	16.0
1971.....	(1)	(1)	72.3	70.7	(1)	7.5	52.1	51.0	53.6	18.8
1972.....	74.9	73.6	72.2	72.1	(1)	8.6	53.7	52.6	55.9	21.9
1973.....	(1)	(1)	73.4	73.1	(1)	10.4	59.8	56.9	58.7	33.1
1974.....	77.6	75.7	73.6	72.7	69.4	15.8	67.3	67.0	64.9	33.2

¹ Data not available

As a result, the home and office category has been excluded from table 6

The data for those aged 65 and over are significant in that they show a sharp drop in private insurance coverage in the first full year of Medicare but, since that period, a steadily rising number and percentage of these older persons buying health insurance. As noted earlier, private insurance plans available to those aged 65 and older are designed primarily to complement the Medicare program by filling the gaps—deductibles, coinsurance payments, and, to some extent, services not paid for by Medicare. Other plans, however, provide flat weekly or monthly payments to the aged (only if they are hospitalized) to be used by the insured according to his financial needs.

Changes in Benefit Structure

The steadily broadening scope of benefits under private health insurance is shown in table 7, which gives data on net enrollment and the percentage of the population covered, by type of health care benefit. For all ages, coverage for X-ray and laboratory examinations more than doubled since 1962; for prescribed drugs, private-duty nursing, and visiting-nurse service, coverage has tripled. Nursing-home care covered 14 times

as many persons, and dental care increased 33 times. Despite this growth, only 1 out of 3 Americans in 1974 was covered for nursing-home care and less than 1 out of 6 had insurance for dental care.

The expansion in the areas of physicians' office and home visits, private-duty nursing, and, to some extent, X-ray and laboratory examinations and prescribed drugs comes largely through increased coverage under major medical plans of insurance companies and Blue Cross-Blue Shield extended-benefit plans, where benefits are paid only after deductibles and coinsurance payments are met. Independent self-insured plans can claim a good portion of the expansion in coverage for dental care, although Blue Cross-Blue Shield and insurance company plans have also accounted for substantial gains.

Major-Medical Coverage

Table 8 reveals, for persons of all ages, the annual growth since 1960 in gross enrollments for major-medical coverage under insurance company group and individual policies and under Blue Cross-Blue Shield plans. Coverage is shown for both supplementary major-medical and comprehensive extended-benefit plans. Data for in-

TABLE 8—Number of persons covered under major medical policies of insurance companies and under supplementary major-medical and comprehensive extended-benefit contracts of Blue Cross-Blue Shield plans, 1960-74

[In thousands]

End of year	Insurance companies					Blue Cross-Blue Shield ¹		
	Total	Group policies			Individual policies	Total	Supplementary major-medical	Comprehensive extended-benefit
		Net total	Supplementary	Comprehensive				
1960	25,371	24,429	17,991	8,463	1,607	3,713	3,020	693
1961	32,334	30,729	24,488	9,851	2,372	4,059	4,015	1,044
1962	37,130	35,002	28,445	10,636	2,949	7,501	5,068	1,736
1963	42,003	39,446	32,307	11,699	3,459	(²)	(²)	(²)
1964	47,838	44,087	36,925	12,241	4,185	(²)	(²)	(²)
1965	53,920	49,700	42,450	12,962	4,468	14,600	(²)	(²)
1966	57,881	54,732	46,830	14,154	4,516	14,352	10,409	3,943
1967	63,248	60,517	51,824	15,670	4,552	16,279	12,408	3,871
1968	68,171	65,076	55,422	17,014	4,873	17,807	14,078	3,729
1969	73,752	70,272	58,905	19,260	5,377	20,328	16,666	3,662
1970	77,061	73,702	61,718	20,244	5,414	24,905	21,658	3,247
1971	80,252	76,971	63,442	22,111	5,479	26,780	23,429	3,351
1972	83,668	79,025	64,443	23,363	6,630	30,062	26,879	3,203
1973	87,839	82,724	66,225	25,690	7,310	37,328	33,947	3,381
1974	91,321	86,286	68,122	27,718	7,235	40,862	37,239	3,623

¹ Comparable data not available for earlier years, before 1965, data shown are for Blue Cross plans only, beginning 1965, data are jointly developed by Blue Cross Association and National Association of Blue Shield Plans on unduplicated number of persons covered

² Data not available

³ Data for Blue Cross plans plus an estimated 1,200,000 in Blue Shield plans not affiliated with Blue Cross

insurance companies also show net enrollment with the duplication between supplementary and comprehensive group policies and between group and individual policies eliminated

The ratio of supplementary major-medical group policies to comprehensive group policies written by insurance companies was 2½ to 1 Under Blue Cross-Blue Shield plans written as major-medical plans supplementing a basic policy, coverage was greater than that for comprehensive extended-benefit plans by more than 10 to 1.

In 1974, about 91 million different persons were covered by insurance companies under major-medical plans Blue Cross-Blue Shield plans covered about 41 million persons About 7 million more Americans were covered for major-medical expenses in 1974 than in 1973 The companies and the Blue Cross-Blue Shield plans shared equally in the expansion Although insurance companies continued to write more than twice as much major-medical coverage as the Blue Cross-Blue Shield plans, the commercial carriers' share of the market has been slowly diminishing since 1968, when they held almost four times as much as the Blues

Enrollment in Group-Practice Prepayment Plans

Enrollment in independent group-practice prepayment plans for the period 1953-74 is shown

in table 9. In 1974, growth rates for hospital care and physicians' services were substantially below the average growth rates in the previous 10 years. In 1974 enrollment for surgical services rose only 19 percent, compared with an average annual growth of 55 percent in the previous 10 years The pattern was the same for other physicians' services Enrollments for office, clinic, and health center visits, for example, rose only 18 percent in 1974, compared with an average annual growth of 52 percent in the preceding 10-year period The slowed rate in enrollment

TABLE 9—Private health insurance enrollment under independent group-practice prepayment plans, by specified type of care, 1953-74

[In thousands]

