

Notes and Brief Reports

Assistance Expenditures Per Inhabitant, 1957-58*

The \$3¼ billion expended from Federal, State, and local funds for assistance payments under all five public assistance programs during the fiscal year 1957-58 amounted to \$18.73 for every person in the Nation. Per capita expenditures were higher than those in the preceding year by \$1.30 or 7.5 percent—a yearly rate of increase that has been exceeded only twice in the past 10 years, once in 1948-49 (20.9 percent) and again in

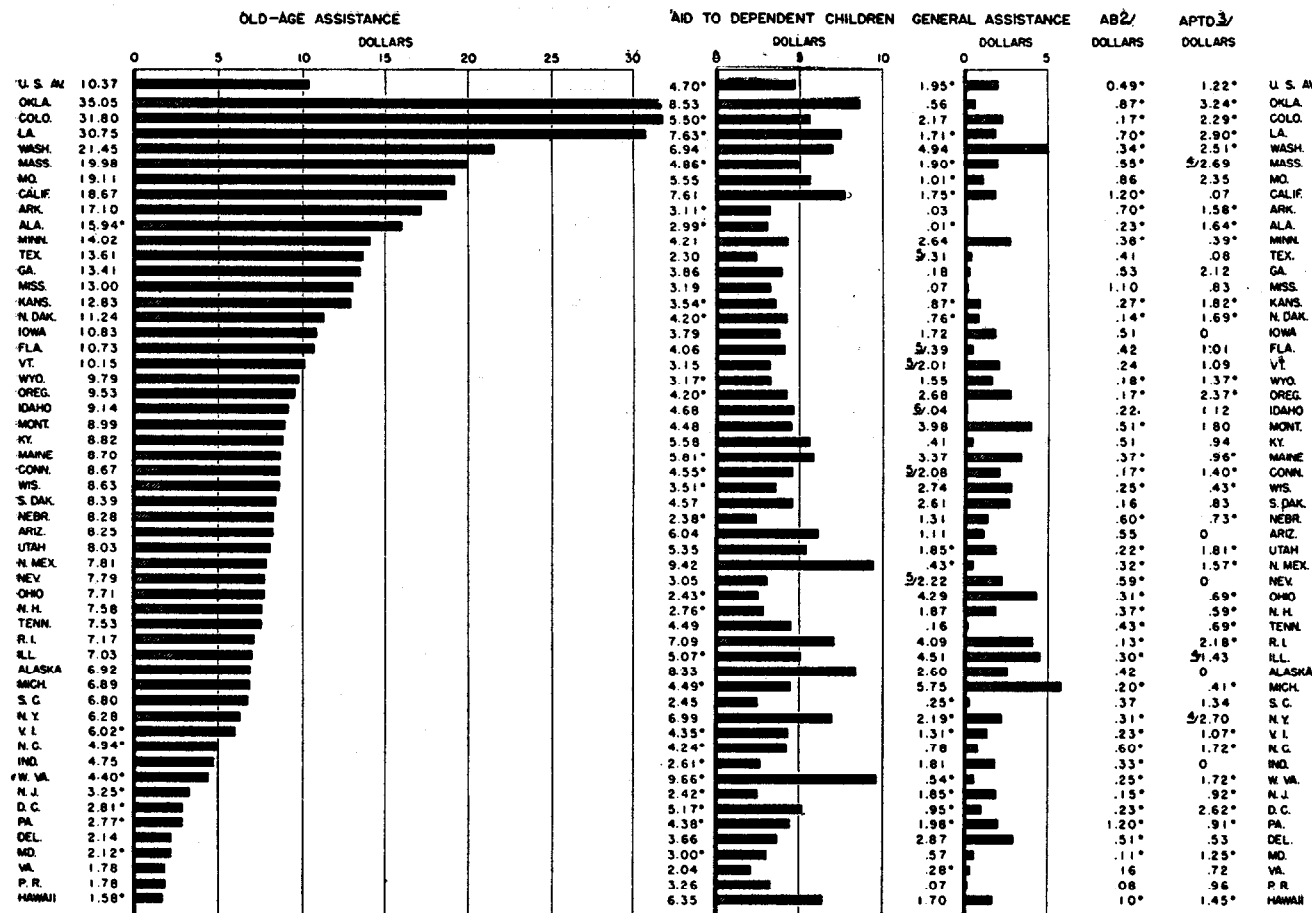
1949-50 (16.8 percent). Substantial increases in per inhabitant expenditures have been due to amendments to the Social Security Act that raised the amount of Federal participation in public assistance, thereby stimulating the granting of higher payments to recipients, or to a rise in unemployment that deprived more persons of the necessities of life. Both factors were responsible for the sharp increase in assistance costs in 1948-49, but greater unemployment was the principal cause in 1949-50 and 1957-58.

