Private Health Insurance in 1975: Coverage, Enrollment, and Financial Experience

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More improvement in the scope than in the quality of private health insurance coverage took place during 1975 Four-fifths of the population under age 65 was covered for hospital and surgical care, and nearly that proportion was protected against the costs of physicians' in-hospital visits, X-ray and laboratory examinations, and prescribed out of-hospital drugs The $33 6 billion in premiums paid by consumers resulted in the return of only $28 9 billion in benefits, which covered just 44 percent of their total personal health care expenditures Major-medical insurance, held by an estimated 43 percent of the population, helped to overcome some of the deficiencies of private insurance—dollar limitations on health care services, ceilings on the duration of hospital stays, and exclusions for some types of care It also provided economic protection against catastrophic expenses Premiums and subscription income rose faster than benefits as private insurers attempted to keep their coverage in line with rising health care costs The overall underwriting gain was due largely to a $952 4 million gain in group business by the insurance companies

THE PRIVATE HEALTH insurance industry continued in 1975 to respond to the needs of Americans for greater protection against the costs of illness and related health care expenses Union-employer negotiations resulted in new basic hospital, surgical, and medical-expense group coverage for employees and their families not insured previously and in new and improved coverage under supplementary major-medical and comprehensive major-medical policies for those already insured, those who previously held only basic coverage, or those who had no coverage at all Americans also bought more individual coverage to supplement group coverage or as the only coverage available to them Benefit payments rose as higher premiums paid by employers and employees attempted to keep insurance coverage in line with rising health care costs and the need for wider protection against the costs of a vast array of health care services

Despite these developments, most insured persons had to pay directly for a substantial part of their total health care costs because of the exclusions, restrictions, and limitations that characterize private health insurance policies and plans In 1975, 168 million persons or 79 percent of the civilian population had coverage for hospital care For about 55 percent of these persons, the economic protection was substantial because they had extended coverage under some form of major-medical insurance, for the others, it ranged from minimal to reasonable About three-fourths of the population had some protection against the costs of most physicians' services—surgery, in-hospital physicians' visits, and X-ray and laboratory examinations Little of this was first-dollar coverage, however Somewhat more than two-thirds of the population had some coverage for nursing services and prescribed out-of-hospital drugs, mostly through major-medical insurance Only one-third of the population had private insurance that paid any of the costs of nursing-home care, only one-sixth had any private insurance to cover dental care costs

Most working Americans and their families (85 1 million) received their health insurance protection through group policies written by insurance companies Blue Cross and Blue Shield group and individual plans provided hospital coverage for 77 5 million persons (40 percent of the population under age 65), and for 48 percent of the aged insured The Blue Cross-Blue Shield plans were the largest insurers for nursing-home care Independent health insurance plans—prepaid community and self-insured employer-union plans—covered nearly 7 percent of the population for most types of care

That the insured person cannot expect to receive truly comprehensive health care services in return for his premium payments is just one of the deficiencies in the private health insurance system Individual buyers frequently encounter age-limit restrictions or the termination of insurance benefits after stated ceilings are reached.

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They often are subject to waiting periods and sometimes are even excluded from coverage because of preexisting conditions Hospital coverage under group policies may be of limited duration, and some kinds of illness may not be covered for treatment and care

Almost 60 percent of the persons with group insurance policies that covered basic hospital expense (first-dollar coverage) had to make up the difference out of pocket between the semiprivate room-and-board charge and the room-and-board allowance paid by their insurance policies Only one-third of the newly covered had full dollar protection under their basic plans when an intensive-care unit was required Only 36 percent were covered for hospital stays of 120 days and over About 16 percent had maximum surgical benefits of less than $500 About 69 percent received less than $8 for each physician in-hospital visit Major-medical benefits helped to meet these deficiencies, but almost 30 percent of those covered in 1975 under major-medical policies were subject to maximum benefit limits of $100,000 or less

Almost all persons aged 65 and over have health insurance, mainly through the Federal program of health insurance for the aged and disabled (Medicare), but many have private insurance as well, usually in plans designed to complement Medicare benefits Some 22 3 million aged persons had hospital insurance under Medicare as of January 1, 1976, and 22 0 million had supplementary medical insurance (SMI)—98 percent and 97 percent of the aged population, respectively About 2 4 million of those with SMI coverage were covered through a Medicaid "buy in" arrangement Approximately 1 5 million were covered directly by the medical assistance (Medicaid) program in the four States that did not have such an arrangement (Alaska, Louisiana, Oregon, and Wyoming) Sixteen percent of all Medicaid recipients in fiscal year 1976 were aged 65 and over How many of the small proportion of the aged without Medicare coverage who had no health insurance at all is not known

An estimated 35 million Americans under age 65 had no private insurance for hospital care in 1975, 37 million had no surgical insurance Some of those with no health insurance coverage were without insurance by choice Others received assistance in meeting 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 workers' compensation

Approximately 20 5 million persons under age 65 received Medicaid payments in 1975 Of these, 2 8 million were disabled, 10 6 million were dependent children under age 21, 5 1 million were adults in families with dependent children, and the remaining 2 1 million were the blind (117,000) and other eligibles who were under age 21 or aged 21–64 Medicare covered 2 2 million disabled persons under age 65 for hospital care and 2 0 million for services under SMI Of these, 363,000 were persons with Medicaid buy-in arrangements State temporary disability insurance programs covered an estimated 15 million persons, and 67 million were covered by State and Federal workers' compensation programs

Not all of these persons rely solely on health care under public programs Some Medicaid recipients, for example, carry private health insurance, and benefits paid under such policies provide partial reimbursement to the providers for their services 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 under age 65 without any economic protection against the costs of health care and illness cannot be definitely determined

POPULATION COVERAGE

Estimates developed by the Office of Research and Statistics of the net number of different persons aged 65 and over and those under age 65 who were covered in 1975 by private health insurance for 10 health care services are given in table 1 The Health Insurance Association of America (HIAA) estimates of the net number of persons with private insurance for hospital care and surgical services are also provided

More than four-fifths of the population under age 65 was covered for hospital and surgical care, according to estimates by the Office of Research and Statistics The HIAA placed its estimates considerably higher—87 percent for hospital care

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, 1975

Type of service	All ages		Under age 65		Aged 65 and over	
	Number (in thousands)	Per cent of civilian population [1]	Number (in thousands)	Per cent of civilian population [2]	Number (in thousands)	Per cent of civilian population [3]
Hospital care	168,448	79 3	154,205	81 3	14,243	62 7
Physicians services						
Surgical services	164,986	77 7	152 498	80 4	12,488	55 0
In hospital visits	160,750	75 7	151 034	79 6	9,716	42 8
X ray and laboratory examinations	156,717	73 8	148,293	78 2	8,424	37 1
Office and home visits	127,735	60 1	121,234	63 9	6,501	28 6
Dental care	34,477	16 2	33,840	17 8	637	2 8
Prescribed drugs (out-of hospital)	149,276	70 3	144,335	76 1	4,941	21 8
Private-duty nursing	145 927	68 7	140,996	74 3	4 931	21 7
Visiting nurse service	141,561	66 7	136 099	71 8	5,462	24 1
Nursing-home care	70,146	33 0	65,686	34 6	4,460	19 6
HIAA estimates						
Hospital care	177,980	83 8	165,357	87 2	12,623	55 6
Surgical services	168,89o	79 5	158,518	83 6	10,377	45 7

[1] Based on Bureau of Census estimate of 212,376,000 as of Jan 1, 1976
[2] Based on Bureau of Census estimate of 189,674,000 as of Jan 1, 1976
[3] Based on Bureau of Census estimate of 22,702,000 as of Jan 1, 1976

and 84 percent for surgical services The proportions of the total population with private health insurance coverage for other types of care were smaller, ranging from 16 percent for dental care to 76 percent for physicians' inhospital visits

It is estimated that four-fifths of all consumer expenditures for hospital care was met by private insurance, the remaining one-fifth came largely from direct out-of-pocket payments For physicians' services, the direct out-of-pocket costs were substantial, however Private insurance met less than half of all consumer expenditures for this type of care

The actual dollar protection for the various health care services reflects not only the rate of coverage, but also the benefit level Private insurance paid for 14 percent of consumer expenditures for dental services, for example and only 7 percent of total costs for prescribed drugs and "other types of care"

ENROLLMENT

The total number of persons enrolled by all private health insurers for each of 10 health care services is shown in table 2 The gross enrollment for persons of all ages for hospital insurance was 212 million in 1975 According to the net estimates, 168 million different persons were covered for hospital care in that year Thus, 44 million persons or approximately 21 percent of gross enrollment represented duplicatory or multiple coverage Stated another way, private hospital insurance policies or plans had 212 million enrollees but only 168 million different individuals had coverage The HIAA estimated net coverage for hospital care in 1975 at 178 million

Multiple coverage occurs chiefly when (1) both spouses are employed and both have group insurance through their employer, (2) a person with group coverage purchases an individual insurance policy to supplement the group plan, and (3) a person not eligible for group coverage holds two or more individual insurance policies, usually to supplement each other because their benefits are limited

Insurance companies had the largest enrollment for hospital care in 1975—117 million persons Of the total, group policies covered 87 million persons and the remaining 30 million were enrolled under individual policies Blue Cross and Blue Shield plans had hospital insurance enrollments of 83 million and 2 5 million, respectively Independent plans provided hospital coverage for more than 9 million persons Blue Cross-Blue Shield enrollment figures and those of the independent plans include both group and nongroup subscribers

Commercial carriers also surpassed Blue Cross-Blue Shield plans in the number of persons covered for surgical services—106 million and 78 million, respectively The independent plans covered 11 million persons For all non-hospital-associated health care services except nursing-home care, the companies insured the majority of persons protected by private health insurance.

