

# ACTUARIAL NOTE

NUMBER 82  
DECEMBER 1972

U.S. DEPARTMENT OF  
HEALTH, EDUCATION, AND WELFARE  
SOCIAL SECURITY ADMINISTRATION

## DISTRIBUTION OF MEDICARE BENEFIT DISBURSEMENTS BY TYPE

by Ronald G. Harris and Roland E. King  
Office of the Actuary

The data on benefit disbursements of the two portions of the Medicare program—Hospital Insurance (HI) and Supplementary Medical Insurance (SMI)—are shown on a cash basis in financial statements issued by the Treasury Department (and are published monthly in the *Social Security Bulletin*). Such data, however, indicate only total disbursements in the aggregate and are not subdivided by type of benefit. Proper analysis of Medicare benefit experience should be done by considering the data on an accrued or incurred basis, rather than on a cash-outgo basis. Nonetheless, it may be of interest and value to present estimates of the latter kind of data according to type of benefit.

Such data are presented in Table 1 for the HI program and in Table 2 for the SMI program, for fiscal years 1967 through 1973 and for calendar years 1966 through 1972. The total benefit disbursements shown are the actual-experience data for fiscal years 1967 through 1972 and for calendar years 1966 through 1971, with the data for the later years being estimates.

In considering the SMI data, it should be

recognized that there are certain significant limitations in the data by type of benefit. For one thing, the benefits are classified according to the principal provider of the services, as indicated by each individual bill. Thus, for example, a considerable number of services rendered by independent laboratories are not shown under this category, but rather are included with physician benefits.

Another serious limitation in the SMI data is that they do not indicate the effect of services rendered which went toward meeting the deductible (and thus made benefits possible). Accordingly, the distribution of SMI benefits by type may be somewhat affected by haphazard elements, such as which provider of services presents and/or files the claim first. For instance, if an individual had \$50 of physician services and \$50 of outpatient hospital services, the benefit payments would be the same, regardless of which of the two claims was filed first. However, the benefit payment would be listed under the category for which the claim was filed second, because the first claim would go merely toward meeting the deductible.

Date Received OACT  
FEB 13 1973

Table 1

ESTIMATED HOSPITAL INSURANCE BENEFIT DISBURSEMENTS, BY TYPE  
(in millions)

| Type of Benefit <sup>1</sup>         | 1966         | 1967    | 1968    | 1969    | 1970    | 1971    | 1972    | 1973    |
|--------------------------------------|--------------|---------|---------|---------|---------|---------|---------|---------|
| <i>By Fiscal Years<sup>2</sup></i>   |              |         |         |         |         |         |         |         |
| Inpatient Hospital                   | *            | \$2,393 | \$3,348 | \$4,239 | \$4,452 | \$5,181 | \$5,881 | \$6,730 |
| Extended Care Facility               | *            | 97      | 344     | 367     | 298     | 214     | 180     | 206     |
| Home Health Services                 | *            | 13      | 36      | 48      | 54      | 48      | 47      | 51      |
| Outpatient Diagnostic                | *            | 5       | 8       | 3       | 3       | 3       | 3       | 3       |
| Total                                | *            | 2,508   | 3,736   | 4,654   | 4,804   | 5,443   | 6,108   | 6,987   |
| <i>By Calendar Years<sup>2</sup></i> |              |         |         |         |         |         |         |         |
| Inpatient Hospital                   | \$889        | \$3,034 | \$3,780 | \$4,309 | \$4,827 | \$5,512 | \$6,284 | **      |
| Extended Care Facility               | <sup>3</sup> | 282     | 354     | 380     | 246     | 193     | 178     | **      |
| Home Health Services                 | 1            | 29      | 42      | 50      | 51      | 46      | 49      | **      |
| Outpatient Diagnostic                | 1            | 8       | 3       | 3       | 3       | 3       | 3       | **      |
| Total                                | 891          | 3,353   | 4,179   | 4,739   | 5,124   | 5,751   | 6,511   | **      |

\* Program went into effect in FY 1967.

\*\* Not available.

<sup>1</sup> Benefits classified by principal provider of services.<sup>2</sup> Data on total disbursements is actual experience for CY 1966-1971 and for FY 1967-1972. Other years are estimates. Data on distribution of total disbursements by type is estimated for all years.<sup>3</sup> Less than \$500,000.

Table 2

ESTIMATED DISTRIBUTION OF SMI BENEFIT DISBURSEMENTS, BY TYPE  
(in millions)

| Type of Benefit <sup>1</sup>         | 1966  | 1967    | 1968    | 1969    | 1970    | 1971    | 1972    | 1973    |
|--------------------------------------|-------|---------|---------|---------|---------|---------|---------|---------|
| <i>By Fiscal Years<sup>3</sup></i>   |       |         |         |         |         |         |         |         |
| Physician <sup>2</sup>               | *     | \$ 627  | \$1,299 | \$1,507 | \$1,814 | \$1,852 | \$1,997 | \$2,138 |
| Home Health                          | *     | 18      | 23      | 32      | 34      | 24      | 22      | 24      |
| Outpatient Hospital <sup>4</sup>     | *     | 11      | 39      | 69      | 91      | 120     | 179     | 222     |
| Independent Lab. <sup>5</sup>        | *     | 4       | 7       | 8       | 9       | 11      | 14      | 16      |
| Other                                | *     | 14      | 22      | 29      | 31      | 28      | 43      | 45      |
| Total                                | *     | 644     | 1,390   | 1,645   | 1,979   | 2,035   | 2,255   | 2,445   |
| <i>By Calendar Years<sup>3</sup></i> |       |         |         |         |         |         |         |         |
| Physician <sup>2</sup>               | \$119 | \$1,125 | \$1,409 | \$1,709 | \$1,800 | \$1,878 | \$2,063 | **      |
| Home Health                          | 1     | 19      | 26      | 37      | 28      | 24      | 23      | **      |
| Outpatient Hospital <sup>4</sup>     | 1     | 28      | 52      | 80      | 106     | 160     | 198     | **      |
| Independent Lab. <sup>5</sup>        | 1     | 6       | 7       | 8       | 10      | 12      | 15      | **      |
| Other                                | 6     | 19      | 24      | 31      | 31      | 43      | 44      | **      |
| Total                                | 128   | 1,197   | 1,518   | 1,865   | 1,975   | 2,117   | 2,343   | **      |

\* Program went into effect in FY 1967.

\*\* Not available.

<sup>1</sup> Benefits classified by principal provider of services.<sup>2</sup> This item includes the effect of SMI costs for the physician component of inpatient radiology and pathology services in certain combined-billing hospitals first being paid by the HI program (beginning April 1968), without current transfers to so reimburse (which has been done beginning with October 1969).<sup>3</sup> Data on total disbursements is actual experience for CY 1966-1971 and for FY 1967-72 and estimated for other years. Data on distribution of total disbursements by type is estimated for all years.<sup>4</sup> Includes only non-physician services.<sup>5</sup> Includes only benefits for services billed directly by provider (i.e., not when billed through physician).