

awards to survivors and to dependents of disabled workers. About two-thirds of the generation's population can expect to survive until age 65. If present trends continue, many will elect to exercise options for early retirement with reduced benefits before that age. By the year 2000 surviving members will be old enough to qualify for full retirement and health insurance benefits.

## CONCLUSIONS

One-third of a century has elapsed since the Social Security Act of 1935 laid the "cornerstone" for the Nation's social insurance system. Far from undermining national institutions, the program has made significant contributions toward strengthening those institutions.

More children are spending more years in school, in part because OASDHI benefits are available to maintain family income even when

a breadwinner dies, is disabled, or retires. Because more young people are entering the labor force with added years of educational preparation, more of them are able to move into higher-paying professional and technical occupations at an earlier age than older generations did. Marriage and family life of generation members have been marked by the desire to have children early. With retirement benefits available to increasing proportions of the aged population and with the availability of the health insurance program, the economic independence of the aged has been enhanced. This condition frees young families to devote a greater proportion of their income resources to their own needs.

As for the limitations, these are part of the continuing challenge that has confronted the program since its creation—a challenge best met by remembering the admonition of President Roosevelt: OASDHI "is a structure by no means complete."

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## Notes and Brief Reports

### Personal Health Care Expenditures of the Aged and Nonaged\*

In response to increased interest in the amounts spent for health care at certain ages, estimates of personal health care expenditures in the fiscal years 1966 and 1967 are presented here for two broad age groups—persons under age 65 and those aged 65 and over. For both groups, data on sources of funds and type of expenditures are given here.<sup>1</sup>

In the fiscal year 1967, personal health care expenditures amounted to \$41.5 billion, representing an annual per capita expenditure of approximately \$206. Personal health care expenditures

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<sup>1</sup> For detailed data on personal health care expenditures, see Ida C. Merriam, "Social Welfare Expenditures, 1929-67," *Social Security Bulletin*, December 1967, table 5, page 15. For revised estimates, see Barbara Cooper, *Revised Public and Private Expenditures for Health and Medical Care, Fiscal Years 1960-67*, Research and Statistics Note No. 7, 1968.

include all expenditures for health and medical care services received by individuals. Excluded are expenditures for medical-facilities construction, medical research, public health activities not of direct benefit to individuals (that is, disease prevention and control), and some expenses of philanthropic organizations. The data also exclude the net cost of insurance (the difference between health insurance premiums and benefits paid), as well as administrative expenses of several public programs. Nonpersonal health care expenditures of \$6.4 billion, in 1967, brought the total spent for all health purposes to \$47.9 billion.

### Aggregate and Per Capita Expenditures

The distribution of personal health care expenditures by the two age groups (under age 65 and aged 65 and over) reveals considerable relative difference in the amounts spent. These differences reflect the higher incidence of illness and the greater use of medical care services for the aged.

Of the total amount spent in the fiscal year 1967 for personal health care, more than one-fifth

TABLE 1.—Estimated amount and percentage distribution of personal health care expenditures, by source of funds and age, fiscal years 1966 and 1967

Source of funds	1966			1967		
	Total	Under age 65	Aged 65 and over	Total	Under age 65	Aged 65 and over
Amount (in millions)						
Total.....	\$36,751	\$28,912	\$7,839	\$41,472	\$32,316	\$9,156
Private.....	28,628	23,190	5,438	28,836	25,062	3,774
Public.....	8,123	5,722	2,401	12,638	7,255	5,382
Federal.....	3,606	2,529	1,077	7,754	3,423	4,331
State and local.....	4,517	3,193	1,324	4,883	3,832	1,051
Percentage distribution by age						
Total.....	100.0	78.7	21.3	100.0	77.9	22.1
Private.....	100.0	81.0	19.0	100.0	86.9	13.1
Public.....	100.0	70.4	29.6	100.0	57.4	42.6
Federal.....	100.0	70.1	29.9	100.0	44.1	55.9
State and local.....	100.0	70.7	29.3	100.0	78.5	21.5
Percentage distribution by source of funds						
Total.....	100.0	100.0	100.0	100.0	100.0	100.0
Private.....	77.9	80.2	69.4	69.5	77.6	41.2
Public.....	22.1	19.8	30.6	30.5	22.5	58.8
Federal.....	9.3	8.7	13.7	18.7	10.6	47.3
State and local.....	12.3	11.0	16.9	11.8	11.9	11.5

