

British National Health Service Expenditures

The recent publication by the British Government of its proposed budget¹ for the fiscal year 1950-51, including data on 1949-50 expenditures, makes it possible to see in perspective the trend in costs under the National Health Service during the first 2 years of its operation.

Britain's National Health Service went into effect July 5, 1948.² The Ministry of Health estimates that as of the beginning of 1950 some 47 million persons, or 95 percent of the population, were covered. Participating in the program were 18,000-19,000 general practitioners (85-90 percent of the total), 9,500 dentists, and practically all the nurses and pharmacists in the country. Hospitals under the Service numbered 2,700.

Gross costs during the first fiscal year of the program, covering a period of 9 months, were £276 million. In the second fiscal year—a full 12-month period—expenditures rose to £449, an increase of 22 percent when adjusted for the difference in the number of months involved. Some items went up threefold or more; others declined, notably those payments made on behalf of hospital liabilities transferred to the Health Service. The very large percentage increases were generally for items that in both years represented a small share of total costs.

More meaningful than the percentage changes is the distribution among the various services of the absolute amount of the increase—£82 million on an adjusted basis. This distribution permits the ready identification

of the program elements responsible hospital care, attributable principally for the major growth in costs. The to higher wage and salary scales. results may be examined in the last The increase in dental care costs and column of the accompanying table. in the cost of prescriptions, which has

About 70 percent of the total in-received considerable publicity, re-crease was accounted for by hospital,resented 24 and 14 percent respec-specialist, and related services and tively of the over-all increase in costs. reflected a large rise in the cost of The rise in general practitioner med-

Expenditures of the British National Health Service (England, Wales, Scotland), fiscal years 1948-49, 1949-50, and 1950-51¹

Item	Actual		Estimated, 1950-51 ³	Percentage change, 1949-50 from 1948-49 ⁴	Percentage distribution of absolute increase, 1949-50 ⁵ from 1948-49
	1948-49 ²	1949-50			
Total.....	£275,904,542	£449,171,732	£464,514,400	+22	100.0
Central Health Services Council and standing advisory committees.....	11,000	3,500	6,000	-76	(⁶)
Hospital, specialist, and ancillary services.....	145,077,500	250,755,600	269,066,100	+30	70.3
Advances to regional hospital boards.....	124,584,000	211,775,000	223,715,000	+28	56.0
Advances to boards of governors of teaching hospitals.....	18,629,500	31,565,000	34,470,000	+27	8.3
Capital expenditures by the Minister in the acquisition of land, hospitals, and equipment.....	311,000	2,316,200	3,550,100	+460	2.3
Payments to the Ministry of Pensions.....	501,000	2,432,000	4,375,000	+265	2.1
Payments to the Ministry of Works.....		993,000	1,594,000		1.1
Expenses of the Minister in connection with research.....	33,000	50,800	51,000	+16	(⁶)
Bacteriological and related services.....	680,000	972,600	1,330,000	+8	.1
Other ⁷	339,000	651,000	881,000	+44	.2
Grants to local health authorities.....	10,233,000	16,420,000	18,530,000	+13	2.2
General medical and dental services, pharmaceutical services, and supplementary ophthalmic services.....	90,379,500	158,936,400	156,796,000	+32	47.1
Expenses of executive councils:					
Administration.....	1,856,000	2,178,000	2,249,500	-12	-4
General medical services.....	33,800,000	47,145,000	48,234,000	+5	2.7
Pharmaceutical services.....	17,715,000	35,350,000	31,003,000	+50	14.3
General dental services.....	21,800,000	48,648,000	46,565,000	+68	23.9
Supplementary ophthalmic services.....	14,970,000	25,125,000	28,165,000	+26	6.3
Other expenses:					
Medical Practices Committee.....	9,250	12,000	12,000	-2	(⁶)
Dental Estimates Board.....	211,000	465,000	564,000	+66	.2
Tribunal under sections 42 and 43 of the Acts.....	1,250	1,300	2,500	-22	(⁶)
Transferred liabilities.....	17,000	12,100	1,000	-46	(⁶)
Training and related services.....	12,000	63,550	72,600	+298	.1
Training and refresher courses, etc.....	12,000	54,050	59,600	+239	(⁶)
Payments to the General Nursing Council.....		9,500	13,000		(⁶)
Other services.....	30,191,542	23,992,682	19,143,700	-40	-19.7
Compensation for loss of right to sell medical practice.....	4,550,000	7,740,000	5,680,000	+28	2.1
Superannuation.....	1,435,000	3,055,000	3,330,500	+60	1.4
Compensation for loss of office.....	80,000	32,500	47,000	-69	-1
Central purchase of medical supplies, stores, and equipment.....	3,600,000	8,043,000	5,860,000	+68	4.0
Liabilities transferred to the Minister.....	19,855,000	4,562,000	3,081,000	-83	-26.6
Expenses of State mental defective institutions.....	396,542	459,182	553,200	-13	-1
Civil defense services.....		11,000	548,000		(⁶)
Preliminary expenses of statutory bodies.....	199,000				-3
Miscellaneous expenses.....	76,000	90,000	44,000	-11	(⁶)