Persons under age 65—generally those in the work force and their dependents—were more likely to be covered under insurance company plans About 109 million persons were enrolled by the commercial carriers for hospital care and about 103 million for most physicians' services Enrollments in the Blue Cross-Blue Shield plans totaled about 77 million for hospital care, 70 million for surgical care, and 33–68 million for other physicians' services Coverage for drugs and nursing services in Blue Cross-Blue Shield

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, 1975

[In thousands]

Type of plan	Hospital care	Physicians services				Dental care	Prescribed 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	212,154	195,624	191,511	185,946	151,701	34 815	156,592	153,076	148,475	71,505	(1)
Blue Cross Blue Shield	85,762	77,803	74,869	68,322	36,010	3,320	46,122	41,457	35,895	37,221	913
Blue Cross	83 179	4,699	4,193	(1)	1,396	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield	2,583	73,104	70,676	(1)	34 614	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies	117,300	106,426	105,580	105 824	104,471	19,020	104,033	104,033	104 033	28 959	(1)
Group policies	87,185	87,958	97 925	98,505	97,189	18,936	96 718	96 718	96 718	23 764	(1)
Individual policies	30 115	18 468	7,655	7,319	7 282	84	7,315	7 315	7,315	5,195	(1)
Independent plans	9,092	11 395	11 062	11,800	11,220	12,475	6,437	7,586	8,547	5,325	7 240
Community	3 869	6,065	6 047	6,058	5,970	1 380	1,941	4,212	5,449	3 013	4,296
Employer-employee union	5,081	5,183	4,869	5,595	5,103	1,394	4,472	3,365	3,098	2,189	2,803
Private group clinic	142	147	147	147	147	66	24	9	- -- --	123	141
Dental service corporation	------ --	- ----	----- -- -	-- - --	- - -- -	9,707	- - --	- - ------	--- - --	----- --	- - -- --
	Under age 65										
Total enrollment	195,029	183,370	181 105	176,469	144,875	34,178	151,552	148,046	142 904	67,000	(1)
Blue Cross-Blue Shield	77,474	70,285	67,809	62 794	32 598	3,318	43,914	39,250	33,160	33,783	857
Blue Cross	75,157	4 233	3 860	(1)	1,312	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield	2 317	66 052	63,949	(1)	31,286	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies	109,364	102,473	103,005	102,742	101 923	18,717	101,714	101,714	101,714	28,365	(1)
Group policies	85,124	85,917	95,817	95,615	94,819	18,633	94,627	94,627	94,627	23,321	(1)
Individual policies	24,240	16,556	7,188	7 127	7 104	84	7,087	7,087	7,087	5 044	(1)
Independent plans	8,191	10 612	10,291	10,933	10,354	12,143	5 924	7 082	8 030	4,852	6,659
Community	3 642	5 764	5,746	5,760	5,670	1 281	1 850	4 008	5,188	2,872	4 036
Employer-employee-union	4,419	4,714	4,411	5,039	4,550	1,247	4,052	3,065	2,842	1,867	2,495
Private group clinic	130	134	134	134	134	64	22	9	- - ----	113	128
Dental service corporation	- - ----	-- - ---	-- - ---	-- - -	- - -	9,551	-- ----	--------	- - - --	--------	- -- - ---
	Aged 65 and over										
Total enrollment	17,125	12 254	10,407	9,477	6 826	637	5,040	5,030	5,571	4,505	(1)
Blue Cross-Blue Shield	8 288	7 518	7,060	[2] 5,528	3,412	2	2 208	2,207	2,735	[2] 3,438	56
Blue Cross	8,022	466	333	(1)	84	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield	266	7 052	6 727	(1)	3,328	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies	7,936	3 953	2,575	3,082	2 548	303	2 319	2,319	2,319	594	(1)
Group policies	2,061	2,041	2,108	2 890	2 370	303	2,091	2 091	2 091	443	(1)
Individual policies	5,875	1,912	467	192	178	-- -- -	228	228	228	151	(1)
Independent plans	901	783	772	867	866	332	513	504	517	473	581
Community	227	301	301	298	300	27	91	204	261	141	260
Employer-employee-union	662	469	458	556	553	147	420	300	256	322	308
Private group clinic	12	13	13	13	13	2	2	[4]	---------	10	13
Dental service corporation	--- --	-- --- -	- -- -----	- -- --	-- -----	156	-- -- --	------- --	----------	------- --	---------

[1] Data not available
[2] Includes disabled persons under age 65
[3] Mainly coverage of Medicare deductibles
[4] Fewer than 500

plans was less than half that under insurance company plans

Blue Cross plans surpassed the commercial carriers, however, in the number of persons aged 65 and over enrolled for hospital care and physicians' services under policies supplementary to Medicare Of the 17.1 million aged persons covered by private insurance, Blue Cross plans enrolled 8 3 million for hospital care, 7 5 million for surgical care, and 6 0 million for X-ray and laboratory examinations By contrast, insurance companies enrolled 7.9 million persons for hospital care, 4 million for surgical care, and 3 1 million for X-ray and laboratory examinations Most of these coverages were coordinated with Medicare coverage—that is, private insurers generally take care of the Medicare deductible and coinsurance payments and some part of the charges for services not covered under the program

Independent plans had fewer than 1 million enrollees aged 65 and over Most of them were in employer-union negotiated plans that continued health care coverage after retirement

The gross enrollment for hospital care in all plans was 3 percent higher in 1975 than it was in

the previous year The biggest gains were recorded among the aged, where insurance companies increased their overall coverage by 14 percent and their group business by 35 percent Other large gains were in coverage for out-of-hospital X-ray and laboratory examinations, which increased by 3 percent For these services, Blue Cross-Blue Shield plans achieved rises of 34 percent in their Medicare supplementary coverage and 4 percent in their under-age-65 coverage For all ages, coverage for dental care rose 6 percent, prescribed out-of-hospital drugs 5 percent, and nursing services 4 percent The greatest gain in dental coverage—13 percent—was registered by the insurance companies For drugs and nursing services, the most dramatic increases were in the number of persons enrolled by Blue Cross-Blue Shield plans—gains of 14 percent in coverage for prescribed drugs and 13–15 percent in coverage for nursing services

Enrollment Shares

Little change from the year before in the market distribution of private health insurance is evident in the 1975 figures Insurance companies held from 54 percent to 70 percent of total gross enrollment for hospital care, physicians' services, dental care, prescribed out-of-hospital drugs, and nursing services (table 3). Blue Cross-Blue Shield plans had 52 percent of the enrollment for nursing-home care

Under plans that supplement Medicare coverage, Blue Cross-Blue Shield plans held the highest share of coverage for hospital care, physicians' services, visiting-nurse services, and nursing-home care Insurance company group policies and dental service corporations held more than four-fifths of the dental coverage for all ages Insurance companies held more than two-thirds of the coverage for private-duty nursing services

TABLE 3 —Percentage distribution of total gross enrollment under private health insurance plans, by type of plan, and specified type of care, as of December 31, 1975