(\$9.2 billion) was spent by or in behalf of the aged, who made up less than one-tenth of the total population (table 1). In per capita terms, an estimated \$486 was spent for each aged person in the United States, compared with \$177 per person under age 65 (table 2). Thus the personal health care expenditures of the average aged person are about two and three-fourths times those of the average younger person. In the fiscal year 1966, the disparity between the two age groups in per capita expenditures was slightly less. From 1966 to 1967, per capita health care expenditures for the aged increased 14.8 percent, while those for the nonaged rose 10.6 percent.

The two age groups also differ considerably in the average spent for the various types of medical care services. Per capita hospital care expenditures for the aged, amounting to \$222 in fiscal year 1967, are about three times that of the under-age-65 group (\$70), but per capita expenditures for physicians' services for the aged (\$85) are less than twice those for the younger age group (\$44). For other professional services

CHART 1.—Estimated per capita personal health care expenditures, by type of expenditure and age, fiscal year 1967

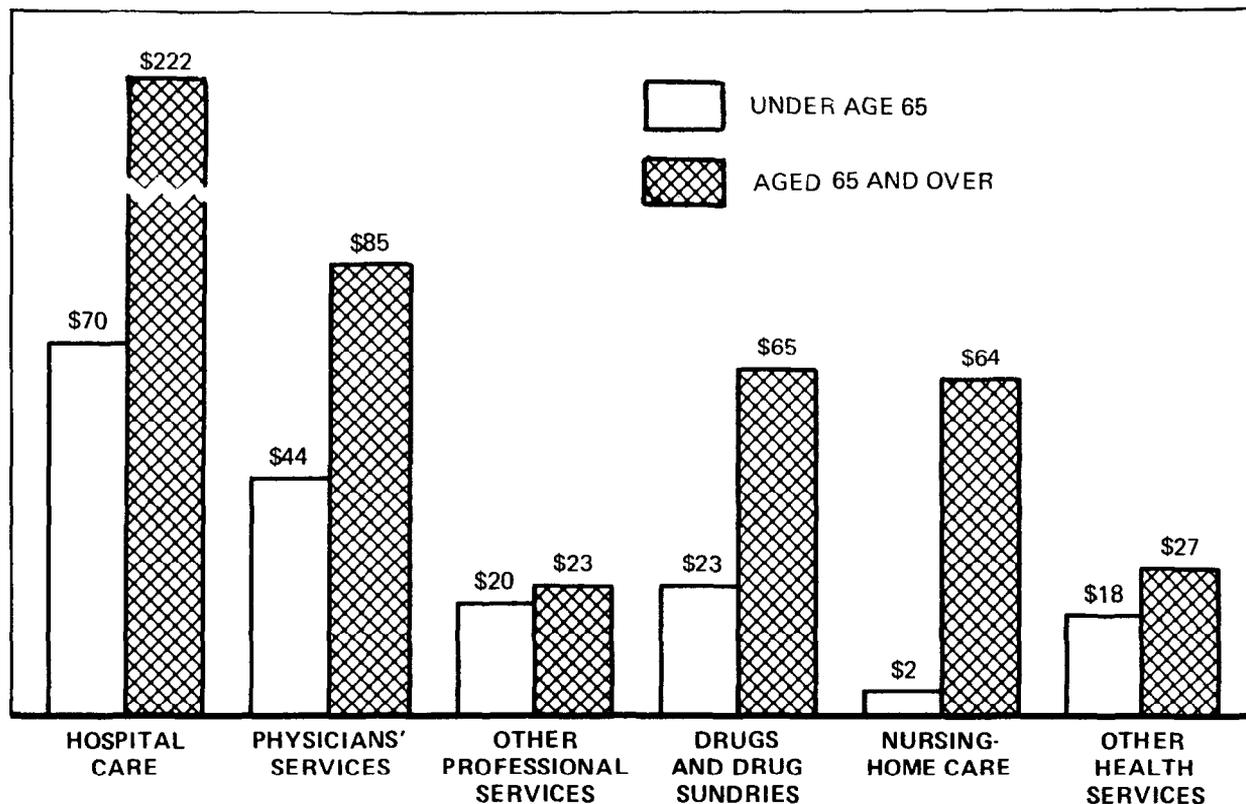


TABLE 2.—Estimated per capita personal health care expenditures, by type of expenditure, source of funds, and age, fiscal years 1966 and 1967 <sup>1</sup>

Type of expenditure	1966			1967		
	Total	Private	Public	Total	Private	Public
All ages						
Total.....	\$184.89	\$144.02	\$40.87	\$206.31	\$143.44	\$62.87
Hospital care.....	71.76	45.41	26.35	84.15	43.23	40.91
Physicians' services.....	45.27	42.29	2.98	48.11	41.35	6.76
Other professional services <sup>2</sup> .....	19.44	19.04	.41	20.29	19.64	.66
Drugs and drug sundries.....	25.40	24.57	.83	26.92	25.85	1.07
Nursing-home care.....	7.00	4.06	2.94	8.15	3.75	4.41
Other health services <sup>3</sup> .....	16.01	8.65	7.37	18.69	9.62	9.06
Under age 65						
Total.....	\$160.39	\$128.65	\$31.74	\$177.39	\$137.57	\$39.82
Hospital care.....	60.46	40.50	19.96	69.87	45.81	24.06
Physicians' services.....	42.56	39.81	2.75	44.29	40.89	3.40
Other professional services <sup>2</sup> .....	19.31	18.97	.34	20.06	19.57	.49