Year	Hospital care	Physicians' services			Dental care	Drugs
		Surgical services	In hospital visits	Office, clinic, or health center		
1953	1,802	2,410	2,507	2,863	452	(¹)
1956	2,428	3,177	3,399	3,395	248	(¹)
1959	2,526	3,280	3,400	3,694	318	(¹)
1961	2,586	3,484	3,643	3,613	398	518
1964	2,695	3,501	3,176	3,844	438	889
1966	2,771	3,763	3,430	4,158	(¹)	(¹)
1967	3,060	4,130	3,760	4,480	(¹)	(¹)
1968	3,043	4,051	3,730	4,404	518	1,382
1969	3,730	4,750	4,210	5,050	800	1,720
1970	4,131	5,032	4,532	5,432	910	2,121
1971	4,415	5,230	4,880	5,630	965	2,321
1972	4,679	5,473	5,123	5,865	977	2,543
1973	4,905	5,671	5,288	6,068	1,000	2,741
1974	4,976	5,779	5,424	6,174	997	2,821

¹ Data not available

² Excludes those enrolled under plans that sell drugs to members at reduced rates

for hospital care was even more pronounced—an indication that some plans dropped hospital coverage from the benefits offered. In the period 1964-73, enrollment rose an average of 6.9 percent; in 1974, the plans gained only 1.4 percent in hospital enrollees. Dental care enrollment increased rapidly from 1968 to 1973 (an annual average of 14.1 percent) but declined slightly in 1974, primarily because of lower enrollments among some of the employer-employee-union plans.

The impact of the Federal program for research, development, evaluation, and technical assistance to HMO's on the growth of long-standing independent prototypes is not yet known. Substantial progress was seen in the initiation of new HMO projects, although participation in the Federal program was less in the beginning than anticipated.³ As of April 1975, Blue Cross-Blue Shield plans reported activity in developing group-practice HMO programs in 17 cities. Insurance companies did not report any substantial new HMO involvement in 1974.

In this article, HMO's whose major sponsors are consumer groups, physicians' groups, hospitals, labor unions, medical schools, and private corporations (where such sponsors are also at major financial risk for prepaid care) are included in the "independent plans" category with other plans not underwritten by insurance companies or Blue Cross-Blue Shield plans. The HMO's with sponsorship and risk- and surplus-sharing primarily by Blue Cross-Blue Shield plans or insurance companies are included in the statistics for those organizations.

FINANCIAL EXPERIENCE

The following discussion of the financial experience of private health insurance organizations provides background data for an understanding and evaluation of the operating experience of health insurers. Data are presented on the business (premium and subscription income), benefit expense (claims), operating expense, net underwriting results, and net income (where available).

³Health Services Administration, Bureau of Community Health Services, *Health Maintenance Organization Program Status Report, May 1975, 1975*

of the three principal types of insurers—the commercial carriers (for group and individual business), Blue Cross-Blue Shield plans, and the independent plans.

These data are drawn together to show some comparisons of operating results—the proportion of premiums returned in benefit payments to the insured, investment income (where available), operating costs, percentage of premium income retained for operating expense, additions to reserves, and profits. Trends in the distribution and growth of premium income and benefit expenditures by type of insurer and by specified type of care are reported, as well as changes in operating expense ratios over the past 5 years.

In 1974, private health insurers collected \$28.4 billion in premiums and subscriptions from their policyholders and subscribers, \$24.8 billion or 87.2 percent was returned in claims and benefits (table 10). Operating expenses amounted to \$4.0 billion or 14.1 percent of premium income. The net underwriting loss was \$359.7 million or 1.3 percent of premium income, a loss made up for the most part in income from investment of reserves. Because total income figures (premium income plus investment income) for the commercial writers with respect to their health and medical expense business are not available, aggregate net income for all private insurers cannot be determined.

Insurance companies had a premium income of \$13.9 billion—\$1.5 billion more than that of Blue Cross-Blue Shield plans but more than six times that of independent plans. The ratio of claims paid to premiums for group and individual business combined was 80.1 percent, compared with 94.1 percent for Blue Cross-Blue Shield group and nongroup plans. The performance of the independent plans was comparable with that of the Blue Cross-Blue Shield plans—they had a claims ratio of 93.2 percent. Insurance company group policies also did well, returning almost 91 cents of the premium dollar in claims. The rate of return on individual policies, which account for a little less than one-fourth of all commercial business, amounted to only 46 cents per premium dollar. Separate financial data are not available for nongroup business of the Blue Cross-Blue Shield and independent plans.

The experience of individual business of insurance companies also heavily affected the overall

TABLE 10—Financial experience of private health insurance organizations, 1973-74

[Amounts in millions]

Type of plan	Total income	Sub- scription or premium income	Claims expense		Operating expense		Net underwriting gain		Net income	
			Amount	Percent of premium income	Amount	Percent of premium income	Amount	Percent of premium income	Amount	Percent of total income
1974										
Total	(1)	\$28,399.9	\$24,766.8	87.2	\$3,992.8	14.1	\$-359.7	-1.3	(1)	(1)
Blue Cross Blue Shield	12,611.8	12,367.0	11,639.5	94.1	911.0	7.4	-183.5	-1.5	\$61.3	0.5
Blue Cross	8,757.7	8,647.6	8,311.1	96.1	470.2	5.4	-133.7	-1.5	-23.6	-3
Blue Shield	3,854.1	3,719.4	3,328.4	89.5	440.8	11.8	-49.8	-1.3	84.9	2.2
Insurance companies	(1)	13,867.0	11,109.3	80.1	2,916.9	21.0	-159.2	-1.1	(1)	(1)
Group policies	(1)	10,690.0	9,592.2	90.6	1,376.7	13.0	-378.9	-3.6	(1)	(1)
Individual policies	(1)	3,277.0	1,517.1	46.3	1,540.2	47.0	219.7	6.7	(1)	(1)
Independent plans	2,221.0	2,165.9	2,018.0	93.2	164.9	7.6	-17.0	-8	38.1	1.7
Community	855.4	847.5	798.1	94.2	57.2	6.7	-7.8	-9	1	(1)
Employer-employee-union	938.0	897.0	853.4	95.1	62.7	7.0	-19.1	-2.1	21.9	2.3
Private group clinic	34.8	33.4	26.5	79.3	5.0	15.0	1.9	5.7	3.3	9.5
Dental service corporation	392.8	388.0	340.0	87.6	40.0	10.3	8.0	2.1	12.8	3.3
1973										
Total	(1)	\$25,294.2	\$21,334.8	84.3	\$3,537.1	14.0	\$242.3	1.7	(1)	(1)
Blue Cross Blue Shield	11,275.5	11,059.1	10,004.2	90.5	775.3	7.0	279.6	2.5	\$496.0	4.4
Blue Cross	8,013.4	7,862.1	7,187.3	91.4	407.7	5.2	267.1	3.4	418.4	5.2
Blue Shield	3,262.1	3,197.0	2,818.9	88.1	367.6	11.5	12.5	4	77.6	2.4
Insurance companies	(1)	12,886.0	9,647.7	77.9	2,627.8	21.2	110.5	9	(1)	(1)
Group policies	(1)	9,393.0	8,185.3	87.1	1,221.1	13.0	-13.4	-1	(1)	(1)
Individual policies	(1)	2,993.0	1,462.4	48.9	1,406.7	47.0	123.9	4.1	(1)	(1)
Independent plans	1,895.7	1,849.1	1,682.9	91.0	134.0	7.2	32.2	1.8	78.8	4.2
Community	737.0	730.0	684.0	93.7	47.0	6.4	-1.0	-1	6.0	8
Employer-employee-union	899.0	863.3	778.0	90.1	58.4	6.8	26.9	3.1	62.6	7.0
Private group clinic	26.8	25.8	20.7	80.3	3.8	14.7	1.3	5.0	2.3	8.6
Dental service corporation	232.9	230.0	200.2	87.0	24.8	10.8	5.0	2.2	7.9	3.4