A comparison of assistance expenditures between years and among States is easier to see when the

amount of total expenditures is reduced to an amount per inhabitant. Interyear and interstate variations in the total outlay for assistance payments depend upon differences between years and among States in the average monthly assistance payments per recipient, the proportion of the population aided (recipient rates), and the size of the total population. In analyzing variations in assistance expenditures, however, it is desirable to remove this last factor—differences in the size of the population—by expressing costs as an amount per inhabitant. It is then possible to study the effect that variations in recipient rates and in average payments to recipients have on the amounts expended. The expenditure per inhabitant is derived by dividing the cost

* Prepared by Frank Hanmer, Division of Program Statistics and Analysis, Bureau of Public Assistance.

Chart 1.—Amount expended per inhabitant¹ for assistance payments, including vendor payments for medical care² fiscal year 1957-58



1/ BASED ON TOTAL POPULATION ESTIMATED BY BUREAU OF CENSUS FOR THE CONTINENTAL UNITED STATES AND HAWAII, AND BY THE BUREAU OF PUBLIC ASSISTANCE FOR ALASKA, PUERTO RICO, AND THE VIRGIN ISLANDS, AS OF JULY 1, 1957; ENCLOSES ARMED FORCES OVERSEAS. 2/ AID TO THE BLIND. 3/ AID TO THE PERMANENTLY AND TOTALLY DISABLED. 4/ VENDOR PAYMENTS FOR MEDICAL CARE PER INHABITANT OF 50 CENTS FOR ILLINOIS, 81 CENTS FOR MASSACHUSETTS, AND 61 CENTS FOR NEW YORK. 5/ ESTIMATED. 6/ INCOMPLETE.

■ TOTAL PAYMENT. ■ VENDOR PAYMENTS. ■ VENDOR PAYMENTS FOR MEDICAL CARE OF LESS THAN 50 CENTS PER INHABITANT.

of assistance expenditures for a State or the country as a whole by the population of that State or the Nation.

The significant effect that population differences have on total expenditures for assistance payments and the value of per capita expenditures for purposes of interstate comparison may be illustrated by an examination of data for New York and Alaska. In 1957-58 the State of New York spent \$293,474,000 for assistance payments for all programs combined, or 95 times Alaska's expenditure of \$3,086,000. Differences in the size of the population make meaningless a comparison of total expenditures in these States. When total assistance payments in each State are divided by the respective populations, however, the cost per inhabitant is found to be about the same in each State—\$18.27 in Alaska and \$18.47 in New York.

Changes From 1957

Per capita expenditures for assistance went up significantly in 1957-58 for each of the public assistance categories. The largest relative increases occurred in general assistance (20.4 percent) and aid to dependent children (14.4 percent), and the smallest in old-age assistance (2.5 percent). In dollar amounts, the largest rise took place in aid to dependent children; payments went up 59 cents per inhabitant and accounted for 45 percent of the total increase of \$1.30 per capita for all categories combined. Taken together, per inhabitant increases for general assistance (33 cents) and old-age assistance (25

cents) accounted for an additional 45 percent. Rises in aid to the permanently and totally disabled of 11 cents and in aid to the blind of 2 cents made up the rest of the total increase. Changes from 1956-57 to 1957-58 in per inhabitant expenditures for each program are shown below.

Program	Amount including vendor payments for medical care		Percentage increase
	1957-58	1956-57	
All programs...	\$18.73	\$17.43	7.5
OAA.....	10.37	10.12	2.5
ADC.....	4.70	4.11	14.4
AB.....	.49	.47	4.3
APTD.....	1.22	1.11	9.9
GA.....	1.95	1.62	20.4

Underlying these shifts in per capita expenditures were changes from 1956-57 to 1957-58 in the proportion of the population aided under each program and the average monthly payment per recipient. For two programs—aid to dependent children and aid to the permanently and totally disabled—the primary reason for the rise in per capita costs was that more persons received assistance; in the general assistance program this was the only factor responsible. The total population grew only 1.8 percent, but greater relative expansion in the number of recipients of general assistance, aid to dependent children, and aid to the permanently and totally disabled (33.9 percent, 10.7 percent, and 8.8 percent, respectively) resulted in increases in the proportion of the population aided under each of these programs (table 1). The upsurge in the number of recipients of general assistance and aid to dependent children, the two programs most sensitive to fluctuations in economic conditions, resulted mainly from the loss of jobs and the exhaustion of rights to unemployment insurance benefits. About 25 percent of the rise in aid to the permanently and totally disabled occurred because of the inauguration of new programs during 1957-58 in California and Texas and the expansion of programs already in existence in Illinois and Pennsylvania. The rate of growth, however, of this relatively new Federal-State program, initiated

in October 1950, continued to slacken.