¹ 1950-51 Civil Estimates for the Year Ending 31st March 1951, London, March 6, 1950.

² An account of the first year of the program will be found in the Report of the Ministry of Health for the Year Ended 31st March 1949 (Cmd. 7910), London, March 1950. Brief general accounts of the aims of the program and of its background appear in Burnet M. Davis, "The British National Health Service," *Public Health Reports*, Feb. 11, 1949, pp. 161-191, and John S. Morgan and John G. Hill, "A National Health Service in Great Britain," *Social Service Review*, Dec. 1947, pp. 446-477. See also Carl Farman and Catharine Perrins, "The New British System of Social Security," *Social Security Bulletin*, Feb. 1947, pp. 9-19.

³ Preliminary.
⁴ Based on relation of 1949-50 expenditures and full 12-month equivalent of 1948-49 expenditures. The 12-month equivalent for 1948-49 was obtained by a uniform 33-percent inflation of the items in column 1; actually the difference in the time periods affected was 35.2 percent. Some activities financed by the 1948-49 appropriation for the National Health Service were in operation before July 5, 1948, and were budgeted for a full 12-month period; hence the conversion of all items from a 9 to a 12-month year results in some overstatement of costs for 1948-49. The

sources do not permit identification of items budgeted for full 12-month period.

⁵ Based on absolute difference between column 2 and column 1 after inflation of items in column 1 by 33 percent (see footnote 4).

⁶ Less than 0.05 percent.

⁷ Expenditures by the Department of Health for Scotland, including expenses of the Hospital Endowments Commission, expenditures on health centers, ambulance service, blood transfusion service, and the like.

Source: 1949-50 Civil Estimates for the Year Ending 31st March 1950, Class V, pp. 37-51, 137-147, London, Feb. 17, 1949; 1950-51 Civil Estimates for the Year Ending 31st March 1951, Class V, pp. 26-41, 129-140, London, Mar. 6, 1950.

ical care costs and in the cost of ophthalmic services (mostly provision of eyeglasses), also widely stressed, accounted for 3 and 6 percent respectively of the total increase in costs. When these percentages are added, they total more than 100 because of the decline in some items, notably payments to liquidate hospital liabilities, which were transferred to the Health Service upon its inauguration.

In both years, according to the Minister of Health, administrative expenditures amounted to 2½-3 percent of the total outlays.

Per capita costs were about £7½ in 1948-49 and about £9 in 1949-50, or, at the present exchange rate of \$2.80 to the pound, about \$21 and \$26. Estimated total expenditures for medical care in the United States, public and private, are currently about \$62-63 per capita. Since our per capita national income is roughly 2½ times that of Britain's, the comparison suggests that expenditures for medical care relative to expenditures for other consumption items may be at the same level in the two countries. As a matter of fact, medical care costs absorb approximately 4 percent of the national income in both Britain and the United States.