1 Data not available

2 Less than 0.05 percent

operating expense of the companies. The \$1.5 billion operating expense of individual business represented more than half the total operating expense of the carriers and accounted for 47 percent of the premium dollar. The result was an overall operating expense ratio of 21.0 percent of premium income for all business. The ratio for group business was 13.0 percent. One cannot, however, measure these ratios for the companies against the ratios of other insurers—5.4 percent by Blue Cross plans, 11.8 percent by Blue Shield plans, and 7.6 percent by independent plans—without taking into account several mitigating factors.

Insurance companies usually sell a package of benefits including both hospital and medical expenses and major-medical expenses as well. The operating-expense ratio for surgical-medical coverage is substantially higher than the ratio for hospital coverage mainly because of the lower premium, the larger number of claims per enrollee, the smaller amount per claim, and the greater complexity of administering and paying surgical-medical claims than that required for

hospital claims. Major-medical insurance is regarded as the most costly type of coverage to administer.

The resulting higher administrative cost of the companies is further augmented by higher acquisition costs and selling expenses than those incurred by the other plans and the payment of Federal income taxes and State premium taxes and licenses and fees not required of other private health insurance organizations. These higher expenses are offset to some extent in the case of group insurance contracts covering large groups of employees, where virtually all the claims administration work is performed by the employer or welfare fund.

In 1974, claims and operating expenses of insurance companies exceeded their premium income by \$159.2 million. This net underwriting loss amounted to 1.1 percent of premium income. Blue Cross-Blue Shield plans showed a net underwriting loss of 1.5 percent of subscriptions. Independent plans also had a slight net underwriting loss. Their total expense was 0.8 percent more than subscription income.

Source of Net Underwriting Loss

In 1974, subscription or premium income for all private health insurers rose 12.3 percent, and claims went up 16.1 percent. Operating expenses increased only slightly. The result was a net underwriting loss of \$359.7 million or 1.3 percent of premium income.

Claims expense rose faster in 1974 than premium income for all health insurance organizations except for individual business of the companies. For all insurers, the increase in premium income lagged 3.8 percentage points behind the growth in claims expense. In contrast, gains in premiums surpassed those for benefits in 1973 by 1.7 percentage points.

Individual business of the commercial carriers was the only major segment of health insurance business that did not experience a net underwriting loss. Premium income exceeded expenses by \$219.7 million, producing a net underwriting gain of 6.7 percent. The improvement from the preceding year in net underwriting results—when the gain was 4.1 percent—reflects a lower claims ratio (46 percent, compared with 49 percent in 1973), a stabilized operating-expense ratio of 4.7 percent, and the fact that they were the only insurers whose premium income rose faster than benefits.

Group business of insurance companies shifted from a slight underwriting loss of 0.1 percent of premiums in 1973 to a substantial loss of 3.6 percent in 1974. This decline came about as a result of a higher claims ratio—90.6 percent, compared with 87.1 percent in 1973—and a considerable premium lag, with claims rising in 1974 faster (17.2 percent) than premiums (12.7 percent).

Blue Cross plans experienced a net underwriting loss of 1.5 percent of subscription income in 1974. In 1973, subscription income exceeded benefit and operating expense by 3.4 percent. Blue Shield plans also shifted from a slight underwriting gain (0.4 percent) to a loss of 1.3 percent of subscription income. The shift of the Blue Cross-Blue Shield plans reflected a higher claims ratio in 1974 and the fact that benefit expense increased faster than subscription income—16.3 percent, compared with 11.8 percent.

Independent health insurance plans also improved their benefit ratio. 93.2 percent of sub-

scriber charges were returned in benefits in 1974, compared with 91.0 percent in 1973. The operating-expense ratio rose slightly from 7.2 percent in 1973 to 7.6 percent in 1974. These factors, plus faster rises in benefits than in subscription income, caused a shift from a slight gain—1.8 percent—in 1973 to a slight net loss in underwriting of 0.8 percent of income in 1974.

To get a picture of the overall financial results of the health insurance business of insurance companies, one needs to know the net gain from operations, not merely the underwriting results. Unfortunately, separate figures on overall operations for the commercial carriers are not available for that segment of business—medical expense and health insurance—with which this article deals.*

Distribution of Business Among Insurers

Of the total premium and subscription income of the health insurance industry, the companies received a little less than half—48.8 percent—compared with 43.5 percent by Blue Cross-Blue Shield plans and 7.7 percent by the independent plans. Over the years, insurance companies have consistently received the largest share of premium and subscription income, although their share of the business has shown a slight decline since 1969. The same general trend is apparent in the distribution of benefit expense.