Upturns in recipient rates were accompanied by increases of \$1.89 in the average monthly amount of assistance paid to recipients of aid to the permanently and totally disabled and of \$1.31 to recipients of aid to dependent children. The average general assistance payment per recipient, on the other hand, declined by \$2.64 despite a jump of \$4.00 in the average payment per case. In general assistance the ratio of family cases to single-person cases rose in 1957-58, and, although payments to families run considerably higher than payments to single persons, they average less per individual member of the family than do the payments to single persons.

In the other two programs, old-age assistance and aid to the blind, per capita costs went up because increases in average payments more than offset a decline in the proportion of the population receiving these types of assistance. In 1957-58 the average monthly amounts paid to the aged and the blind rose by more than \$3 per recipient, but the number of persons aided continued to decline gradually in old-age assistance, as a result of the growth in the number of the aged who were receiving old-age and survivors insurance benefits, and increased insignificantly in aid to the blind.

The national changes in the per capita expenditures for assistance reflect the preponderance of increases over decreases in the individual States. For each program and for all programs combined, States with higher per capita costs in 1957-58 than in 1956-57 outnumbered those with lower costs. Expenditures per inhabitant for all categories combined went up in all but seven of the 53 jurisdictions. Among programs, increases occurred most frequently in aid to dependent children; 48 States spent more per capita for that program in 1957-58 than a year earlier. The largest number of declines took place, as might be expected, in old-age assistance and aid to the blind, the programs with the smallest proportionate increases for the Nation. Almost half the States spent less per inhabitant for the aged. Although only 14 States decreased expenditures

Table 1.—Average monthly number of assistance recipients and average monthly payments, by program, 1957-58

Program	Average monthly number of recipients		Average monthly payment per recipient	
	Number, 1957-58	Percentage change from 1956-57	Amount, 1957-58	Change from 1956-57
OAA.....	2,481,954	-1.2	\$60.38	+\$3.16
ADC.....	2,541,959	+10.7	26.72	+1.31
AB.....	108,264	+9	65.73	+3.13
APTD.....	295,056	+8.8	59.93	+1.89
GA.....	979,110	+33.9	28.81	-2.64

for aid to the blind, 16 others spent the same amount for that program as they had in the preceding year. The number of States with increases and decreases for each program is shown below.

Program	Number of States with specified change in expenditures per inhabitant		
	Increase	Decrease	No change
Total, all programs.....	46	7	-----
OAA.....	27	26	-----
ADC.....	48	3	2
AB.....	23	14	16
APTD ¹	35	8	2
GA.....	37	12	4

¹ Excludes California, Kentucky, and Texas, where first payments were made in October 1957, September 1956, and September 1957, respectively.

Program and State Variations

The individual States varied considerably in per inhabitant expenditures for each program and for all programs combined. Virginia and Oklahoma, with per capita expenditures of \$4.98 and \$48.25 for all categories combined, represented — as they did in the preceding year—the extremes in the range of costs (table 2). The total outlay for public assistance payments was less than \$10 per capita in six States, \$10.00–\$14.99 in 10 States, \$15.00–\$19.99 in 25 States, and \$20.00 or more in 12 States. States with large expenditures per inhabitant pulled the national average up to a level (\$18.73) that was higher than the cost in two-thirds of the States.

In most States and in the country as a whole, per capita expenditures for all categories combined are largely determined by the amount spent for old-age assistance, which is the costliest program in 4 out of every 5 States (chart 1). Nationally, assistance payments to the aged amounted to \$10.37 per inhabitant and accounted for more than 55 percent of total expenditures for all programs combined. Among the States, costs ranged from a low of \$1.58 in Hawaii to about 22 times as much in Oklahoma (\$35.05), which was one of four States spending more than \$20 per inhabitant for that program. One-third of the States spent less than

\$7.50; another third, \$7.50–\$9.99; and the remaining third, \$10.00 or more.