Drugs and drug sundries.....	21.59	21.15	.43	22.94	22.27	.67
Nursing-home care.....	1.18	.45	.73	2.36	.41	1.95
Other health services <sup>3</sup> .....	15.30	7.77	7.54	17.87	8.63	9.25
Aged 65 and over						
Total.....	\$423.41	\$293.72	\$129.69	\$485.91	\$200.29	\$285.62
Hospital care.....	181.81	93.23	88.58	222.26	18.47	203.79
Physicians' services.....	71.68	66.49	5.19	85.02	45.85	39.17
Other professional services <sup>2</sup> .....	20.74	19.72	1.03	22.55	20.33	2.23
Drugs and drug sundries.....	62.60	57.85	4.75	65.38	60.45	4.94
Nursing-home care.....	63.68	39.21	24.47	64.16	35.98	28.18
Other health services <sup>3</sup> .....	22.90	17.23	5.67	26.53	19.21	7.32

<sup>1</sup> Based on Bureau of the Census estimates of mid-fiscal-year data for total population, including Armed Forces overseas.

<sup>2</sup> Includes expenditures for dentists' services and other professional services.

<sup>3</sup> Includes expenditures for eyeglasses and appliances and other health services.

(including dentists' services) the average expenditure per person is virtually the same for each age group (about \$22). The higher dental expenditures of the person under age 65 offset the higher expenditures of the aged person for the services of private-duty nurses, physical therapists, and other medical professionals. On the average, expenditures of those aged 65 and over are nearly three times as high as those of the younger group for drugs and drug sundries (\$65 and \$23, respectively). The widest disparity is found in the area of nursing-home care: \$64 was spent for the average aged person, compared with only about \$2 per person under age 65 (chart 1).

### Expenditures for the Aged

The relationships between the two age groups described above in terms of aggregate and per capita amounts for each type of expenditure are about the same in fiscal years 1966 and 1967.

Significant changes took place during this period in the source of financing medical care services, however. In 1967 the public sector assumed a significantly larger portion of the burden of paying for personal health care services, providing more than 30 percent of the funds. In the previous year only 22 percent of the burden was borne by the public sector.