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 4	39 8	39 1	36 7	23 7	9 5	29 5	27 1	24 2	52 1
Blue Cross	39 2	2 4	2 2	(1)	9	(1)	(1)	(1)	(1)	(1)
Blue Shield	1 2	37 4	36 9	(1)	22 8	(1)	(1)	(1)	(1)	(1)
Insurance companies	55 3	54 4	55 1	56 9	68 9	54 6	66 4	68 0	70 1	40 5
Group policies	41 1	45 0	51 1	53 0	64 1	54 4	61 8	63 2	65 1	33 2
Individual policies	14 2	9 4	4 0	3 9	4 8	2	4 7	4 8	4 9	7 3
Independent plans	4 3	5 8	5 8	6 3	7 4	35 8	4 1	5 0	5 8	7 4
Community	1 8	3 1	3 2	3 3	3 9	3 8	1 2	2 8	3 7	4 2
Employer-employee union	2 4	2 6	2 5	3 0	3 4	4 0	2 9	2 2	2 1	3 1
Private group clinic	,1	1	1	1	1	2	(2)	(2)		,2
Dental service corporation						27 8				
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 7	38 3	37 4	35 6	22 5	9 7	29 0	26 5	23 2	50 4
Blue Cross	38 5	2 3	2 1	(1)	9	(1)	(1)	(1)	(1)	(1)
Blue Shield	1 2	36 0	35 3	(1)	21 6	(1)	(1)	(1)	(1)	(1)
Insurance companies	56 1	55 8	56 9	58 2	70 4	54 8	67 1	68 7	71 2	42 3
Group policies	43 6	46 9	52 9	54 2	65 4	54 5	62 4	63 9	66 2	34 8
Individual policies	12 4	9 0	4 0	4 0	4 9	2	4 7	4 8	5 0	7 5
Independent plans	4 2	5 8	5 7	6 2	7 1	35 5	3 9	4 8	5 6	7 2
Community	1 9	3 1	3 2	3 3	3 9	3 7	1 2	2 7	3 6	4 3
Employer-employee union	2 3	2 6	2 4	2 9	3 1	3 6	2 7	2 1	2 0	2 8
Private group clinic	1	1	1	1	1	2	(2)	(2)		2
Dental service corporation						27 9				
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	48 3	61 4	67 8	58 3	50 0	3	43 8	43 9	49 1	76 3
Blue Cross	46 7	3 8	3 2	(1)	1 2	(1)	(1)	(1)	(1)	(1)
Blue Shield	1 5	57 5	64 6	(1)	48 8	(1)	(1)	(1)	(1)	(1)
Insurance companies	46 3	32 3	24 7	32 5	37 3	47 6	46 0	46 1	41 6	13 2
Group policies	12 0	16 7	20 3	30 5	34 7	47 6	41 5	41 6	37 5	9 8
Individual policies	34 3	15 6	4 5	2 0	2 6		4 5	4 5	4 1	3 4
Independent plans	5 3	6 4	7 4	9 1	12 7	52 1	10 2	10 0	9 3	10 5
Community	1 3	2 5	2 9	3 1	4 4	4 2	1 8	4 1	4 7	3 1
Employer-employee union	3 9	3 8	4 4	5 9	8 1	23 1	8 3	6 0	4 6	7 1
Private group clinic	1	1	1	1	2	3	(2)	(2)		2 2
Dental service corporation						24 5				

[1] Data not available

[2] Less than 0.005 percent

Historical Data

The growth in the total number of persons covered by private insurance for hospital and surgical care over the 25-year period from 1950 to 1975 is shown in table 4. Enrollment data for dental care and prescribed out-of-hospital drug coverage is given only for 1966–75 because such data are not available for the years before 1966.

Enrollments are those reported by the various insurers. In 1974, HIAA revised downward its estimates for 1945–73 as a result of an improved methodology that made possible better reporting by the companies. Major revisions occurred in individual policy enrollments, where estimates

TABLE 4.—Gross enrollment under private health insurance plans, by type of care and type of plan, 1950–75

[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	
	Hospital care							
1950	81,691	37,645	37,435	210	39,601	22,305	17,296	4,445
1955	113,976	48,924	47,719	1,205	58,507	38,620	19,887	6,545
1960	140,055	57,464	55,938	1,526	76,597	54,416	22,181	5,994
1965	160,485	63,662	61,651	2,012	89,839	65,415	24,424	6,984
1966	164,958	65,638	63,408	2,230	92,687	67,799	24,888	6,633
1967	170,636	67,513	65,188	2,325	96,073	71,454	24,619	7,050
1968	177,138	70,510	67,958	2,552	99,351	74,073	25,278	7,277
1969	184,808	73,211	70,620	2,591	103,895	77,973	25,922	7,702
1970	190,758	75,464	72,942	2,522	107,163	80,505	26,658	8,131
1971	193,308	76,349	74,383	1,966	108,414	80,641	27,773	8,545
1972	197,195	78,605	76,322	2,283	110,537	81,526	29,011	8,053
1973	200,710	81,345	79,199	2,146	111,170	83,626	27,544	8,195
1974	206,646	83,845	81,399	2,446	114,192	85,385	28,807	8,609
1975	212,154	85,762	83,179	2,583	117,300	87,185	30,115	9,092
	Surgical care							
1950	55,950	17,253	1,151	16,102	34,937	21,219	13,718	3,760
1955	98,000	37,395	3,194	34,201	54,675	39,703	14,972	5,930
1960	127,091	48,266	3,773	44,493	71,489	55,464	16,025	7,336
1965	148,236	56,330	3,660	52,669	83,222	65,487	17,735	8,684
1966	152,106	57,916	3,417	54,499	85,865	68,114	17,751	8,325
1967	158,654	60,433	3,416	57,017	89,641	72,038	17,603	8,580
1968	164,540	63,279	3,464	59,815	92,509	75,038	17,471	8,752
1969	173,108	66,595	3,629	62,966	96,563	78,864	17,699	9,950
1970	179,152	69,110	3,874	65,236	99,510	81,549	17,961	10,532
1971	181,191	70,395	3,831	66,564	99,936	81,802	18,134	10,860
1972	183,936	72,433	4,020	68,413	101,230	82,670	18,560	10,273
1973	189,015	75,136	4,098	71,038	103,091	84,483	18,608	10,788
1974	193,172	76,873	4,239	72,634	105,095	86,561	18,534	11,204
1975	195,624	77,803	4,699	73,104	106,426	87,958	18,468	11,395
	Prescribed drugs [1] (out-of-hospital)							
1966	69,632	10,800	[2]	[2]	56,100	51,700	4,400	2,732
1967	75,610	12,400	[2]	[2]	60,270	55,500	4,770	2,940
1968	83,142	14,849	[2]	[2]	64,523	59,379	5,144	3,770
1969	94,178	18,563	[2]	[2]	71,395	65,426	5,969	4,220
1970	105,885	25,627	[2]	[2]	75,437	70,396	5,041	4,821
1971	112,202	29,821	[2]	[2]	76,940	72,108	4,832	5,441
1972	117,082	32,595	[2]	[2]	78,691	73,827	4,864	5,796
1973	131,570	38,168	[2]	[2]	87,515	81,710	5,805	5,887
1974	149,244	40,329	[2]	[2]	102,767	95,532	7,235	6,148
1975	156,592	46,122	[2]	[2]	104,033	96,718	7,315	6,437
	Dental care [1]							
1966	4,227	16	[2]	[2]	2,000	2,000	----------	2,211
1967	4,639	20	[2]	[2]	2,399	2,330	69	2,220
1968	5,939	35	[2]	[2]	3,242	3,170	72	2,662
1969	8,929	141	[2]	[2]	5,230	5,159	71	3,558
1970	12,977	273	[2]	[2]	7,454	7,383	71	5,250
1971	16,347	1,100	[2]	[2]	8,912	8,841	71	6,335
1972	18,750	1,110	[2]	[2]	10,272	10,200	72	7,368
1973	22,008	1,740	[2]	[2]	12,178	12,097	81	8,090
1974	32,896	3,790	[2]	[2]	16,842	16,756	86	12,264
1975	34,815	3,320	[2]	[2]	19,020	18,936	84	12,475

[1] Data not available before 1966

[2] Data not available

were cut nearly in half Minor revisions were made in 1975 with respect to enrollments in group policies during 1973 and 1974

Private health insurance experienced a very rapid growth in the decade of the fifties when unions pushed hard for paid coverage as a fringe benefit for their members Total enrollments for hospital insurance rose 40 percent from 1950 to 1955 and 23 percent from 1955 to 1960 The number of persons enrolled for surgical care coverage rose even faster increases of 75 percent were recorded from 1950 to 1955 and 30 percent from 1955 to 1960 As a consequence, the gap in numbers between those who had surgical insurance and those who had hospital insurance in 1950 was cut in half by 1960—to about 13 million persons

This trend continued in the sixties, but the rate of growth during the 5-year period from 1970 to 1975 slowed to 11 percent for hospital insurance and 9 percent for surgical insurance By the end of 1975, those who had hospital insurance once again substantially outnumbered those with surgical insurance The growth was mainly in Blue Cross plans and in hospital-indemnity policies sold to persons who had no other insurance or to persons who felt they had to supplement their protection under group insurance plans in order to meet the rapidly rising costs of health care

Except for the tremendous increase in coverage for surgical care written by Blue Shield plans in the first half of the fifties, the number of persons with insurance company policies rose faster than the number with other kinds of insurance throughout the fifties and the sixties In the seventies, however, enrollments for both hospital care and surgical care have been rising more rapidly under Blue Cross-Blue Shield plans than under any other type of plan Blue Cross-Blue Shield enrollments for hospital insurance, for example, rose 14 percent from 1970 to 1975, compared with an 8-percent advance for insurance company group business For surgical care, enrollments under these plans rose 13 percent, compared with an 8-percent increase under insurance company group policies

Although insurance companies traditionally have covered more persons for prescribed drugs than has any other type of insurer, coverage has been rising most rapidly under the Blue Cross-Blue Shield plans Insurance company group coverage for drugs is now a little over twice the coverage of the Blue Cross-Blue Shield plans, compared with a ratio of nearly 5 to 1 in 1966