Nationally, the expenditure of \$4.70 per capita for aid to dependent children was only 45 percent of the amount spent for old-age assistance but exceeded the combined cost of the other three programs by more than \$1.00. Five out of every 8 States spent less than the national average

for aid to dependent children. The lowest expenditure occurred in Virginia, which was one of nine States with costs of less than \$3.00. Spending the most—\$9.66—was neighboring West Virginia, one of six States that spent at least \$7.50 for this category. West Virginia has an unusually high recipient rate, especially for children who are receiving aid to dependent

Table 2.—Amount expended per inhabitant¹ for assistance payments, including vendor payments for medical care, by State and by program, fiscal years 1956–57 and 1957–58

State	Total		Old-age assistance		Aid to dependent children		Aid to the blind		Aid to the permanently and totally disabled		General assistance	
	1956–57	1957–58	1956–57	1957–58	1956–57	1957–58	1956–57	1957–58	1956–57	1957–58	1956–57	1957–58
U. S. average.....	\$17.43	\$18.73	\$10.12	\$10.37	\$4.11	\$4.70	\$0.47	\$0.49	\$1.11	\$1.22	\$1.62	\$1.95
Alabama.....	20.20	20.81	15.47	15.94	2.93	2.99	.23	.23	1.56	1.64	.01	.01
Alaska.....	15.08	18.27	5.52	6.92	7.37	8.33	.31	.42	(2)	(2)	1.88	2.60
Arizona.....	16.26	15.95	8.90	8.25	5.75	6.04	.59	.55	(2)	(2)	1.02	1.11
Arkansas.....	17.60	22.52	12.69	17.10	2.83	3.11	.55	.70	1.30	1.58	.23	.03
California.....	26.27	29.30	17.57	18.67	6.14	7.61	1.09	1.20	(2)	(2)	0.47	1.75
Colorado.....	44.10	41.93	34.47	31.80	4.96	5.50	.16	.17	2.29	2.29	2.22	2.17
Connecticut.....	15.34	16.87	7.75	8.67	4.07	4.55	.18	.17	1.44	1.40	\$1.90	\$2.08
Delaware.....	8.84	9.71	2.30	2.14	3.31	3.66	.45	.51	.68	.53	2.10	2.87
Dist. of Col.....	8.61	11.78	2.26	2.81	3.42	5.17	.23	.23	2.14	2.62	.56	.95
Florida.....	16.45	16.61	10.84	10.73	4.14	4.06	.43	.42	.75	1.01	\$1.29	\$1.39
Georgia.....	19.47	20.10	13.15	13.41	3.74	3.86	.52	.53	1.90	2.12	.16	.18
Hawaii.....	11.70	11.18	1.60	1.58	6.52	6.35	.11	.10	1.56	1.45	1.91	1.70
Idaho.....	15.21	15.20	9.36	9.14	4.43	4.68	.24	.22	1.13	1.12	\$3.05	\$3.04
Illinois.....	17.09	18.34	7.17	7.03	6.60	5.07	.30	.30	1.08	1.43	3.94	4.51
Indiana.....	8.77	9.50	4.84	4.75	2.36	2.61	.32	.33	(2)	(2)	1.25	1.81
Iowa.....	17.45	16.85	11.60	10.83	3.72	3.79	.53	.51	(2)	(2)	1.60	1.72
Kansas.....	19.19	19.33	13.09	12.83	3.26	3.54	.27	.27	1.72	1.82	.85	.87
Kentucky.....	14.99	16.26	8.69	8.82	5.24	5.58	.50	.51	\$1.21	.94	.35	.41
Louisiana.....	42.02	43.69	30.79	30.75	6.35	7.63	.64	.70	2.70	2.90	1.54	1.71