The companies' share of claims expense continued to be slightly smaller than their share of premium income. The converse was true with respect to Blue Cross-Blue Shield plans and independent plans. Both in 1973 and 1974, the companies' share of claims expense ran slightly less than that of the Blue Cross-Blue Shield plans. In those years, the proportion of group claims expense by the companies has run more than five times the share of individual business claims.

Benefit Expenditures and Types of Care

Of the \$24.8 billion in benefits paid by health insurers, almost 61 percent went for hospital care.

* For an indication of the 1973 financial picture of 17 leading commercial writers of health insurance, see Marjorie Smith Mueller, "Private Health Insurance in 1973: A Review of Coverage, Enrollment, and Financial Experience," *Social Security Bulletin*, February 1975, pages 31-32.

and nearly 32 percent for physicians' services, about 8 percent went for other types of care (table 11). Financial returns to consumers from premium dollars for dental care, drugs, nursing services, and other types of out-of-hospital care were small.

For Blue Cross-Blue Shield plans, benefits for hospital care and physicians' services accounted for \$11.1 billion or 96 percent of all benefit expense of those plans; \$237 million (2 percent) went for drugs and dental care, and the remaining \$257 million for all other types of care.

Claims for hospitalization costs and physicians' services represented 91.5 percent (\$10.2 billion) of total insurance company claims. About 6 percent of their benefits were for dental and drug claims.

Among the independent plans, the distribution of total expenditures by type of care is heavily affected by expenditures of the dental service corporations, which represented 16.8 percent of all independent plan benefits. Thus, hospital benefits (\$706.3 million) represented only 35 percent of total benefits (\$2.0 billion), physicians' services were 39 percent. The trend away from expensive hospitalization among the independent plans becomes obvious, however, when dental care is separated from the other benefit categories. Once this is done, the independent plans' 43-percent share of total benefits for hospital care stands in sharp contrast to the carriers' 58 percent and the Blue Cross-Blue Shield plans' 67 percent.

TRENDS

Total Premium Income and Benefits

Data are presented in table 12 on the premium income and benefit expenditures of private health insurance organizations from 1950 to 1974. The ending of the economic stabilization program in April 1974 signaled an immediate but uneven escalation in the growth of premium income and benefit expense. Premium income rose 12.3 percent in 1974, compared with a rise of 10.9 percent in the previous year. Benefits rose even more rapidly—from a rate of 9.2 percent in 1973 to 16.1 percent in 1974. The cyclical nature of premium income is illustrated by its slower response to the ending of price controls and its rise at a

higher rate (13 percent) during both the economic stabilization period and the 5 years that preceded it.

In 1974, individual business of insurance companies showed the slowest rise (9.5 percent), with Blue Cross plans slightly higher—10.0 percent. The premium income of Blue Shield and independent plans increased most rapidly—16.3 percent and 17.1 percent, respectively. Except for group business of insurance companies, this pattern of growth in premiums followed closely the pattern in 1973. Group business, however, accelerated from a growth rate of 9.0 percent in 1973 to 12.7 percent in 1974.

Benefit expenditures, which were held to an average 9.7-percent growth in 1971-73, resumed their pre-price-control trend, well above the 14.1-percent average annual increase in the 5-year period 1966-71. In 1974, the 16.1-percent increase in benefit expenditures of all private insurers reflected in general the increases in all areas except for individual business of the companies, which paid only about 3.7 percent more in benefits than in 1973. Benefit expenditures escalated more rapidly in 1974 for group business of the companies and for Blue Shield plans than for other segments of the industry.

The financial experience of Blue Cross and Blue Shield plans is shown in table 13. The data, based on reports of the 74 Blue Cross and 70 Blue Shield plans, exclude data for the insurance companies owned by the associations. The data relate to the financial experience of the individual Blue Cross and Blue Shield plans and are not adjusted to eliminate the duplication with respect to the six joint plans that report identical data to the two national organizations.

A higher claims ratio and a slightly higher operating-expense ratio in 1974 brought the net income of Blue Cross plans down to \$143 million from \$438 million in 1973. Reserves were increased 10 percent—from \$1.46 billion to \$1.61 billion.

Blue Shield plans paid a substantially higher return in benefits—almost 93 percent of subscription income, compared with 89 percent in 1973. The operating-expense ratio dropped slightly from the previous year. Because of a merger in the Blue Cross and Blue Shield plans in New York City, the subscription income reported by Blue Shield for all plans rose 38 percent and benefits were 44 percent more than those reported

TABLE 11 —Benefit expenditures of private health insurance organizations, by specified type of care, 1974

[In millions]

Type of plan	Total	Hospital care	Physicians' services	Dental care	Prescribed drugs (out of hospital)	Private-duty nursing	Visiting nurse service	Nursing-home care	Vision care	Other types of care
Total	\$24,766 8	\$15,005 6	\$7,795 3	\$778 4	\$619 3	\$211 6	\$8 4	\$27 9	\$15 2	\$307 1
Blue Cross Blue Shield	11,639 5	7,841 3	3,304 0	53 5	183 3	14 6	7 0	25 9	2 8	207 1
Blue Cross	8,311 1	7,670 0	322 2	31 5	89 8	11 1	6 2	25 2	1 6	153 5
Blue Shield	3,328 4	171 3	2,981 8	22 0	93 5	3 5	8	7	1 2	53 6
Insurance companies	11,109 3	6,458 0	3,705 0	332 2	344 9	194 1	(1)	(1)	(1)	75 1
Group policies	9,592 2	5,398 6	3,315 1	332 2	342 6	129 6	(1)	(1)	(1)	74 1
Individual policies	1,517 1	1,059 4	389 9		2 3	64 5	(1)	(1)	(1)	1 0
Independent plans	2,018 0	706 3	786 3	392 7	91 1	2 9	1 4	2 0	10 4	24 9
Community	798 1	242 6	490 9	28 0	27 0	1 4	1	2	6 0	11 9
Employer-employee union	853 4	455 7	291 5	22 4	63 5	1 4	1 3	8	4 2	12 6
Private group clinic	26 5	8 0	13 9	2 3	6	1		1 0	2	4
Dental service corporation	340 0			340 0						

¹ Included in "other types of care"

in 1973. The Blue Shield plans experienced a substantial operating loss—29 percent of subscription income. Investment income reduced this loss—\$153 million—to \$66 million, or 12 percent of total income. In 1973, these plans had a net income of \$105 million.