Dental coverage exhibits a similar pattern The Blue Cross-Blue Shield plans had only 16,000 enrollees for dental coverage in 1966, compared with 2 million insured under group insurance policies By 1975, however, the gap had narrowed to the point that the companies had 19 million group enrollees, compared with 3 3 million for the Blue Cross-Blue Shield plans Coverage in dental service corporations rose so greatly during this period that by 1975 enrollment in independent plans—dominated by these corporations—stood at 12 5 million, nearly six times the figure for 1966

The net enrollments—the number of different persons covered—for hospital care and surgical care as estimated by HIAA and household surveys conducted by the National Center for Health Statistics (NCHS) are given in table 5 for the period 1962–75 In 1974, HIAA revised its net estimates for 1973 and earlier years as a result of improved reporting techniques, particularly in relation to the extent of duplicate coverage Net figures for 1973 and 1974 were also revised by HIAA in 1975 The net coverages as estimated by the NCHS household surveys are generally lower than HIAA net estimates for both hospital care and surgical care The variance is accounted for by differences in reporting In 1975, the household survey estimates were based on a combined source—NCHS household surveys and the Social Security Administration's Current Medicare Survey

Changes in Benefit Structure

More improvement has occurred in the scope of private health insurance coverage than in the quality of coverage Private insurers have been steadily broadening their benefit packages, particularly for non-hospital-associated services (table 6) In 1962, only 35 percent of the population had private insurance to cover the costs of X-ray and laboratory examinations outside the hospital, in 1975, about 74 percent of Americans had coverage for these services Insurance benefits for prescribed out-of-hospital drugs are now

TABLE 5.—*Net enrollment for hospital and surgical care, as estimated by HIAA and household surveys, 1962–75*

[Numbers in thousands]

End of year	Hospital care				Surgical care			
	HIAA		Household surveys		HIAA		Household surveys	
	Number	Percent of civilian population	Number	Percent of civilian population	Number	Percent of civilian population	Number	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	126,047	67 0	124,105	66 0		
1964	136 304	71 4			127,092	66 6		
1965	138,671	71 9			130 530	67 7		
1966	142,369	73 2			133,995	68 9		
1967	146,409	74 4	145 454	73 9	138,898	70 6	142,082	72 2
1968	151 947	76 4	150 888	75 9	143,625	72 2	148,082	74 5
1969	155 025	77 2			147 774	73 6		
1970	158,847	78 2	154,063	75 9	151,440	74 6	150 001	73 9
1971	161 849	78 8			153,093	74 5		
1972	164 098	79 2	155 253	74 9	154 687	74 6	152,651	73 6
1973	168 455	80 6			162 644	77 8		
1974	173,140	82 2	163 396	77 6	166,432	79 0	159,518	75 7
1975	177,980	83 8	168 448	[1] 79 3	168,895	79 5	164,986	[1] 77 7

[1] Based on combined source of household interview surveys conducted by NCHS and the Social Security Administration Current Medicare Survey

available to 7 out of every 10 Americans, in 1962, only about 1 in 4 persons had any coverage for drugs Coverage for dental care services has shown the greatest gains, although the proportion of the population with this economic protection remains low—only 16 percent in 1975 but up from only one-half of 1 percent in 1962

Major-Medical Coverage

The total number of persons covered under supplementary major-medical and comprehensive extended-benefit plans of insurance companies and Blue Cross-Blue Shield contracts for the period 1960–75 is shown in table 7 Net coverage—the number of different persons with some type of major-medical coverage—as estimated by HIAA is also given Supplementary major-medical plans are designed mainly to provide benefits for prolonged illnesses, comprehensive extended-benefit plans include basic coverage and extend into catastrophic-benefit areas

A considerable amount of major-medical coverage was written by the health insurance industry in the sixties Blue Cross-Blue Shield plans experienced a tremendous increase in coverage for this type of benefit Enrollments quadrupled from 1960 to 1965 and rose an additional 50 percent by 1970 Though the gains by the insurance companies were not as dramatic, the carriers began the period with eight times as many enrollees as did the Blue Cross-Blue Shield plans From 1970 to 1975, major-medical enrollments in the Blue Cross-Blue Shield plans rose nearly 70 percent, narrowing the gap considerably By 1975 the companies had a little more than 70 percent of the coverage and the Blue Cross-Blue Shield plans nearly 30 percent

With multiple and duplicate coverage under major-medical plans netted out, HIAA estimates that 92 million different individuals, or about 43 percent of the civilian population, had insurance protection against major-medical expenses in 1975 Ten years earlier, an estimated 27 percent of the population had this kind of protection In 1975, about 75 percent of the persons who had major-medical insurance under group insurance policies were protected against expenses of $100,000 or more, in 1970 only about 1 percent had protection to this extent Major-medical coverage is characterized, however, by cost-sharing—that is, patients must pay deductibles that range from $50 to $150 and make coinsurance payments ranging from 20 percent to 30 percent of expenses

Enrollment in Group-Practice Prepayment Plans

The growth in independent group-practice plans from 1961 to 1975 is shown in table 8 The greatest gains were made in the 4-year period 1968–72 During these years, group-practice plans far surpassed in growth independent plans organized on an individual-practice basis By 1972, total enrollments for hospital care and most phy-

TABLE 6 —Estimates of net number of different persons under private health insurance plans and percent of population covered, by specified type of care, 1962–75

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)	1 006	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	79,004	17,814
1967	145 454	142 082	(1)	92,480	(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	106 882	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)	22,008	124,971	118,805	122 688	69 152
1974	163,396	159 518	157,285	152 206	126,235	32,896	142,246	140,353	135,751	69,601
1975	168,448	164,986	160,750	156,717	127,735	34,477	149,276	145,927	141,561	70,146
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	35 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 5	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	50 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 5	59 8	56 9	58 7	33 1
1974	77 6	75 7	74 7	72 3	59 9	15 6	67 5	66 6	64 5	33 0
1975	79 3	77 7	75 7	73 8	60 1	16 2	70 3	68 7	66 7	33 0

[1] Data not available

sicians' services were almost evenly divided between the two types of organizations Enrollment growth for coverage of drugs and dental care, however, did not match the spectacular gains made by the individual-practice plans in this period [1]

Since 1972, annual gains for most types of care in group-practice settings have been steady but slow Group-practice dental care has shown actual losses in enrollment, however, because of a gradual decrease in the number of dental enrollees in employer-employee-union group-practice plans

FINANCIAL EXPERIENCE

Data are presented here on the business (premium and subscription income) of the three principal types of insurers—the commercial carriers, Blue Cross-Blue Shield plans, and the independent prepayment and self-insured plans Benefit

[1] More research findings on this subject, as well as on the benefit structure and financial experience of independent group and individual plans, will be published in the near future by the Office of Research and Statistics

TABLE 7 —Number of persons covered under supplementary major-medical and comprehensive policies of insurance companies and under supplementary major-medical and comprehensive extended-benefit contracts of Blue Cross-Blue Shield plans, 1960–75

[In thousands]

End of year	Gross coverage								Net coverage, as estimated by HIAA
	Total	Insurance companies				Blue Cross-Blue Shield [1]			
		Total	Group		Individual	Total	Supplementary	Comprehensive	
			Supplementary	Comprehensive					
1960	31 774	28,061	17,991	8 463	1,607	3,713	3,020	693	25,371
1965	74 468	59,868	42,4oo	12 962	4,456	[2] 14,600	([3])	([3])	53,020
1970	112 281	87,376	61,718	20,244	5 414	24,905	21,658	3 247	77,061
1975	146,091	104,033	67,310	29,408	7,315	42,058	39,172	[4] 2 886	92,166

[1] 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 for Blue Cross plans plus an estimated 1,600,000 in Blue Shield plans not affiliated with Blue Cross

[3] Data not available

[4] May be significantly underestimated because complete data not reported in 197o

TABLE 8.—Private health insurance enrollment under independent group-practice prepayment plans, by specified type of care, 1961–75

[In thousands]

Year	Hospital care	Physicians' services			Dental care	Drugs
		Surgical services	In hospital visits	Office, clinic, or health center		
1961	2,586	3,484	3,643	3 643	398	518
1964	2 695	3,504	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	96o	2,321
1972	3 984	5,080	4,5o3	5,476	798	[2] 1,877
1973	4,199	5,270	4,729	5,670	791	[2] 1,948
1974	4,297	5,362	4,863	5 744	771	[2] 2,042
1975	4,461	5,451	5,010	5,842	726	[2] 2,094

[1] Data not available
[2] Excludes those enrolled under plans that sell drugs to members at reduced rate

expense (claims) and operating expense are measured against premium income to show the net underwriting gain or loss and other operating results—the proportion of premiums returned as benefit payments to the insured and the proportion retained for operating expense, additions to reserves, and profits