Maine.....	17.35	19.21	8.05	8.70	5.24	5.81	.37	.37	.66	.96	3.03	3.37
Maryland.....	6.65	7.05	2.10	2.12	2.71	3.00	.11	.11	1.21	1.25	.52	.57
Massachusetts.....	27.61	29.98	18.25	19.98	4.30	4.86	.50	.55	2.82	2.69	1.74	1.90
Michigan.....	15.20	17.74	6.81	6.89	3.90	4.49	.20	.20	.35	.41	3.94	5.75
Minnesota.....	20.64	21.64	13.60	14.02	3.93	4.21	.38	.38	.31	.39	2.42	2.64
Mississippi.....	15.88	18.19	12.33	13.00	1.97	3.19	.94	1.10	.57	.83	.07	.07
Missouri.....	27.66	28.88	19.18	19.11	4.49	5.55	.84	.86	2.18	2.35	.97	1.01
Montana.....	20.24	19.76	9.59	8.99	4.48	4.48	.53	.51	1.88	1.80	3.76	3.98
Nebraska.....	13.20	13.30	7.72	8.28	2.32	2.38	.49	.60	.58	.73	2.09	1.31
Nevada.....	15.05	13.65	8.07	7.79	2.53	3.05	.45	.59	(2)	(2)	\$4.00	\$4.22
New Hampshire.....	12.95	13.17	7.90	7.58	2.68	2.76	.37	.37	.58	.59	1.42	1.87
New Jersey.....	7.63	8.59	3.30	3.25	2.00	2.42	.15	.15	.86	.92	1.32	1.85
New Mexico.....	17.90	19.55	7.18	7.81	8.68	9.42	.31	.32	1.40	1.57	.33	.43
New York.....	16.52	18.47	6.04	6.28	5.95	6.09	.30	.31	2.62	2.70	1.61	2.19
North Carolina.....	11.15	12.28	4.76	4.94	3.59	4.24	.58	.60	1.49	1.72	.73	.78
North Dakota.....	17.52	18.03	11.13	11.24	3.92	4.20	.13	.14	1.54	1.69	.80	.76
Ohio.....	14.48	15.43	8.14	7.71	2.19	2.43	.31	.31	.61	.69	3.23	4.29
Oklahoma.....	44.35	48.25	33.35	35.05	7.15	8.53	.84	.87	2.33	3.24	.68	.56
Oregon.....	18.23	18.95	9.48	9.53	3.37	4.20	.18	.17	2.10	2.37	3.10	2.68
Pennsylvania.....	10.32	11.24	2.81	2.77	3.70	4.38	1.19	1.20	.83	.91	1.79	1.98
Puerto Rico.....	5.59	6.15	1.82	1.78	2.67	3.26	.07	.08	.96	.96	.07	.07
Rhode Island.....	19.54	20.66	7.47	7.17	6.04	7.09	.16	.13	1.86	2.18	4.01	4.09
South Carolina.....	10.98	11.21	6.83	6.80	2.17	2.45	.37	.37	1.35	1.34	.26	.25
South Dakota.....	15.71	16.56	8.15	8.39	4.09	4.57	.16	.16	.70	.83	2.61	2.61
Tennessee.....	12.38	13.30	7.15	7.53	4.22	4.49	.43	.43	.45	.69	.13	.16
Texas.....	16.06	16.71	13.25	13.61	2.10	2.30	.42	.41	(2)	(2)	\$1.29	\$1.81
Utah.....	16.62	17.26	8.30	8.03	4.75	5.35	.22	.22	1.78	1.81	1.57	1.85
Vermont.....	15.82	16.64	10.22	10.15	2.82	3.15	.22	.24	.92	1.09	\$1.84	\$2.01
Virgin Islands.....	13.19	12.98	6.25	6.02	4.38	4.35	.27	.23	1.03	1.07	1.26	1.31
Virginia.....	4.91	4.98	1.75	1.78	2.04	2.04	.17	.16	.71	.71	.28	.28
Washington.....	34.16	36.18	21.64	21.45	5.47	6.94	.36	.34	2.41	2.51	4.24	4.94
West Virginia.....	16.08	16.57	4.39	4.40	9.09	9.66	.26	.25	1.78	1.72	.56	.54
Wisconsin.....	15.07	15.56	8.73	8.63	3.46	3.51	.25	.25	.41	.43	2.22	2.74
Wyoming.....	15.13	16.06	8.78	9.79	2.68	3.17	.16	.18	1.21	1.37	2.30	1.55