Table 14 shows the distribution of benefit expenditures by all private insurers for hospital care, physicians' services, and other types of care. The proportion of benefits for nonhospital and nonphysician services continued to grow slowly—

79 percent in 1974, compared with 40 percent in 1973 and 3 percent in 1965—an indication that insurers are broadening and deepening their coverage for health care services. Benefit expenditures for other types of care were almost 8 times greater in 1974 than they were in 1965. The slowly decreasing share of expenditures for hospital care, which has been running at least twice the share spent for physicians' services, reflects the recent addition of ambulatory services.

Benefits for hospital care and physicians' serv-

TABLE 12 —Subscription or premium income and benefit expenditures of private health insurance organizations, 1950-74

[In millions]

Year	Total	Blue Cross-Blue Shield			Insurance companies			Independent plans
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	
Income								
1950	\$1,291 5	\$574 0	\$436 7	\$137 3	\$605 0	\$333 0	\$272 0	\$112 5
1955	3,149 6	1,292 4	910 7	381 7	1,826 9	1,022 5	604 4	230 3
1960	5,841 0	2,482 0	1,773 0	709 1	3,027 0	2,104 0	923 0	381 9
1965	10,001 3	4,169 0	2,993 7	1,175 3	5,224 0	3,665 0	1,559 0	608 3
1966	10,564 1	4,327 8	3,085 9	1,241 9	5,995 0	3,987 0	1,608 0	641 3
1967	11,105 3	4,555 3	3,230 0	1,325 3	5,858 0	4,270 0	1,588 0	692 0
1968	12,898 7	5,187 1	3,665 0	1,522 1	6,933 0	5,169 0	1,774 0	778 6
1969	14,657 7	6,155 6	4,355 2	1,790 4	7,599 0	5,685 0	1,884 0	933 1
1970	17,184 8	7,370 9	5,147 1	2,223 8	8,746 0	6,774 0	1,972 0	1,067 9
1971	19,659 1	8,790 2	6,239 6	2,550 6	9,601 0	7,281 0	2,370 0	1,287 9
1972	22,806 8	9,923 3	7,066 9	2,856 4	11,342 0	8,614 0	2,728 0	1,541 5
1973	25,294 2	11,059 1	7,862 1	3,197 0	12,385 0	9,393 0	2,993 0	1,849 1
1974	28,399 9	12,367 0	8,647 6	3,719 4	13,867 0	10,590 0	3,277 0	2,155 9
Benefit expenditures								
1950	\$991 9	\$490 6	\$382 9	\$107 7	\$400 0	\$257 0	\$143 0	\$101 3
1955	2,535 7	1,146 7	832 2	314 5	1,179 0	855 0	321 0	210 0
1960	4,906 3	2,267 1	1,646 2	640 9	2,389 0	1,901 0	488 0	320 2
1965	8,728 9	3,912 9	2,853 4	1,059 5	4,265 0	3,413 0	852 0	551 0
1966	9,141 8	3,975 4	2,882 2	1,093 2	4,585 0	3,711 0	874 0	581 4
1967	9,544 8	4,082 8	2,963 1	1,119 7	4,837 0	3,998 0	839 0	625 0
1968	11,343 6	4,840 6	3,529 2	1,311 4	5,791 0	4,841 0	950 0	712 0
1969	13,068 5	5,933 1	4,271 4	1,631 7	6,306 0	5,349 0	957 0	859 4
1970	15,743 5	7,060 2	5,009 3	2,050 9	7,658 0	6,510 0	1,148 0	1,027 4
1971	17,713 1	8,178 7	6,006 9	2,271 8	8,341 0	7,067 0	1,274 0	1,193 4
1972	19,532 3	8,990 9	6,501 3	2,489 6	9,120 0	7,784 0	1,368 0	1,421 4
1973	21,334 7	10,004 2	7,187 3	2,816 9	9,647 7	8,185 3	1,462 4	1,682 8
1974	24,796 8	11,639 5	8,311 1	3,326 4	11,109 3	9,592 2	1,517 1	2,018 0

TABLE 13—Financial experience of Blue Cross-Blue Shield plans, 1950-74¹

[Amounts in thousands]

Year	Reserves	Earned sub- scription income	Total earned income	Claims expense	Operating expense	Total net income	As percent of subscription income			Net income as percent of total income
							Claims expense	Operating expense	Underwrit- ing gain	
Blue Cross										
1950...	\$116,531	\$433,770	\$436,984	\$383,331	\$36,281	\$17,371	88.4	8.4	3.3	4.0
1955...	254,407	916,690	925,197	836,546	58,368	30,283	91.3	6.4	2.4	3.3
1960...	363,253	1,783,172	1,802,789	1,654,951	90,821	57,017	92.8	5.1	2.1	3.2
1965 ²	561,906	3,031,470	3,074,551	2,887,187	134,559	52,805	95.2	4.5	3.3	1.7
1966	649,633	3,121,111	3,168,187	2,912,733	154,132	101,822	93.3	4.9	1.7	3.2
1967	797,575	3,270,022	3,327,877	2,996,779	177,632	153,266	91.6	5.4	3.0	4.6
1968	801,389	3,711,798	3,776,487	3,571,797	211,698	-7,008	96.2	5.7	-1.9	-2.0
1969	711,274	4,419,296	4,489,266	4,322,341	256,227	-89,302	97.8	5.8	-3.6	-2.0
1970	651,655	5,385,835	5,467,512	5,220,682	302,483	-55,613	96.9	5.6	-2.5	-1.0
1971	747,230	6,390,127	6,477,615	6,053,537	338,910	85,168	94.7	5.3	(³)	1.3
1972	1,053,428	7,280,243	7,368,914	6,681,619	365,029	320,266	91.8	5.3	2.9	4.3
1973	1,464,418	8,091,784	8,248,680	7,374,871	436,210	437,600	91.1	5.4	3.5	5.2
1974	1,606,507	8,736,512	8,932,360	8,283,503	505,798	143,069	94.8	5.8	-6	1.6
Blue Shield										
1950	\$34,954	\$140,817	\$141,594	\$111,039	\$18,658	\$11,902	78.8	13.2	7.9	8.4
1955	164,705	899,781	904,294	831,068	43,610	29,616	82.8	10.9	6.3	7.3
1960	228,634	741,164	761,529	670,776	76,245	14,608	90.5	10.3	-8	1.9
1965 ²	347,266	1,318,915	1,335,907	1,190,486	116,940	32,481	90.3	8.8	9	2.4
1966	398,374	1,399,890	1,413,185	1,226,383	129,864	56,938	88.2	9.3	2.5	4.0
1967	509,094	1,489,640	1,519,309	1,261,650	148,750	108,909	84.7	10.0	5.3	7.2
1968	578,390	1,709,548	1,747,867	1,481,070	180,154	86,643	86.6	10.5	2.8	5.0
1969	555,079	2,007,970	2,054,571	1,834,495	222,514	-2,438	91.4	11.1	-2.5	-1
1970	491,066	2,320,877	2,369,800	2,165,572	254,726	-50,698	93.3	11.0	-4.3	-2.1
1971	528,202	2,814,696	2,868,368	2,530,826	295,282	42,260	89.9	10.5	-4	1.5
1972	691,445	3,282,927	3,342,589	2,864,633	346,801	131,065	87.3	10.6	2.2	3.9
1973	791,147	3,761,845	3,841,613	3,339,650	396,965	104,998	88.8	10.6	7	2.7
1974 ⁴	802,957	5,197,629	5,285,098	4,827,006	523,635	-65,513	92.9	10.1	-2.9	-1.2