Data on investment income available for the Blue Cross-Blue Shield plans and independent plans provide an insight into the net income of these insurers Unfortunately, separate figures on investment income for the medical-expense and health insurance business of the commercial carriers are not available Thus, it is not possible to show the overall operating results (net income) of the companies or of the private health insurance industry as a whole

Trends in the distribution and growth of premium income and benefit expenditures by type of insurer and by specified type of care are also reported here Changes in operating-expense ratios in the past few years are noted as well

In 1975, private health insurers collected $33 6 billion in premiums and subscriber fees from their enrollees, $28 9 billion, or 86 percent of this income, was returned in the form of claims and benefits (table 9) Operating expenses amounted to $4 4 billion, or 13 percent of premium income As a result, the plans experienced an overall gain in underwriting of nearly 1 percent of premium income, or $302 2 million Net income for all insurers (the difference between total income and total expenditures) could not be determined because investment income for the commercial carriers on their health and medical-expense business could not be obtained

Insurance companies showed the best underwriting results of all insurers in 1975, partly because they were able to raise premiums to a level where rising benefits (claims) did not overtake them On the other hand, the subscription income of Blue Cross-Blue Shield plans lagged substantially behind rising benefit expenditures and their underwriting results deteriorated from the preceding year In terms of volume of business, the companies' premium income of $16 7 billion was $2 3 billion greater than that of the Blue Cross-Blue Shield plans and seven times the income of independent prepayment and self-insured plans

Blue Cross-Blue Shield plans had a benefit ratio of 98 percent of subscription income, but

TABLE 9.—Financial experience of private health insurance organizations, 1975

[Amounts in millions]

Type of plan	Total income	Subscription 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
Total	[1]	$33,598 9	$28,906 3	86 0	$4 390 4	13 1	$302 2	0 9	[1]	[1]
Blue Cross Blue Shield	$14 684 7	14 446 4	14,192 0	98 2	1,063 0	7 4	−808 6	−5 6	−$570 3	−3 9
Blue Cross	10,225 0	10,060 5	10 075 9	100 2	557 1	5 5	−572 5	−5 7	−408 0	−4 0
Blue Shield	4,459 7	4 385 8	4,116 1	93 9	505 9	11 5	−236 2	−5 4	−162 3	−3 6
Insurance companies	[1]	16,726 0	12 530 0	74 9	3,145 9	18 8	1,050 1	6 3	[1]	[1]
Group policies	[1]	13,656 0	10 973 0	80 4	1,730 6	12 7	952 4	7 0	[1]	[1]
Individual policies	[1]	3,070 0	1 557 0	50 7	1,415 3	46 1	97 7	3 2	[1]	[1]
Independent plans	2,468 2	2,426 5	2,184 3	90 0	181 5	7 5	60 7	2 5	102 4	4 1
Community	986 2	976 1	916 6	93 9	64 3	6 6	−4 8	− 5	5 3	5
Employer-employee-union	1,032 2	1,008 1	878 7	87 2	67 2	6 7	62 2	6 2	86 3	8 4
Private group clinic	36 5	34 3	27 0	78 7	7 4	21 6	− 1	− 3	2 1	5 8
Dental service corporation	413 3	408 0	362 0	88 7	42 6	10 4	3 4	8	8 7	2 1

[1] Data not available

the insurance companies returned only 75 cents on each premium dollar The independent plans had a benefit ratio of 90 percent, not as favorable as under the Blue Cross-Blue Shield plans but substantially better than the experience of the companies Group plans written by the commercial carriers had a claims ratio of 80 percent, compared with a 51-percent ratio for individual business Separate financial data are not available for the nongroup business of the Blue Cross-Blue Shield and independent plans

The relatively low claims ratios of the insurance companies must be discounted to some extent, however, to take into account their unique position Four major factors must be considered

First, the overall operating expense of the companies is greatly affected by the impact of individual business—insurance policies sold to persons who are not eligible for group insurance or sold as supplemental coverages to persons who already have a group policy The companies incur heavy acquisition costs and selling expenses on individual policies Although individual business accounted for less than one-fifth of all carrier business, the operating expense of this segment of the business—$1 4 billion (46 percent of premium income)—represented almost half the total operating expenses for all carriers As a result, it brought the overall operating-expense ratio of the companies to 19 percent of premium income Group business, which accounts for about four-fifths of total company business, had an operating-expense ratio of 13 percent

Second, insurance companies usually sell a combined package of benefits including hospital, medical, and major-medical benefits, unlike the hospital coverage plans sold by some insurers or the surgical-medical coverage plans sold by others The operating-expense ratio for surgical-medical coverage is substantially higher than that for hospital coverage mainly because the former has a lower premium, a larger number of claims per enrollee, a smaller amount per claim, and a higher degree of administrative complexity This factor is also evident in the difference between the operating-expense ratios of Blue Cross and Blue Shield plans—5 5 percent and 11 5 percent, respectively Major-medical insurance, of course, is the most costly type of coverage to administer

Third, the insurance companies have higher operating expenses They must pay Federal income taxes, State premium taxes, license charges, and fees not required of the other insurers

Finally, the companies operate for profit Blue Cross and Blue Shields plans and almost all the independent plans are nonprofit plans

In 1975 the companies were successful in raising their premiums sufficiently to eliminate the previous year's lag and, as a result, they enjoyed a substantial underwriting gain—a little more than $1 billion, or 6 3 percent of premium income On the other hand, subscription income of the Blue Cross-Blue Shield plans lagged behind rapidly rising benefit payments and, as a result, they incurred a net underwriting loss of 5 6 percent of premium income Independent plans had a net underwriting gain of 2 5 percent of subscription income

Source of Net Underwriting Gain

Subscription income for all private insurers rose 18 8 percent, and claims went up 17 4 percent in 1975 Operating expenses rose only 10 3 percent The result was a shift from a net underwriting loss of 1 1 percent of premium income in 1974 to a gain of 0 9 percent in 1975 The improvement was not uniform throughout the industry, however It came mainly from the gains experienced by commercial carrier group business Total company business shifted from a net loss of 1.1 percent of premium income in 1974 to a net gain of 6 3 percent in 1975, but group business—which had a net underwriting loss of 3 6 percent in 1974—enjoyed a net gain of 7 0 percent in 1975 The net gain for individual business was reduced from 6 7 percent of premium income to 3 2 percent in the 1-year period Independent plans also improved their financial picture Their net underwriting gain, which was 1 2 percent in 1974, advanced to 2 5 percent in 1975

The financial situation of the Blue Cross-Blue Shield plans was distinctly different Their net underwriting loss, which was 1 5 percent of subscription income in 1974, deepened to a record 5 6 percent in 1975 The deficit was caused mainly by the failure of subscription income to keep pace with benefit expenses While premium income rose 16 8 percent in 1975, claims rose 21 9 percent In fact, the benefit expense of the Blue Cross plans

was more than $15 million higher than their subscription income Operating expenses for the Blue Cross and Blue Shield plans increased 16 7 percent over the previous year, but this increase was not inconsistent with the higher volume of claims to be processed The ratio of operating expense to premium income remained stabilized at about 7 0 percent—5 5 percent for Blue Cross plans and 11 5 percent for Blue Shield plans Operating expenses and benefit expenses, combined, created a net underwriting loss of more than $572 million for Blue Cross plans and $236 million for Blue Shield plans in 1975

The Blue Cross plans were especially hard hit because hospital costs rose more rapidly than any other type of health care cost, and Blue Cross payments accounted for more than half of all hospital benefit payments in the industry Moreover, 91 percent of benefits under Blue Cross plans were for hospital care, compared with only 60 percent of insurance company benefit payments Finally, Blue Cross hospital coverage was generally more comprehensive than that offered by the companies To illustrate, the commercial carriers—which enrolled almost 40 percent more persons for hospital care than did Blue Cross-Blue Shield plans—paid out only 42 percent of all hospital claims under private insurance

Distribution of Business Among Insurers

Insurance companies continued to lead all other health insurers in the volume of business (premiums earned) in 1975 Of the industry total of $33 6 billion in premium and subscription income, the commercial carriers received 50 percent, compared with 43 percent for Blue Cross and Blue Shield plans These proportions indicate a slight upward trend for the companies from a year earlier, when they received 49 percent of premium income, and a slight decline for the Blue Cross-Blue Shield plans, which had 44 percent of total business in 1974 The independents' share of premium income was the same in both years—7 percent

While the commercial carriers were slowly increasing their share of the industry's premium income, their share of benefit payments was declining Over the years, Blue Cross and Blue Shield plans have led in benefit payments, and the gap widened significantly in 1975 The share for Blue Cross-Blue Shield plans increased from 47 percent in 1974 to 49 percent in 1975, but the carriers' share diminished from 45 percent to 43 percent For the independent plans, the share was not affected by the shift It remained at 8 percent of total benefit payments