¹ Based on population data from the Bureau of the Census; excludes Armed Forces overseas.

² No program.

³ Program not in operation for full year. First payments made as follows: California, October

1957; Kentucky, September 1956; and Texas, September 1957.

⁴ Estimated.

⁵ Data incomplete.

children because the father is incapacitated. This high rate undoubtedly reflects the relative importance in the State's economy of coal mining and other hazardous industries, coupled with comparatively high unemployment.

The cost per inhabitant of assistance to the blind and to the disabled was comparatively small, averaging only 49 cents and \$1.22, respectively, for the United States. Two-thirds of the States spent less than 50 cents for aid to the blind, and no State spent more than \$1.20. Although costs for aid to the permanently and totally disabled were somewhat higher than those for the blind, all States spent less than \$3.25, and almost three-fifths of the 48 States with programs spent less than \$1.50.

The greatest variation among the States continued to be in their expenditures for general assistance, largely because of the absence of Federal financial participation. The cost per inhabitant in Michigan (\$5.75) was 575 times that in Alabama (1 cent) and almost 200 times that in Arkansas (3 cents). Almost two-fifths of the States spent less than \$1.00 per capita.

The distribution of States by size of per inhabitant expenditures for each of the assistance programs is shown below for 1957-58.

Expenditures per inhabitant	All programs	OAA	ADC	AB	APTD	GA
Total number of States...	53	53	53	53	48	53
Less than						
\$0.50.....	0	0	0	36	5	13
0.50-0.99.....	0	0	0	14	13	7
1.00-1.49.....	0	0	0	3	10	4
1.50-1.99.....	0	3	0	0	9	11
2.00-2.99.....	0	4	9	0	10	11
3.00-3.99.....	0	1	12	0	1	2
4.00-4.99.....	1	3	14	0	0	4
5.00-7.49.....	2	7	12	0	0	1
7.50-9.99.....	3	17	6	0	0	0
10.00-14.99.....	10	9	0	0	0	0
15.00-19.99.....	25	5	0	0	0	0
20.00 or more.	12	4	0	0	0	0

Factors Affecting State Variation

State variation in expenditures per inhabitant for each of the programs and for all programs combined results from differences among the States in the proportion of the population

aided and in average payments, the two determinants of the cost per inhabitant. The proportion of the population aided and the average payment per recipient depend in large measure upon the availability of State-local funds with which to finance public assistance, the distribution of income among the population, and the scope of the assistance programs established by the State. Under the Social Security Act a State is free to define need and to establish policies and procedures governing eligibility for assistance, such as relatives' responsibility provisions, lien laws, limitations on property holdings, and maximums on assistance payments—all of them determined by State willingness and ability to support public assistance. The degree of community acceptance of public assistance is reflected in the State's willingness to support the programs, which in turn affects the relative stringency of policies governing eligibility for assistance and the level of the assistance standard. On the other hand, the best available economic indicator of a State's ability to support public assistance is found in its per capita income, which also affects the need for assistance. Unfortunately, the greatest need for public assistance is found among the lowest-income States, which are least able to support the programs. Thus, a State's per capita income, its fiscal effort to support public assistance, and the scope of its assistance programs interact to affect both the average payment per recipient and the recipient rate. In addition, the proportion of the aged population that receives old-age and survivors insurance benefits and the size of the benefit payments affect old-age assistance recipient rates and average payments.

The operation of these factors may be observed in their effect upon the 12 States that spent less than \$13 per capita for all programs combined in 1957-58 and the 12 States that spent more than \$20. Since expenditures for old-age assistance influence in large measure the total per inhabitant cost for all programs combined, the following discussion of the variation in recipient rates and average payments is limited to that program.

States with highest expenditures

per inhabitant. — The States that spent the most per capita for all programs combined fall into three income groups. Five States are among the lower third in per capita income, three are in the middle third, and four are in the upper third (table 3). The wide acceptance of public assistance in all 12 States, however, is indicated by their willingness to support the assistance programs; 10 of them exerted high fiscal effort in 1957-58, and two — Alabama and Georgia — made an effort about equal to the median for the country as a whole. The States were less alike, however, in other characteristics.

High per capita expenditures in the five States with low per capita income were largely the result of comparatively high recipient rates—a reflection, in turn, of their relatively great need for assistance. Their average monthly payments per recipient of old-age assistance in December 1957 were in the lower third, with the exception of those in Louisiana and Oklahoma. Louisiana's average payment was slightly above the median for the Nation, and Oklahoma's was in the upper third. All five States had relatively low beneficiary rates for old-age and survivors insurance in June 1958, which is also indicative of greater need for assistance.

In contrast, the four States with high per capita income owed their relatively high expenditures per inhabitant primarily to average payments that were in the upper third. Although beneficiary rates under the insurance program were also high in each State, recipient rates for old-age assistance in California and Washington were high and, in Massachusetts, were above the median for the United States. Rhode Island's recipient rate for old-age assistance was in the lower third, but its rates for aid to dependent children and general assistance were comparatively high and the rate for aid to the permanently and totally disabled was in the middle range.