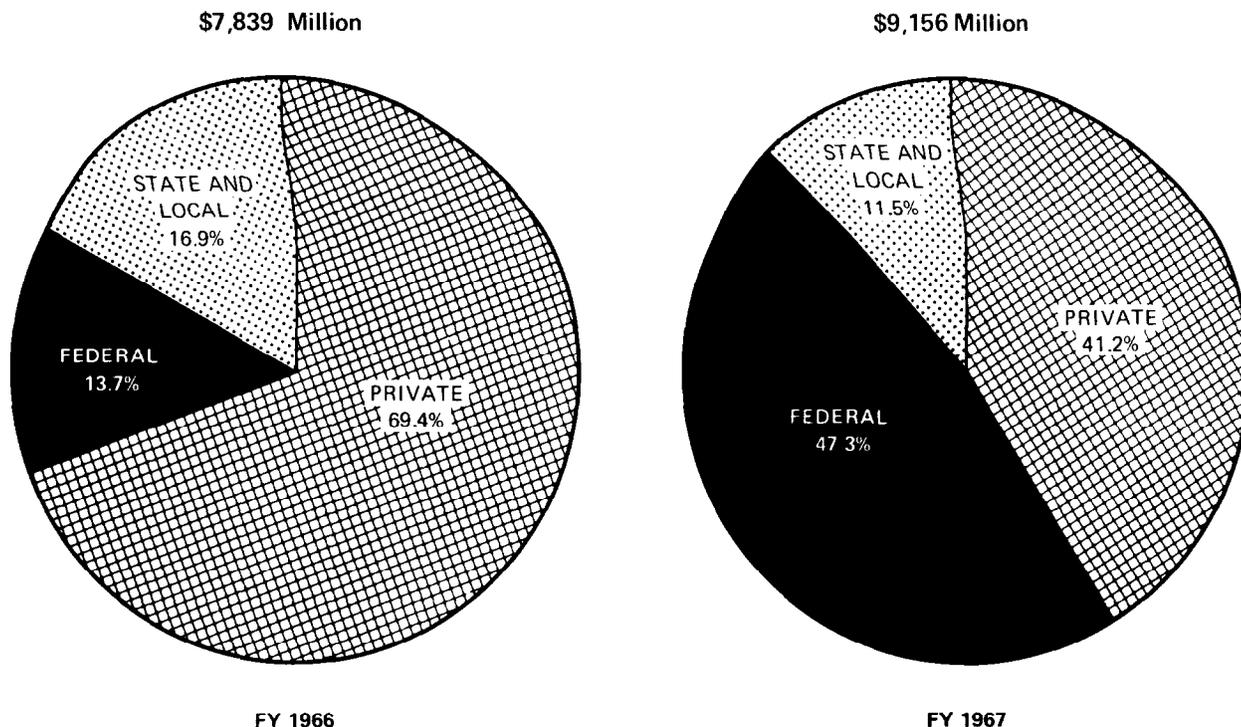
Most of this shift to public financing of medical care services involved the aged population. In the fiscal year 1966, public programs provided 31 percent of the expenses of health care for the aged (chart 2). In the following year, this proportion rose to 59 percent—35 percent from Medicare and 24 percent from other public funds. In the aggregate, public funds for the aged more than doubled, increasing from \$2.4 billion in 1966 to \$5.4 billion in 1967. At the same time private spending for the aged decreased from \$5.4 billion to \$3.8 billion.

The large increase during fiscal year 1967 in public spending for aged persons also resulted in the allocation of a considerably larger share of all public funds to this age group. The proportion of total public personal health care expenditures spent for persons aged 65 and over rose from 30 to 43 percent in the single year. The reverse occurred in the private sector, where the proportion spent for the aged declined from 19 to 13 percent.

This growth in public spending for the aged population is especially evident in those types of medical care services covered by Medicare. The largest expenditures under that program were for hospital care, amounting to \$2.4 billion. Of the total (\$4.2 billion) spent in the fiscal year 1967 for hospital care of the aged, \$3.8 billion, or 92 percent, was provided by the public sector—57 percent from Medicare funds and 34 percent from other public funds (table 3). In the fiscal year 1966, public spending for hospital care for the aged represented 49 percent of the total. In terms of per capita expenditures, the burden on the private sector was reduced from \$93 to \$18—a decrease of 80 percent.