Benefit Expenditures and Types of Care

More than 60 percent of the $28 9 billion in benefits paid by private health insurance in 1975 went for hospital care Half that amount was paid to physicians, leaving only a little more than 8 cents out of every benefit dollar for dental care, prescribed drugs, nursing services, nursing-home care, vision care, and other types of care (table 10) The distribution of benefits followed the pattern of the previous 2 years, except for a steadily growing share for dental care, which now represents almost 4 percent of health care benefit dollars Dental benefits, which amounted to $526

TABLE 10.—Benefit expenditures of private health insurance organizations, by specified type of care, 1975

[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	$28 906 3	$17,743 4	$8,801 9	$1,074 0	$669 3	$160 7	$12 7	$74 4	$25 1	$344 9
Blue Cross Blue Shield	14 192 0	9 506 3	3,935 2	131 0	252 1	21 2	9 7	32 4	3 4	300 8
Blue Cross	10 075 9	9 310 2	381 9	59 9	147 4	17 4	9 0	31 2	1 7	117 2
Blue Shield	4 116 1	196 1	3,553 3	71 1	104 7	3 8	7	1 2	1 7	183 6
Insurance companies	12 530 0	7,509 9	3 983 4	525 0	327 0	134 7	(1)	38 0	(1)	12 0
Group policies	10,973 0	6 373 3	3 594 1	525 0	323 9	125 4	(1)	20 9	(1)	10 4
Individual policies	1,557 0	1 136 6	389 3	-	3 1	9 3	(1)	17 1	(1)	1 6
Independent plans	2,184 3	727 2	883 3	418 0	90 2	4 8	3 0	4 0	21 7	32 0
Community	916 6	280 7	562 7	26 4	25 6	1 5	3	1 0	10 0	8 5
Employer-employee union	878 7	437 8	308 5	27 2	63 6	3 1	2 7	1 8	10 6	23 2
Private group clinic	27 0	8 7	12 1	2 4	1 1	1	-	1 2	1 1	3
Dental service corporation	362 0	-	-	362 0	-	-	-	-	-	-

[1] Included in "other types of care"

million in 1973, increased 47 percent in 1974 to $772 million and rose 39 percent in 1975 to bring the total to more than $1 billion The biggest gains were reported by the insurance companies Group insurance benefits for dental care increased 58 percent in 1975, following a 27-percent gain for the preceding year.

Blue Cross-Blue Shield plans allocated 95 percent of their benefits for hospital care and physicians' services These two types of care accounted for 92 percent of insurance company claims and 74 percent of independent plan benefits The substantially smaller share recorded by independent plans for these kinds of care results from the fact that 19 percent of their benefits went to provide dental care, mainly through the dental service corporations Independent plans have also been spending relatively more of their benefit dollars for prescribed-drug benefits than have the Blue Cross-Blue Shield plans or the companies, particularly in employer-union negotiated plans Independent plans account for 86 percent of all benefits paid by insurers for vision care

A trend away from expensive hospital care by independent plans is evident Discounting benefits provided for dental care and vision care, hospital care expenditures accounted for only 42 percent of independent plan benefits, compared with allocations of 63 percent by the insurance companies and 68 percent by Blue Cross-Blue Shield plans

Although new business accounted for a substantial part of the overall increases in benefits for dental care and prescribed drugs, price rises were a major factor in increased benefit expense for hospital care and physicians' services Some part of the rise in the latter benefits can also be attributed to newly written major-medical business or new extended-benefit provisions applicable to these services

TRENDS

Total Premium Income and Benefits

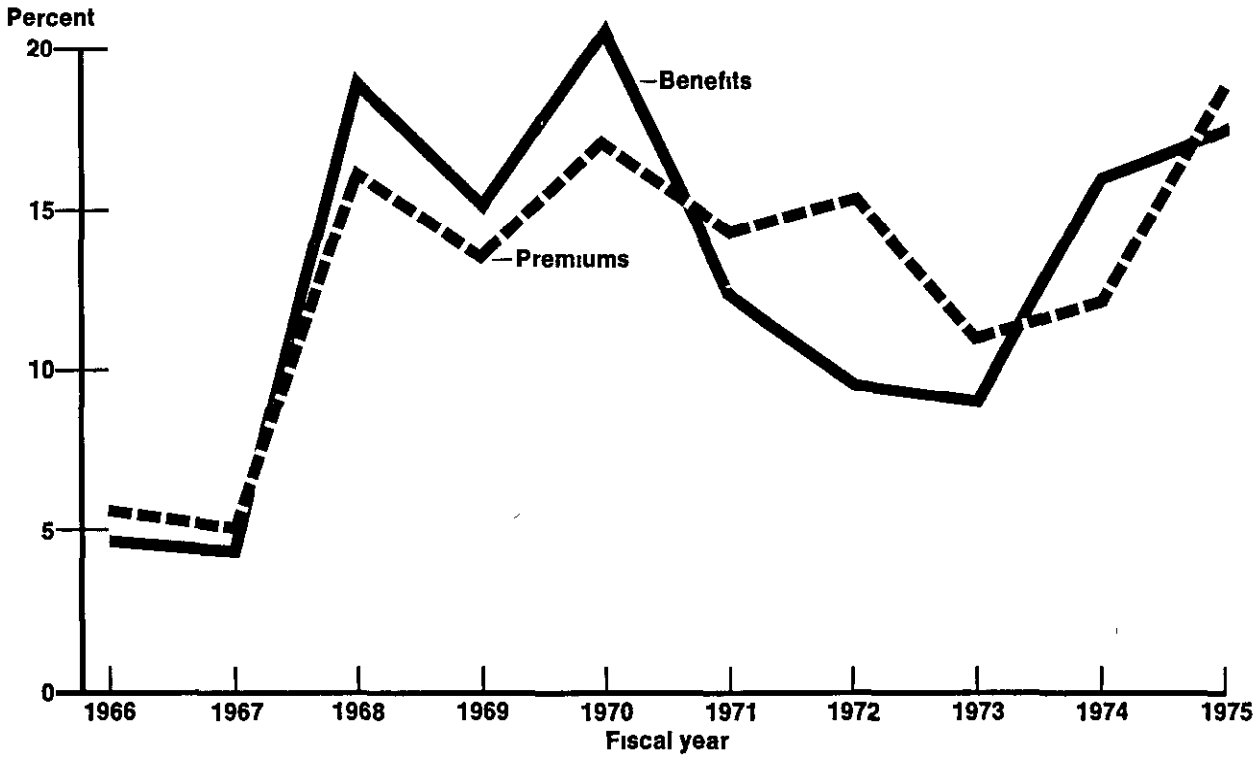
Changes in the premium income and benefit expenditures of private health insurers from 1950 to 1975 are shown in table 11 The accompanying chart illustrates the behavior of premiums and benefits from 1966 to 1970

TABLE 11 —Subscription or premium income and benefit expenditures of private health insurance organizations, 1950–75

[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	1 626 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	331 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	5 595 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	5,159 0	1 774 0	778 6
1969	14,857 7	6,135 6	4,365 2	1 790 4	7,569 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	7,231 0	2 370 0	1 267 9
1972	22 684 9	9,923 3	7,066 9	2 856 4	11,342 0	8 614 0	2,728 0	1,419 6
1973	25 196 0	11 059 1	7,862 1	3,197 0	12 386 0	9 393 0	2,993 0	1 750 9
1974	28 282 3	12 367 0	8 647 6	3,719 4	13 867 0	10,590 0	3 277 0	2 048 3
1975	33,598 9	14,446 4	10,060 5	4 385 8	16,726 0	13 656 0	3,070 0	2,426 5
	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	858 0	321 0	210 0
1960	4 996 3	2 287 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	4,266 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	5 903 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	7 656 0	6,510 0	1,146 0	1 027 4
1971	17,713 1	8,178 7	5,906 9	2 271 8	8,341 0	7 067 0	1,274 0	1,193 4
1972	19,429 2	8 990 9	6,501 3	2 489 6	9,120 0	7,754 0	1,366 0	1,318 3
1973	21,199 0	10 004 2	7,187 3	2,816 9	9,647 7	8,185 3	1,462 4	1 547 1
1974	24 621 2	11 639 5	8 311 1	3,328 4	11 109 3	9,592 2	1,517 1	1,872 4
1975	28,906 3	14,192 0	10,075 9	4,116 1	12,530 0	10 973 0	1,557 0	2,184 3

Percentage increases in private health insurance premiums and benefits, 1966–75



During the late sixties, premium income, in normal cyclical fashion, was beginning to adjust to rising benefit expenditures Despite a 17-percent increase in 1970, however, premium income fell behind benefit expenditures, which rose 21 percent During the period of price controls, premium income recovered its normal rate of increase in relation to price increases for health care Once controls were lifted in 1974, however, both benefit expenditures and premiums rose rapidly Benefits increased faster than premiums in 1974—16 percent and 12 percent, respectively—but by 1975 the lag was overcome and premiums rose 19 percent, compared with a 17-percent rise in claims

The group business of insurance companies increased by 29 percent in 1975 This dramatic rise overcame the preceding year's premium lag and reflected substantial sales of major-medical and comprehensive policies Claims increased at only half that rate—14 percent This pattern was almost a complete reversal of that for the previous year, when benefits rose almost half again as fast as income