The three middle-income States present a somewhat mixed picture. High per capita expenditures were due in Minnesota to a relatively high average payment coupled with a medium recipient rate; in Missouri, to a comparatively high recipient rate

Table 3.—Selected economic and program data for 12 States with highest and 12 States with lowest assistance expenditures per inhabitant for all programs combined, fiscal year 1957-58

States grouped by per capita income, 1955-57	Old-age assistance						Rank in aged OASI beneficiary rate, June 1958			Rank in fiscal effort, 1957-58 ¹		
	Rank in recipient rate, December 1957			Rank in average payment, December 1957			Up- per third	Mid- dle third	Low- er third	Up- per third	Mid- dle third	Low- er third
	Up- per third	Mid- dle third	Low- er third	Up- per third	Mid- dle third	Low- er third						
12 States with highest per inhabitant expenditures for all programs combined												
Lower third:												
Alabama.....	X					X			X		X	
Arkansas.....	X					X			X		X	
Georgia.....	X					X			X		X	
Louisiana.....	X				X				X		X	
Oklahoma.....	X			X					X		X	
Middle third:												
Colorado.....	X			X					X		X	
Minnesota.....		X		X				X		X		
Missouri.....	X			X				X		X		
Upper third:												
California.....	X			X				X		X		
Massachusetts.....		X		X				X		X		
Rhode Island.....			X	X				X		X		
Washington.....	X			X				X		X		
12 States with lowest per inhabitant expenditures for all programs combined												
Lower third:												
North Carolina.....		X				X			X			X
Puerto Rico ²	X					X			X	(?)	(?)	X
South Carolina.....	X					X			X	(?)	(?)	X
Virgin Islands ²	X					X			X	(?)	(?)	X
Middle third:												
Virginia.....			X			X			X			X
Hawaii.....			X			X			X			X
Upper third:												
Delaware.....			X			X	X					X
Dist. of Col.....			X		X				X			X
Indiana.....			X		X		X					X
Maryland.....					X		X	X				X
New Jersey.....			X	X			X					X
Pennsylvania.....			X		X		X					X

¹ Expenditures for all programs in relation to personal income.
² Per capita income data not available for Puerto Rico and the Virgin Islands.

Low per capita expenditures for assistance in the four States with per capita incomes in the lowest third, on the other hand, were caused mainly by comparatively low average payments. Recipient rates were above the median in North Carolina but were in the highest third in the other States in this group, as might be expected from their low-income position. Beneficiary rates were comparatively low in all four States.

Hawaii and Virginia—both middle-income jurisdictions—had relatively low recipient rates combined with comparatively low average payments and beneficiary rates about equal to the median for the country. Low per capita expenditures in Virginia reflect in part a relatively low assistance standard, and in Hawaii they result partly from the small proportion of the total population that is aged as well as the comparatively low recipient rate. In 1950, only 4.1 percent of Hawaii's total population—about half the proportion for the United States—was aged 65 and over.

Vendor Payments for Medical Care

Medical care provided through assistance payments may be paid for either in the money payment to the recipient to enable him to purchase his own care or directly to the vendor of the medical service. In 1957-58, vendor payments for medical care for all programs combined amounted to more than \$320 million, or \$1.84 per inhabitant—up 15 cents or about 9 percent from per capita expenditures in the preceding year.

A change at the beginning of 1957-58 in the provisions for Federal participation in vendor payments for medical care brought about shifts by many States in the methods of paying for care. From the inception of Federal participation in payments to vendors of medical care under the special types of assistance in October 1950 until July 1, 1957, the Federal Government shared in the combined cost of payments to vendors of medical care and of money payments to recipients up to the monthly maximums on individual payments. For the fiscal year 1957-58, however, the States could claim Federal matching for payments to medical vendors sep-

and a medium average payment; and in Colorado, to a recipient rate and an average payment that were both in the upper third. Old-age and survivors insurance beneficiary rates in all three States were either in the middle range or slightly below it.

States with lowest expenditures per inhabitant.—The 12 States with the lowest per capita expenditures likewise have representatives from each of the income groups. Per capita incomes were in the lower third in four States, in the upper third in six States, and in the middle range in two States. Fiscal effort cannot be computed for Puerto Rico and the Virgin Islands because precise income data are lacking for these jurisdictions. Incomes are known to be extremely low in these islands, however, and fiscal effort is probably high—particularly in Puerto Rico. Fiscal

effort to support the assistance programs is comparatively low in each of the other 10 States.

The six high-income States have low per inhabitant expenditures largely because of their relatively low recipient rates. New Jersey was the only State with a comparatively high average payment. Average payments in the lower third contributed to the low expenditures per inhabitant in Maryland and Delaware. Average payments were in the middle third in the other three States. The low recipient rates and the general absence of high average payments in these six States reflect in part the fact that beneficiary rates for the insurance program are high or above the median except in the District of Columbia, which has many aged persons who draw pensions from the Federal civil-service retirement system.

arately from money payments to recipients, in amounts up to an average of \$6 per adult recipient (\$3 in Federal funds) and \$3 per child recipient (\$1.50 in Federal funds). In an effort to obtain the maximum amount possible under the revised formula, some States changed their procedure for paying for one or more types of care. Other States made payments to vendors of medical care for the first time in one or more categories. In 1957-58, all but nine States used vendor payments in one or more programs. About the same proportion of States—roughly 7 out of every 10—made vendor payments under each program; in earlier years far more States had made such payments from general assistance funds than from funds of any one of the other programs.