Physicians' services for the aged, which involved the second largest type of payment under Medicare, amounted to \$626 million during 1967—the first full year of the program. These expenditures from the SMI trust fund do not fully reflect the current charges incurred under the program as there is a considerable lag between

CHART 2.—Percentage distribution of personal health care expenditures for the aged, by source of funds, fiscal years 1966 and 1967



the time a patient visits a physician and the time the carrier receives payment from the trust fund for such a visit. A patient receiving services may possibly wait to submit all his bills at the end of the year, for example, or, if his physician accepts

assignment, the latter may accumulate bills for periods of several months before submitting them to the carrier. After processing the bill, the carrier reimburses the patient or physician from amounts drawn from the trust funds.

TABLE 3.—Estimated amount and percentage distribution of personal health care expenditures for the aged, by source of funds and type of expenditure, fiscal year 1967

Source of funds	Total	Hospital care	Physicians' services	All other <sup>1</sup>
Amount (in millions)				
Total.....	\$9,156	\$4,188	\$1,602	\$3,366
Private.....	3,774	348	864	2,562
Public.....	5,382	3,840	738	804
Medicare.....	3,172	2,406	626	140
Hospital insurance.....	2,508	2,395	11	113
Medical insurance.....	664	11	626	27
Other public.....	2,210	1,434	112	664
Percentage distribution				
Total.....	100.0	100.0	100.0	100.0
Private.....	41.2	8.3	53.9	76.1
Public.....	58.8	91.7	46.1	23.9
Medicare.....	34.6	57.4	39.1	4.2
Hospital insurance.....	27.4	57.2	3	3.4
Medical insurance.....	7.3	3	39.1	.8
Other public.....	24.1	34.2	7.0	19.7

<sup>1</sup> Includes expenditures for dentists' and other professional services, drugs and drug sundries, eyeglasses and appliances, nursing-home care, and other health services.

In the program's first year, especially during the first 6 months, trust fund expenditures were relatively low because of the initial lag between the time of service and time of payment from the trust fund. There are indications that incurred charges accruing under SMI in fiscal year 1967 amounted to an estimated \$1.1 billion, instead of the \$644 million actually expended.<sup>2</sup> For physicians' services incurred charges were probably close to \$1 billion, instead of the \$626 million actually expended.

Of the total (\$1.6 billion) spent for physicians' services to the aged in the fiscal year 1967, 46 percent came from the public sector, with 39 percent from Medicare funds. The public portion in the previous year was only 7 percent. Thus, per capita private expenditures for physicians' services declined from \$66 in 1966 to \$46 in 1967,

<sup>2</sup> See "Current Medicare Survey Report," *Health Insurance Statistics*, CMS-1, July 28, 1967, table 2, and CMS-2, December 15, 1967, table 2.

while the comparable public figure increased from \$5 to \$39 per capita.

Similarly, the public sector has assumed responsibility for a larger portion of the expenditures for the care of the aged in nursing homes. Before Medicare, public expenditures for nursing-home care of the aged involved public assistance funds exclusively. In the fiscal year 1966, these funds represented 38 percent of the total. The following year, the public share rose to 44 percent. Medicare covered extended-care services for only half the fiscal year 1967, however, so the public sector should represent an even larger portion of the total in the future.

Where the types of health expenditures not covered by Medicare are concerned, much of the burden of financing such services for the aged is still in the private sector. Expenditures for the aged for out-of-hospital drugs and drug sundries, for example, are financed almost entirely by private funds, primarily through out-of-pocket

expenditures of the consumer. In both years 1966 and 1967, private funds represented more than 90 percent of drug costs for the aged (tables 4 and 5).

### Expenditures for Persons Under Age 65

Even for those under age 65, a slight shift to public funding was evident in fiscal year 1967, primarily as a result of the medical assistance program and increased spending by the Department of Defense. Of the total amount (\$32.3 billion) of personal health care expenditures for the under-age 65 group, \$7.3 billion, or 22.5 percent, came from public sources in fiscal year 1967, compared with 19.8 percent in the previous year.