¹ Data in all years exclude Health Services, Inc., and Medical Indemnity of America, and are not adjusted for duplication between Blue Cross and Blue Shield

² Includes Puerto Rico

³ Less than -0.05 percent

⁴ Includes Puerto Rico but excludes Jamaica

⁵ Data for 1974 are not directly comparable with earlier years because of the corporate merger of New York City Blue Cross and Blue Shield

TABLE 14—Benefit expenditures of all private health insurance organizations, by specified type of care, 1950-74

Year	Total	Hospital care	Physi- cians' services	Other types of care
1950...	\$992	\$680	\$312	(¹)
1955...	2,536	1,679	857	(¹)
1960...	4,966	3,304	1,663	\$99
1965...	8,729	5,790	2,680	259
1966	9,142	5,993	2,831	318
1967	9,545	6,134	2,964	447
1968	11,344	7,329	3,477	538
1969...	13,069	8,356	4,029	684
1970	15,744	10,008	4,908	828
1971	17,713	11,279	5,430	1,004
1972	19,532	12,242	6,092	1,198
1973	21,335	13,154	6,683	1,498
1974	24,767	15,006	7,795	1,966
Percentage distribution				
1950...	100.0	68.5	31.5	(¹)
1955...	100.0	66.2	33.8	(¹)
1960...	100.0	66.1	31.9	2.0
1965...	100.0	66.3	30.7	3.0
1966	100.0	65.5	31.0	3.5
1967	100.0	64.3	31.0	4.7
1968	100.0	64.6	30.7	4.7
1969	100.0	63.9	30.8	5.3
1970	100.0	63.6	31.2	5.2
1971	100.0	63.7	30.6	5.7
1972	100.0	62.7	31.2	6.1
1973	100.0	61.7	31.3	7.0
1974	100.0	60.6	31.5	7.9

¹ Included in "physicians' services"

ices showed the largest annual increase. Immediately preceding the economic stabilization program, both types of care averaged a 20.0-percent increase in benefits. By the end of the third phase of that program, the annual increase in hospital benefits was only 7.4 percent, for surgical services, it was 9.7 percent. When the controls were lifted in 1974, however, the rates of increase nearly doubled for both types of care.

Operating Expense

As the following data show, operating expense as a proportion of premium income for all insurers has remained at about 14 percent since 1970. Blue Cross plans continued to hold their ratio at a little above 5 percent—the lowest ratio of any of the insurers. The unique position of Blue Cross plans in this respect has been discussed earlier. Insurance companies have also been able to maintain about the same ratio during the past 5 years—about 21 percent of premium income.

Net Cost of Private Health Insurance

Year	Operating expense as percent of premium income									
	Total	Blue Cross-Blue Shield ¹			Insurance companies			Independent plans		
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	Total	Community	Employer-employee union
1970	14.0	7.2	5.6	11.0	20.4	12.8	46.6	7.7	7.2	7.7
1971	13.9	6.9	5.2	11.0	21.2	12.7	47.1	7.5	6.7	7.8
1972	14.2	6.9	5.2	11.3	21.5	13.4	47.0	7.6	6.6	7.7
1973	14.0	7.0	5.2	11.5	21.2	13.0	47.0	7.2	6.4	6.8
1974	14.1	7.4	5.4	11.8	21.0	13.0	47.0	7.6	6.7	7.0

¹ Data are adjusted for duplication

When operating expense in terms of per enrollee cost is examined, as indicated in the following tabulation, insurance companies are seen to have consistently had the highest cost. For group business, however, their average annual

Year	Operating expense per enrollee				
	Blue Cross ¹	Blue Shield ¹	Insurance companies		Independent plans
			Group	Individual	
1970	\$4.15	\$3.91	\$10.63	\$34.47	\$7.82
1971	4.56	4.44	11.23	40.19	8.68
1972	5.04	5.07	13.96	44.20	10.18
1973	5.51	5.89	14.45	51.07	11.05
1974	6.21	*7.21	15.89	53.47	13.15
Average annual percentage change					
1970-74	10.6	16.5	10.6	11.6	13.9
1973-74	12.7	29.0	10.0	4.7	19.0

¹ Data are unadjusted for duplication between Joint Blue Cross and Blue Shield plans that report the same data to both national organizations

* Data not comparable with earlier years because of the corporate merger of New York City Blue Cross and Blue Shield

increase since 1970 was as low as that of Blue Cross plans and lower than any of the other insurers. In 1974, for both group and individual business, operating expense per enrollee increased at a slower rate than the rise in cost by Blue Cross-Blue Shield and the independent plans.