The subscription income of independent plans rose 19 percent in 1975, almost two percentage points faster than claims In 1974 the rate of increase in claims outstripped the rise in income by four percentage points

The subscription income of Blue Cross and Blue Shield plans, on the other hand, rose by only three-fourths the rate of increase for benefit payments in 1975 This pattern was the same as that for the previous year, when benefits rose at a rate of 16 percent and income at 12 percent

The financial experience of Blue Cross and Blue Shield plans is shown in table 12 The data, derived from reports of the 70 Blue Cross and 70 Blue Shield plans, exclude data for the insurance companies owned by the national organizations The data relate to the financial experience of the various plans and are not adjusted to allow for the fact that identical data are reported to both Blue Cross and Blue Shield associations by 17 joint plans

In 1975 the Blue Cross plans suffered substantial underwriting losses Their subscription income failed to keep pace with the higher benefit payments produced by inflation The plans used up 99 percent of subscription income for benefit

TABLE 12.—Financial experience of Blue Cross-Blue Shield plans, 1950–75 [1]

[Amounts in thousands]

Year	Reserves	Earned subscription 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	Underwriting 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	1 7
1966	649 633	3 121,111	3,168 187	2,912 733	154 132	101 322	93 3	4 9	1 7	3 2
1967	797 575	3 270,022	3 327,677	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
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	5 385 830	5,467 512	5 220 662	302 463	−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	7 386 914	6 681 619	385,029	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 3
1974	1 606 507	8,736,512	8 932 360	8,283 503	505,798	143,059	94 8	5 8	− 6	1 6
1975	1,240,401	11 369,748	11,554,522	11,304,960	705,531	−455,969	99 4	6 2	−5 6	−3 9
	Blue Shield									
1950	$34 954	$140,817	$141,594	$111,039	$18 653	$11,902	78 8	13 2	7 9	8 4
1955	164,705	399 781	404,294	331,068	43 610	29,616	82 8	10 9	6 3	7 3
1960	228 634	741 164	761,529	670,776	76,245	14,508	90 5	10 3	− 8	1 9
1965 [4]	347,266	1,318,915	1,338,907	1,190 486	115,940	32 481	90 3	8 8	9	2 4
1966	398 374	1 390,890	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	1 261,6o0	148,750	108 909	84 7	10 3	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	2,0o4,571	1,834 495	222 514	−2,438	91 4	11 1	−2 5	− 1
1970	491,066	2 320 877	2 369 600	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	346,861	131 095	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 [5]	802,957	5 197,629	5 285,098	4 827 006	523,635	−65,543	92 9	10 1	−2 9	−1 2
1975 [5]	766,133	7,554,311	7,687,514	7,301,630	678,460	−292,576	96 6	9 0	−5 6	−3 8

[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 not directly comparable with earlier years because of corporate merger of New York City Blue Cross and Blue Shield

payments and incurred operating expenses equal to 6 percent of subscription income, for a net underwriting loss of $641 million. Even though investment income reduced this loss to $455 million, reserves of the plans were reduced to a level where they could meet an average of only 1.24 months of claims and operating expense (3 months of these costs in reserve is the recommended minimum).

Blue Shield plans also experienced a substantial operating loss—6.0 percent of subscription income. A benefit ratio of 97 percent plus an operating-expense ratio of 9.0 percent resulted in a net underwriting loss of $426 million. Investment income reduced this loss to $293 million, which in turn brought reserves down to $766 million, or an average of 1.15 months of claims and operating expense.

The 17 joint plans now in operation include five mergers of Blue Cross and Blue Shield plans that took place in 1975—Portland, Maine, Chicago, Atlanta, Detroit, and Omaha. The Blue Cross and Blue Shield plans in New York City merged in 1974. Because these recent mergers have affected the comparability of totals for all plans, no attempt is made here to analyze recent trends in the financial experience of the plans.

Table 13 shows the distribution of benefit expenditures by all private insurers for hospital care, physicians' services, prescribed drugs, dental care, and other types of care during calendar years 1972–75. Since 1972, the share of the benefit dollar going for nonhospital, nonphysician care has increased slowly—from 6 percent to 8 percent. The share for dental benefits has shown the most rapid increase, but even in 1975 less than 4 cents out of every benefit dollar went for dental care.

Price rises have served to keep the benefit shares of hospital care and physicians' services at their previously high levels even though health insurance plans have broadened and deepened their coverages to provide better protection against the costs of health care services. Increases in benefit expenditures for dental care reflect greatly expanded coverage and more comprehensive benefits as well as price increases.

TABLE 13.—Benefit expenditures of all private health insurance organizations, by specified type of care, 1950–75

Year	Total	Hospital care	Physicians' services	Prescribed drugs (out-of-hospital)	Dental care	Other types of care
	Amount (in millions)					
1950	$992	$680	$312	[1]	[1]	[2]
1955	2,536	1 679	857	[1]	[1]	[2]
1960	4,996	3,304	1,593	[1]	[1]	$99
1965	8,729	5,790	2 680	[1]	[1]	259
1966	9,142	5,993	2,831	[1]	[1]	318
1967	9,545	6,134	2 964	[1]	[1]	447
1968	11,344	7,329	3,477	[1]	[1]	538
1969	13 069	8 356	4,029	[1]	[1]	684
1970	15,744	10,008	4,908	$310	$240	278
1971	17,713	11,279	5,430	402	304	298
1972	19,434	12,167	6,067	433	391	376
1973	21,199	13,062	6,645	506	526	460
1974	24,621	14,904	7,676	561	772	708
1975	28,906	17,743	8,802	669	1,074	618
	Percentage distribution					
1950	100 0	68 5	31 5	[1]	[1]	[2]
1955	100 0	66 2	33 8	[1]	[1]	[2]
1960	100 0	66 1	31 9	[1]	[1]	2 0
1965	100 0	66 3	30 7	[1]	[1]	3 0
1966	100 0	65 5	31 0	[1]	[1]	3 5
1967	100 0	64 3	31 0	[1]	[1]	4 7
1968	100 0	64 6	30 7	[1]	[1]	4 7
1969	100 0	63 9	30 8	[1]	[1]	5 3
1970	100 0	63 6	31 2	2 0	1 5	1 8
1971	100 0	63 7	30 7	2 3	1 7	1 7
1972	100 0	62 6	31 2	2 2	2 0	2 0
1973	100 0	61 6	31 3	2 4	2 5	2 2
1974	100 0	60 5	31 2	2 3	3 1	2 9
1975	100 0	61 4	30 4	2 3	3 7	2 2

[1] Data not available
[2] Included in "physicians' services"

Operating Expense

As the following tabulation shows operating expense as a proportion of premium income

Type of plan	Operating expense as percent of premium income					
	1970	1971	1972	1973	1974	1975
Total	14 0	13 9	14 2	14 0	14 1	13 1
Blue Cross-Blue Shield,[1] total	7 2	6 9	6 9	7 0	7 4	7 4
Blue Cross	5 6	5 2	5 2	5 2	5 4	5 5
Blue Shield	11 0	11 0	11 3	11 5	11 8	11 5
Insurance companies, total	20 4	21 2	21 5	21 2	21 0	18 8
Group policies	12 8	12 7	13 4	13 0	13 0	12 7
Individual policies	46 6	47 1	47 0	47 0	47 0	46 1
Independent plans, total	7 7	7 5	7 0	7 0	7 4	7 5
Community	7 2	6 7	6 9	6 8	7 1	6 6
Employer-employee-union	7 7	7 8	6 0	5 7	5 9	6 7

[1] Data are adjusted for duplication.

dropped slightly in 1975 to 13 percent after remaining at about 14 percent for the preceding 5 years Since premium income is a function of benefit payments and operating expenses, operating expense as a proportion of premium income remains about the same from year to year

The wide variation in operating-expense ratios among the insurers, however, is accounted for by the differences in the complexity of claims processed, acquisition costs, and other expenses of doing business incurred by the different types of insurers Hospital claims are not as complex to process as are surgical-medical claims, for example, and are for larger amounts Thus, the operating-expense ratio of Blue Cross plans has remained the lowest for all insurers (just above 5 percent annually for the past 6 years); Blue Shield's operating expenses consistently have been 11–12 percent of subscription income Because individual policies are expensive to sell and administer, about 46 cents out of every premium dollar goes for operating expenses, compared with about 13 cents of each dollar for group insurance policies

Net Cost of Private Health Insurance

The net cost of private health insurance to Americans in 1975 was $4 7 billion, a 28-percent increase over the figure for the previous year Net cost is the difference between the earned premium or subscription income of the insurers and benefit payments (claims) made to their policyholders or subscribers It comes mainly from premium loading, which is designed to cover all the other expenses of the insurer—operating expenses, profits, and additions to reserves If the amounts retained after claims are paid are not sufficient to satisfy these other expenses, the deficiency must be made up from previously accumulated reserves or through borrowing