The increase from 1956-57 to 1957-58 in total per inhabitant expenditures for payments to vendors of medical care probably would have been greater than it was if the Federal provisions for sharing in such payments had not been changed. Some States making vendor payments substantially higher than the new average maximums shifted from vendor payments to money payments for some types of medical care in order to obtain the maximum possible Federal funds. In addition, in 1957-58, the Commissioner of Social Security approved a policy that permitted States to "split" the cost of nursing- and convalescent-home care between a money payment to the recipient for his ordinary living expenses in the home and a payment to the operator of the home for medical needs; formerly, the full cost of such care was in the form of a single vendor payment to the operator of the home.

Among programs, the largest per capita expenditures for vendor payments were from old-age assistance and general assistance funds (table 4). Expenditures from old-age assistance funds amounted to 92 cents, or half the total per inhabitant for all categories combined. Although the per capita expenditure (48 cents) from general assistance funds was much smaller, it accounted for one-fourth of total general assistance payments. In contrast, vendor pay-

ments for medical care constituted only about 8 percent of total assistance payments for the four special types of public assistance combined. An unknown, though substantial, amount of vendor payments from general assistance funds, however, was spent on behalf of recipients of the special types of public assistance. At least 11 percent of total vendor payments from general assistance went for medical care for recipients under the special programs.

Table 4.—Number of States with specified amount of expenditures per inhabitant for vendor payments for medical care, by program, fiscal year 1957-58

Expenditures per inhabitant for vendor payments for medical care	All programs	OAA	ADC	AB	APTD	GA
Average, all States	\$1.84	\$0.92	\$0.25	\$0.03	\$0.17	\$0.48
Total number of States	53	53	53	53	48	53
No vendor payments	9	17	18	15	15	15
Vendor payments	44	36	35	38	33	38
Less than \$0.50	8	10	26	38	30	17
0.50-0.99	7	8	8	0	3	11
1.00-1.49	2	8	1	0	0	3
1.50-1.99	4	3	0	0	0	5
2.00 or more	23	7	0	0	0	2

Under each assistance program, per capita expenditures for vendor payments for medical care were small in relation to total expenditures in most States. Vendor payments amounted to less than 50 cents per inhabitant in three-fourths of the States making such payments under old-age assistance, in three-fourths of the States under aid to dependent children, in almost half the States under general assistance, in all the States under aid to the blind, and almost all the States under aid to the permanently and totally disabled. Vendor payments amounted to as much as \$2 or more in seven States under old-age assistance and in 23 States under all programs combined.

Blue Cross Provisions for Aged Persons, Late 1958*

An estimated 6 million persons aged 65 and over—about 40 percent of the population in this age group—have hospitalization insurance. The 79 Blue Cross plans in the continental United States¹ estimate that their enrollment includes about 3.5 million persons who have passed their sixty-fifth birthday. Approximately 400,000 aged persons are enrolled in independent plans. The others—at least 2 million persons—have only insurance company policies. Some persons who are members of Blue Cross or independent plans also have insurance company policies.

Blue Cross plans are thus the major source of prepaid protection against the costs of hospital care among the population aged 65 and over. As the ratio of their aged members to younger members has increased, Blue Cross plans have developed a variety of ways of coping with the problem of the impact of the relatively higher costs on the older segment of their enrollment. Blue Cross membership has been obtained by aged persons in one of four ways, listed in the order of their numerical importance: (1) "left-employ" ("left-group" or "group conversion") contracts, (2) nongroup contracts, (3) group contracts covering aged persons still at work, and (4) group contracts that include retired as well as active employees. Wives are generally included under their husband's contract as dependents, and widows are permitted to continue their membership in Blue Cross plans on a group conversion or nongroup basis after their husband's death.

Most of those in the higher ages who are enrolled in Blue Cross plans originally obtained their membership through their place of work. On retiring they converted their coverage into a "left-employ" contract, which

* Prepared by Agnes W. Brewster and Ruth Bloodgood, Division of Program Research, Office of the Commissioner. Data were developed from plan summaries in the *Blue Cross Guide*, January 1958, and revisions reported by the Blue Cross Association in December 1958.

¹ Data exclude the Puerto Rico Blue Cross plan; Canadian plans have also been omitted.