For the carriers, administrative expense involves commissions, taxes, licenses, fees, and generally higher acquisition costs than those of other insurers. It is also affected by such factors as intensity of claims review, increases in the number of claims or number and types of plans offered, demographic characteristics of the enrollees, and efficiency of administrative procedures.⁴

⁴ Ronald Vogel and Roger Blair, *Health Insurance Administrative Costs* (Staff Paper No. 21), Office of Research and Statistics, 1975

The net cost of private health insurance to Americans was \$3.6 billion in 1974, about 8 percent less than in 1973. The net cost is the difference between earned premium or subscription income of the insurers and benefit payments (claims) to their policyholders and subscribers. These dollar amounts are retained by the insurers to cover operating expenses, profits, and such additions to reserves not accounted for by deductions from premium income or inclusion in claims expense.

If the retentions are greater than operating expense, there is a net underwriting gain which is used for profits and additions to reserves. If retentions do not meet operating expense, however, there is a net underwriting loss and the deficit is met from previously accumulated reserves or by borrowing. Thus, in 1974 retentions (\$3.6 billion) were made up of \$4.0 billion in operating expense and \$359.7 million in net underwriting loss, or 12.8 percent of premium income (table 15). In 1973, when the claims ratio was lower (84.3 percent, compared with 87.2 percent in 1974) and the operating-expense ratio was also slightly lower, health insurers had a net underwriting gain of \$422.3 million or 1.7 percent of premiums. The result was a retention rate of 15.7 percent of premiums.

Retentions for Blue Cross-Blue Shield plans were \$727.5 million or 5.9 percent of premiums, about a third less than in 1973. Blue Cross retentions in 1974 (\$336.5) were down 50 percent. The insurance companies retained about \$2.7 billion in both years—about 19.9 percent of premium income in 1974, compared with 22.1 percent in 1973. For independent plans, retentions dropped from \$166.2 million in 1973 to \$147.9 million in 1974. The rate of retention among the independent plans increased slightly only for private group clinics—from 19.8 percent in 1973 to 20.7 percent in 1974.

PROPORTION OF CONSUMER EXPENDITURES MET BY INSURANCE

In 1974, private health insurance met 40 percent of consumer expenditures for personal health

TABLE 15—Retentions¹ of private health insurance organizations as a percent of subscription or premium income, 1950-74²

Year	Total	Blue Cross Blue Shield			Insurance companies			Independent plans ³				
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	Total	Community	Employer-union	Private group clinic	Dental service corporation
1950	23.2	14.5	12.3	21.6	33.9	22.8	47.4	10.0	(⁴)	(⁴)	(⁴)	(⁴)
1955	19.5	11.3	8.6	17.6	27.5	18.1	46.9	8.8	(⁴)	(⁴)	(⁴)	(⁴)
1960	14.5	7.9	7.2	9.6	21.1	9.8	47.1	3.5	(⁴)	(⁴)	(⁴)	(⁴)
1965	12.7	6.1	4.7	9.9	18.4	6.9	45.3	9.4	8.2	10.2	10.7	6.9
1966	13.5	8.1	6.6	12.0	18.1	6.9	45.6	9.3	8.0	10.2	11.8	6.2
1967	14.0	10.4	8.3	15.5	17.4	6.4	47.2	9.7	8.4	10.8	13.3	6.2
1968	12.1	6.7	3.7	13.8	16.5	6.2	46.4	8.6	6.2	9.7	5.8	17.2
1969	10.8	4.1	2.2	8.9	16.7	5.9	49.2	7.9	6.9	8.2	12.9	10.8
1970	8.4	4.2	2.7	7.8	12.5	3.9	41.9	3.8	4.5	1.6	18.0	14.7
1971	9.9	7.0	5.3	10.9	13.1	2.8	46.2	5.9	5.3	4.3	19.1	20.0
1972	14.4	9.4	8.0	12.8	19.6	10.0	49.9	7.8	7.9	6.3	21.0	13.3
1973	15.7	9.5	8.6	11.9	22.1	12.9	51.1	9.0	6.3	9.9	19.8	13.0
1974	12.8	5.9	3.9	10.5	19.9	9.4	53.7	6.8	5.8	4.9	20.7	12.4

¹ Amounts retained by the organizations for operating expenses, additions to reserves, and profits

² Derived from table 12

³ Data by type of plan before 1965 not available

care⁵ If the net cost of obtaining health insurance protection—the difference between premiums and benefits—were to be added to expenditures, the proportion covered by insurance benefits would be lower

The percentage of expenditures met by health insurance varies with the type of care, as the data below indicate In 1974, insurance plans paid about 77 percent of hospital costs and 51 percent of physicians' charges but only 7 percent of the costs of other types of care

Year	Total	Hospital care	Physicians' services	Other types of care
1950	12.2	37.1	12.0	(⁶)
1955	21.7	56.0	26.0	(⁶)
1960	27.8	64.7	30.0	1.3
1961	30.1	67.4	32.8	1.7
1962	31.0	69.4	33.0	1.9
1963	31.8	68.2	33.6	2.1
1964	31.6	68.9	32.2	2.3
1965	32.6	71.2	32.8	2.5
1966	32.3	69.0	33.9	2.8
1967	33.5	73.3	35.9	3.8
1968	36.3	76.9	40.7	4.1
1969	36.6	74.3	41.1	4.7
1970	38.5	77.9	43.8	4.9
1971	39.8	82.5	43.9	4.4
1972	38.0	77.8	46.6	5.2
1973	38.2	74.8	47.8	6.1
1974	40.5	77.0	50.6	7.4

⁴ Included in "physicians' services"

TECHNICAL NOTE

Sources of Enrollment Data

Blue Cross and Blue Shield data are supplied by the Blue Cross Association and the National

⁵ See Marjorie Smith Mueller and Robert Gibson, *National Health Expenditures, Calendar Years 1929-74* (Research and Statistics Note No. 9), Office of Research and Statistics, in preparation

Association of Blue Shield Plans from data reported to them by individual plans The data for insurance companies were compiled by the Health Insurance Association of America from its annual survey of the number of persons covered by insurance companies under group and individual policies

Gross enrollments are reported by the Blue Cross-Blue Shield associations for all types of care for regular membership (under age 65) and for coverage complementary to Medicare (aged 65 and over, and disabled members under age 65 and eligible for Medicare) Major-medical and extended-benefits coverage is reported for the combined age groups