For those under age 65, the proportion of these expenditures provided under public programs varied by type of expenditure. The largest public expenditure was for hospital care. Public outlays

TABLE 4.—Estimated personal health care expenditures, by type of expenditure, source of funds, and age, fiscal years 1966 and 1967

Type of expenditure	(In millions)									
	1966					1967				
	Total	Private	Public			Total	Private	Public		
Total			Federal	State and local	Total			Federal	State and local	
<b>Total</b> .....	<b>\$36,751</b>	<b>\$28,628</b>	<b>\$8,123</b>	<b>\$3,606</b>	<b>\$4,517</b>	<b>\$41,472</b>	<b>\$28,834</b>	<b>\$12,638</b>	<b>\$7,754</b>	<b>\$4,883</b>
Hospital care.....	14,264	9,026	5,238	2,001	3,237	16,015	8,601	8,224	4,812	3,412
Physicians' services.....	8,999	8,407	592	128	464	9,671	8,313	1,358	833	525
Other professional services <sup>1</sup> .....	3,865	3,785	80	28	51	4,080	3,948	132	67	65
Drugs and drug sundries.....	5,049	4,884	165	70	95	5,411	5,196	215	101	114
Nursing-home care.....	1,391	807	584	259	325	1,639	753	886	485	401
Other health services <sup>2</sup> .....	3,183	1,719	1,464	1,120	344	3,756	1,933	1,823	1,457	367
<b>Total</b> .....	<b>\$28,912</b>	<b>\$23,190</b>	<b>\$5,722</b>	<b>\$2,529</b>	<b>\$3,193</b>	<b>\$32,316</b>	<b>\$25,062</b>	<b>\$7,255</b>	<b>\$3,423</b>	<b>\$3,832</b>
Hospital care.....	10,898	7,300	3,598	1,283	2,315	12,728	8,345	4,383	1,651	2,732
Physicians' services.....	7,672	7,176	496	90	406	8,069	7,449	620	158	462
Other professional services <sup>1</sup> .....	3,481	3,420	61	20	41	3,654	3,565	89	35	54
Drugs and drug sundries.....	3,891	3,813	78	31	46	4,179	4,057	122	56	66
Nursing-home care.....	212	81	131	58	73	430	75	355	174	181
Other health services <sup>2</sup> .....	2,758	1,400	1,353	1,047	312	3,256	1,571	1,685	1,350	336
<b>Total</b> .....	<b>\$7,839</b>	<b>\$5,438</b>	<b>\$2,401</b>	<b>\$1,077</b>	<b>\$1,324</b>	<b>\$9,156</b>	<b>\$3,774</b>	<b>\$5,382</b>	<b>\$4,331</b>	<b>\$1,051</b>
Hospital care.....	3,366	1,726	1,640	718	922	4,188	348	3,840	3,161	679
Physicians' services.....	1,327	1,231	96	38	58	1,602	864	738	675	63
Other professional services <sup>1</sup> .....	384	365	19	9	10	425	383	42	30	10
Drugs and drug sundries.....	1,159	1,071	88	39	49	1,232	1,139	93	46	47
Nursing-home care.....	1,179	726	453	200	252	1,209	678	531	311	220
Other health services <sup>2</sup> .....	424	319	105	73	33	500	362	138	107	31

<sup>1</sup> Includes expenditures for dentists' services and other professional services.

<sup>2</sup> Includes expenditures for eyeglasses and appliances and other health services.

TABLE 5.—Estimated personal health care expenditures under public programs, by program and age, fiscal years 1966 and 1967