The £276 million spent on the National Health Service in 1948-49 and the £449 million in 1949-50 were not charged entirely to the Exchequer. Offsets against these gross totals, amounting to £68 million in the first year and £91 million in the second, reduced the net cost to £208 million and £359 million, respectively. The offsets represented contributions from the National Insurance Fund (£27 million in 1948-49 and £41 million in 1949-50); contributions by or on behalf of hospital employees, medical practitioners, and others towards retirement costs; recoveries by hospitals for certain services rendered patients; recoveries for medical supplies furnished, and so on.

The Government's estimate of anticipated gross costs in 1950-51, presented in column 3 of the table, indicates that only a moderate rise is expected in the coming year. Provision is made for increases in outlays for hospital and specialist care, for research, and for the acquisition of land, hospitals, and equipment. Gen-

eral practitioner service and ophthalmic services are budgeted at a slightly higher level than in 1949-50, but expenditures for dental care and for prescriptions are expected to decline.

Economic Status of the Aged and of Dependent Survivors

The accompanying tables summarize available information on the economic status of aged persons, widows, and paternal orphans in the population for the months of December 1940, December 1945, and December 1949. They are of interest in measuring the extent to which social security programs have been able to protect some of the major population groups experiencing an income loss. Similar tables for the years 1943-47 appeared in the *Social Security Yearbooks* for those years.

The data are of three kinds: the estimated number of persons in the population groups affected, the estimated number with income from employment, and the estimated number receiving payments under social insurance and related programs and under public assistance.

The number of persons aged 65 years and over comes from the Bureau of the Census. The number of widows under age 65 and the number

of such widows with one or more children under age 18 are derived from the Census Bureau's monthly population sample survey, while the number of paternal orphans has been estimated by the Division of the Actuary of the Social Security Administration.

The number of persons with income from employment represents the number with paid employment in the month in question, as estimated directly or indirectly from the monthly population sample survey.

The data on insurance beneficiaries and on recipients of assistance come from the agencies administering the specified programs and are partly estimated.

Information is generally lacking on the extent to which persons received income from two or more of the sources listed in the tables. A study by the Bureau of Public Assistance ("Public Assistance Supplement of the Income of Old-Age and Survivors Insurance Beneficiaries," *Social Security Bulletin*, October 1949) indicates that, in June 1948, 10 percent of the aged beneficiaries of old-age and survivors insurance were also receiving old-age assistance, and that 7 percent of the families containing child beneficiaries of old-age and survivors insurance were in receipt of aid to dependent children. The number of aged persons, widows, and

Table 1.—Estimated number of children under age 18 with father dead, and of widows under age 65, receiving income from specified source in December 1940, 1945, and 1949

[In millions]

Source of income	Survivor children under age 18 ¹			Widows under age 65 ²			Widows under age 65 with 1 or more children under age 18		
	December 1940	December 1945	December 1949	December 1940	December 1945	December 1949	December 1940	December 1945	December 1949
Total in population ³	2.4	2.1	2.0	3.1	3.5	3.4	0.9	1.0	0.6
Employment.....	.2	.2	.1	1.3	1.9	1.8	.4	.4	.3
Social insurance and related programs:									
Old-age and survivors insurance.....	.1	.4	.6	(⁴)	.1	.2	(⁴)	.1	.2
Veterans' program.....	.1	.2	.3	(⁴)	.3	.4	(⁴)	.1	.1
Other ⁵			(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)
Aid to dependent children.....	.3	.3	.3	.1	.1	.1	.1	.1	.1

¹ Includes children not living with widowed mother.

² Excludes widows who have remarried.

³ Includes some persons with no income or with income from sources other than those specified. Some persons received income from more than one of the sources listed.

⁴ Less than 50,000.

⁵ Railroad and Federal civil-service retirement.

Sources: Number of widows in population and employed persons among widows and survivor children under age 18, estimated from Census Bureau data. Number of survivor children under age 18 estimated by Division of the Actuary, Social Security Administration; estimates for 1940 and 1945 are preliminary. Number of persons in receipt of payments under social insurance and related programs and from aid to dependent children, reported by administrative agencies, partly estimated.