Gross enrollments for hospital and surgical care and regular medical expenses are reported by HIAA for persons under age 65 and those aged 65 and over In 1974, HIAA revised its 1973 figures for each of the age groups and the data for 1945-72 for the combined age groups Gross enrollments in 1974 for drugs and nursing services are based on the HIAA gross enrollment under major-medical plans for each age group For other types of services, HIAA reports gross enrollments only for persons under age 65

For independent health insurance plans, the data are based on estimates from Office of Research and Statistics annual surveys of independent plans Estimates for 1974⁶ have been made on the basis of changes in enrollment in the larger plans from 1973 to 1974, as reported in the 1975

⁶ Marjorie Smith Mueller, *Independent Health Insurance Plans in 1974* (Research and Statistics Note to be published later in 1976), Office of Research and Statistics

survey The results of a full survey of all known plans, conducted in 1973, will be presented in an Office of Research and Statistics research report to be published during 1976

Gross enrollment figures are total enrollments reported by the various insurers, by type of care, with no deduction for duplication among insurers

ORS Estimates of Net Coverage

The ORS estimates of net coverage for hospital and surgical care in 1974 are based on provisional estimates of the NCHS from data collected during 1974 in its Health Interview Survey As the tabulation that follows shows, the provisional estimates are provided for both population groups—those under age 65 and those aged 65 and over

Type of insurance coverage	Percentage distribution of civilian noninstitutional population			
	Total	Insured	Not insured	Unknown
	Under age 65			
Hospital	100 0	77 8	19 6	2 6
Surgical	100 0	76 3	21 1	2 6
	Aged 65 and over			
Hospital	100 0	57 7	41 9	0 4
Surgical	100 0	53 5	45 6	9

Source Unpublished 1974 data from Health Interview Survey, National Center for Health Statistics

The "don't knows" for both age groups were distributed in the same proportion as those who reported having or not having insurance, and the results were then adjusted to apply to the total civilian population on the assumption that none of the institutional population had insurance No reliable data are available on the number of persons in institutions who have insurance, but it is believed that the overall proportion is very small The data were next adjusted to reflect the situation at the end of 1974 The estimates did not assume any changes in the rate of coverage during the year and at the end of that year

Beginning with the 1970 survey, NCHS also provided net enrollment for physicians' visits in the home and office for each age group Unfortunately, an inordinately large proportion of respondents under age 65 reported that they did

not know whether they had coverage for home and office visits Consequently, NCHS estimates of the insured population under age 65 were probably too low ORS, therefore, selected another source of data for persons under age 65 who were insured in 1970

For persons under age 65, home and office enrollment in 1970 was derived from the percentage of individuals insured for outpatient doctor visits, as estimated in a recent study⁷ That source could not be used to measure the extent of home and office coverage for the aged, since Medicare enrollment is included in the study estimates for health insurance A reliable estimate for the insured aged was available in the 1970 NCHS survey For years subsequent to 1970, however, the study does not provide data on the percentage of the population insured.

Net enrollment for home and office visits in 1974 was therefore derived partially from changes in the gross enrollment during the 1970-74 period. The 1974 projections for physicians' visits in the home and office also reflect the change in gross-to-net ratios during that period for other physicians' services

For 1974, net estimates for in-hospital physicians' visits are derived from the HIAA gross enrollment for regular medical expenses, as adjusted for duplication in coverage among the insurers (Blue Cross-Blue Shield and independent plans, as well as between group and individual policies) Before 1973, net enrollment for in-hospital visits was based on an assumed ratio of gross-to-net enrollment

Estimates of the net number of persons with coverage of other services in 1974 have been made by assuming a ratio of gross enrollment to the number covered, as shown in the tabulation below The ratios are believed to be reasonable since the extent of multiple coverage is presumably

Type of insurance coverage	Under age 65	Aged 65 and over
X-ray and laboratory examinations	119 0	112 5
Prescribed drugs (out-of-hospital)	105 0	102 0
Private-duty nursing	105 0	102 0
Visiting-nurse service	105 0	102 0
Nursing home care	102 0	101 0
Dental care	100 0	100 0

⁷ Ronald Andersen, Joanna Kravitz, and Odin W Anderson, *Two Decades of Health Services: Social Survey Trends in Use and Expenditures*, Ballinger Press, 1976

much greater for hospital care and surgical services than it is for other types of health care.

HIAA Estimates of Net Coverage

The HIAA provides estimates of net coverage of persons under age 65 and those aged 65 and over for hospital, surgical, and nonsurgical medical expense coverage, as well as estimates of net coverage under group major-medical insurance policies. In 1974, HIAA revised its net figures for the separate age groups for the year 1973 and for the two age groups combined for the years 1945-72. Net figures are enrollments after deductions for duplicate coverage for persons with insurance company protection and for persons protected by more than one type of insurer.

Sources of Financial Data

In table 10, the data for Blue Cross and Blue Shield plans are based on financial statements supplied by the Blue Cross Association and the National Association of Blue Shield Plans for all plans. Duplication resulting from the fact that six joint Blue Cross-Blue Shield plans report identical data to both national organizations has been eliminated. Data for Health Services, Incorporated, and for Medical Indemnity of

America—insurance companies owned by the Blue Cross and Blue Shield associations, respectively—have been included.

Data on premium income and benefit expense of insurance companies were provided by HIAA, based on figures published by the National Underwriter Company.⁸ The data are adjusted by HIAA to eliminate premiums and estimated losses for accidental death and dismemberment insurance and to include any companies that do not appear in the National Underwriter figures.

Operating expenses were estimated by applying the ratio of operating expense to premium income derived from the National Underwriter aggregates⁹ to the figures for premium income provided by HIAA. The data for independent plans, as mentioned earlier, are estimates of the Office of Research and Statistics based on its 1975 survey.

Data in table 13 show the financial experience of Blue Cross plans and Blue Shield plans, respectively, based on reports of the 74 Blue Cross plans and the 70 Blue Shield plans. These data exclude Health Services, Inc, and Medical Indemnity of America, insurance companies owned by the national associations. The data are not adjusted to eliminate the duplication with respect to the six joint plans that report identical data to the two national organizations.

⁸ National Underwriter Company, *1975 Argus Chart of Health Insurance, 1975*

⁹ *Ibid*, page 128