Program	1966			1967		
	Total	Under age 65	Aged 65 and over	Total	Under age 65	Aged 65 and over
Amount (in millions)						
Total.....	\$8,123.1	\$5,721.9	\$2,401.3	\$12,637.6	\$7,254.9	\$5,382.5
Health insurance for the aged.....				3,172.0		3,172.0
Temporary disability insurance (medical benefits).....	54.3	54.3		56.0	56.0	
Workmen's compensation (medical benefits).....	630.0	601.6	28.4	685.0	654.2	30.8
Public assistance (vendor medical payments).....	1,709.9	602.9	1,106.9	2,318.3	1,247.6	1,070.7
General hospital and medical care.....	2,720.3	2,002.8	717.5	2,790.8	2,288.0	502.7
Defense Dept. hospital and medical care.....	1,273.4	1,246.6	26.8	1,571.8	1,538.8	33.0
Military dependents' medical care.....	75.0	75.0		148.4	148.4	
Maternal and child health services.....	274.4	274.4		305.0	305.0	
School health.....	135.0	135.0		140.0	140.0	
Veterans' hospital and medical care.....	1,154.8	636.0	518.8	1,249.6	687.2	562.4
Medical vocational rehabilitation.....	48.0	47.2	.8	80.5	78.9	1.5
Office of Economic Opportunity.....	48.2	46.1	2.1	120.2	110.8	9.4
Percentage distribution						
Total.....	100.0	100.0	100.0	100.0	100.0	100.0
Health insurance for the aged.....				25.1		58.9
Temporary disability insurance.....	.7	.9		.4	.8	
Workmen's compensation.....	7.8	10.5	1.2	5.4	9.0	.6
Public assistance.....	21.0	10.5	46.1	18.3	17.2	19.9
General hospital and medical care.....	33.5	35.0	29.9	22.1	31.5	9.3
Defense Dept. hospital and medical care.....	15.7	21.8	1.1	12.4	21.2	.6
Military dependents' medical care.....	.9	1.3		1.2	2.0	
Maternal and child health.....	3.4	4.8		2.4	4.2	
School health.....	1.7	2.4		1.1	1.9	
Veterans' hospital and medical care.....	14.2	11.1	21.6	9.9	9.5	10.4
Medical vocational rehabilitation.....	.6	.8	( <sup>1</sup> )	.6	1.1	( <sup>1</sup> )
Office of Economic Opportunity.....	.6	.8	.1	1.0	1.5	.2

<sup>1</sup> Less than 0.05 percent.

in the fiscal year 1967 accounted for more than one-third of total hospital expenditures for those under age 65, with about three-fifths of these funds provided by State and local governments. For persons not yet aged 65, services of physicians and other professionals and expenditures for drugs and drug sundries are financed mainly by private sources. For these persons, public outlays represented only 8 percent of total physician expenditures, 2 percent of expenditures for other professional services, and 3 percent of total outlays for drugs and drug sundries.

Expenditures for nursing-home care of those under age 65 amounted to \$430 million in 1967, or \$2.36 per capita. More than four-fifths of these expenditures came from public funds under public assistance programs, about half from Federal sources, and the remainder from State and local government disbursements.

#### Expenditures Under Public Programs

Public expenditures for personal health care rose from \$8.1 billion in fiscal year 1966 to \$12.6 billion in fiscal year 1967 (table 5). About one-third of the \$4.5 billion increase was for persons under age 65, and the remaining two-thirds was spent for the aged population—mainly through implementation of Medicare.

Vendor medical payments under public assistance increased by more than \$600 million, all of it for persons under age 65, largely as a result of the new medical assistance program under title XIX of the Social Security Act. The public assistance payments for persons aged 65 or over decreased slightly in fiscal year 1967 when some of these expenditures shifted to the Medicare program. In fiscal year 1966, about 35 percent of such assistance payments were for persons under age 65. In the following year, the proportion increased to 54 percent.

In addition to the \$36 million decline in public assistance payments for the aged, general hospital and medical care expenditures for the aged, primarily State and local government spending in their hospitals, decreased \$215 million. Other public programs experienced slight increases in their spending for the aged.

For persons under age 65, all public programs showed some increased spending. In addition to the large increases in public assistance payments for this age group, substantial increases were reported by the Department of Defense and the Office of Economic Opportunity. Expenditures for persons under age 65 by the Defense Department hospital and medical program coupled with the military dependents' medical care program rose from \$1.3 billion to \$1.7 billion, an increase of 30 percent. The OEO program expanded substantially in fiscal year 1967, resulting in a rise in health expenditures for persons under age 65 from \$46 million to \$111 million.