In 1975 the health insurance industry retained 14 percent of premium and subscription income after claims were paid Retentions amounted to 25 percent for the carriers and 10 percent for the independent plans The subscription income of Blue Cross-Blue Shield plans, however, barely covered benefit payments Only about 2 percent of subscription income was retained and, in order to meet operating expenses, an amount equivalent to nearly 6 percent of income had to be drawn from the reserve funds

Retentions for the industry as a whole were

slightly higher in 1975 than in the previous year The companies retained 26 percent more per premium dollar than they did in 1974 For Blue Cross-Blue Shield plans, the deficit that had to be met from reserves was more than three times as great as in 1974 Independent plans increased their retentions from 9 percent of subscription income in 1974 to 10 percent in 1975

PROPORTION OF CONSUMER EXPENDITURES MET BY INSURANCE

Private health insurance met about 44 percent of consumer expenditures for personal health care in 1975 The remaining 56 percent represents direct out-of-pocket payments by consumers If the net cost of obtaining health insurance protection—the difference between premiums and benefits—were added to consumer expenditures, the proportion of health care costs covered by insurance benefits would be even lower

The proportion of consumer expenditures met by health insurance in 1975 varied considerably with type of care, as the data below indicate Without discounting the net-cost factor, insurance

Year	Total	Hospital care	Physicians services	Prescribed drugs	Dental care (out-of hospital)	Other types of care
1950	12 2	37 1	12 0	[1]	[1]	[1]
1960	27 8	64 7	30 0	[1]	[1]	5 0
1965	32 6	71 2	32 8	[1]	[1]	8 7
1966	32 3	69 0	33 9	[1]	[1]	9 8
1967	33 5	73 3	35 9	[1]	[1]	13 8
1968	36 6	76 0	40 7	[1]	[1]	13 9
1969	36 3	74 3	41 1	[1]	[1]	16 0
1970	38 5	77 9	43 8	4 5	5 3	5 2
1971	39 8	82 5	43 9	5 5	6 3	4 6
1972	39 9	77 6	45 7	5 4	7 3	5 8
1973	39 4	74 9	45 5	5 9	8 4	6 6
1974	41 5	74 3	48 2	6 2	11 0	9 7
1975 [2]	43 5	79 8	48 4	6 8	13 9	7 3

[1] Data not available
[2] Based on preliminary estimates

plans met about 80 percent of hospital costs and 48 percent of costs for physicians' services but only 7 percent of expenses for prescribed drugs (out-of-hospital) and only 14 percent of dental care costs

Thus, although a substantial part of consumers' hospital and physician charges is covered through private health insurance, the insurance industry has had an even greater impact on other types of care in the early seventies In particular, the proportion of dental costs covered by private insurance more than doubled from 1970 to 1975, reaching nearly 14 percent of all consumer expenditures for that purpose

Technical Note

Sources of Gross Enrollment Data

Gross enrollment figures are total enrollments reported by the various insurers, by type of care No deductions are made for duplication among insurers

Blue Cross and Blue Shield data are supplied by the Blue Cross Association and the National Association of Blue Shield Plans from data reported to them by individual plans in the United States Gross enrollments for hospital and surgical care and in-hospital, home, and office visits are provided separately by Blue Cross and Blue Shield plans for two age groups regular membership (under age 65) and for coverage complementary to Medicare (aged 65 and over, and disabled members under age 65 who are eligible for Medicare) For all other types of care, enrollments are reported jointly by the Blue Cross and Blue Shield associations Major-medical and extended-benefits coverage is also reported jointly but is available only for the combined age groups Data are adjusted by the Office of Research and Statistics (ORS) to exclude enrollments for underwritten welfare programs

The data for insurance companies were compiled by the HIAA from its annual survey of the number of persons in the United States covered under group and individual insurance policies Gross enrollments for hospital and surgical care and major-medical benefits (supplementary and comprehensive policies) are reported by HIAA for persons under age 65 and those aged 65 and over Since 1974, HIAA has used the gross enrollments under major-medical plans to estimate directly gross enrollments for drugs and nursing services Major-medical coverage is also the primary determinant of enrollment for the following services physicians' in-hospital, home, and office visits and X-ray and laboratory examinations In 1974, HIAA also made substantial revisions in all gross estimates for the combined age groups from 1945 to 1972

For most other types of services, HIAA sup-

plies gross enrollments under group and individual policies only for persons under age 65; estimates for the insured aged population are made by ORS under the direction of HIAA Dental enrollment is reported for combined age groups In 1974, HIAA redefined the gross enrollments for physicians' in-hospital, home, and office visits and X-ray and laboratory examinations to include all persons enrolled under major-medical policies as well as a small proportion of persons insured for those physicians' services under basic policies The latter enrollments were estimated by HIAA in 1974 for persons under age 65 The 1975 projections of those figures by ORS are based on the growth in gross surgical enrollments from 1974 to 1975, as reported by HIAA

For independent health insurance plans, the 1975 data are based on estimates from the ORS annual surveys of independent plans In 1975, major revisions were made in the enrollments for all services from 1972 to 1975 based on findings of a census conducted in 1973 of all known plans The results of the full survey will be published in 1977 In general, gross enrollments for the reference year were revised downward and subsequent annual survey data reflect that trend The 1973 census serves as the sampling frame for the annual surveys of about 40 of the larger independent plans stratified by sponsor and medical arrangement

ORS Estimates of Net Coverage

Net coverage is generally estimated separately for each age group and type of benefit from a wide variety of sources Net figures are enrollments after deductions for duplicate coverage for persons protected by more than one type of insurer and by more than one insurance policy or plan

Net coverage for hospital and surgical care for persons under age 65 in 1975 is based on data collected by NCHS in household interview surveys for the first quarter of 1976 The NCHS provisional estimates for that period defined the proportion of the civilian noninstitutional population that had private hospital and/or surgical insurance The insured proportion was adjusted by ORS to include a certain pro-rata percentage of the interviewed population whose insurance status was reported in the health survey as "unknown" The data were then adjusted to apply to the total civilian population on the assumption that no members of the institutional population had insurance No reliable data were available on the number of persons in institutions who have insurance, but it is believed that the proportion is very small The data were further adjusted to reflect the situation at the end of 1975

The Office of Research and Statistics was unable to secure net hospital and surgical-care enrollments for aged persons from NCHS Instead, 1975 estimates of net coverage of persons aged 65 and over were derived from data collected in the Current Medicare Survey of the Social Security Administration The Current Medicare Survey estimates define the proportion of supplementary medical insurance enrollees who also carried private hospital and surgical insurance

Net figures for in-hospital physicians' visits were obtained by removing from the gross estimates for each age group all duplication in coverage among insurers Two major categories of duplication were involved—the first among the Blue Cross-Blue Shield plans, insurance companies, and independent plans, and the second between group and individual insurance policies Successive adjustments to gross enrollment were based on the magnitude of duplication present in regular medical-expense enrollment, as estimated by HIAA

Net coverage for all other types of service was based simply on an assumed ratio of gross-to-net enrollment, with one exception The ratio of gross-to-net enrollment for home and office visits was linked to changes in the ratios for all physicians' services as well as to changes in gross home and office coverage For 1970 the proportion of the civilian population with coverage for home and office visits was estimated from other sources For persons under age 65, enrollment for home and office visits in 1970 was derived from the percentage of individuals insured for outpatient doctor visits, as estimated in a recent study [2] The proportion of insured aged persons was obtained from the 1970 NCHS Health Interview Survey

As noted, estimates of the net number of persons with coverage of other services in 1975 were

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

made by assuming a ratio of gross enrollment to the net number covered, as shown in the tabulation below The ratios are believed to be reasonable since the extent of multiple coverage is presumably much greater for hospital care and surgical services than it is for other types of health care

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	101 0	100 0

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 major-medical plans Estimates for years before 1973 are available only for the combined age groups Net figures are enrollments under insurance group and individual policies, adjusted for duplication, plus enrollments under Blue Cross and Blue Shield plans and independent plans after deductions were made for duplicate coverage of persons protected by more than one type of insurer

Sources of Financial Data

In table 9, 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 17 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 [3] 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 Premium income and claims reported by HIAA for both 1974 and 1975 include business (first reported fully in 1975) for "administrative service only and minimum premium plan arrangements" In previous years, only portions of this business were included in HIAA statistics, but a new data-collection mechanism initiated by HIAA in 1975 makes fuller reporting possible The HIAA reported the premiums for this new category of business at about $800 million for 1975 and approximately $500 million for 1974, and estimated that about equal amounts are present in the benefit figures HIAA did not revise premium estimates for 1974 and earlier years to take this business into account

Operating expenses were estimated by applying the ratio of operating expense to premium income derived from the National Underwriter aggregates [4] to the figures for premium income provided by HIAA The data for independent plans, as mentioned earlier, are ORS estimates based on its 1976 survey

Data in table 13 show the financial experience of Blue Cross plans and Blue Shield plans, respectively, based on reports of the 70 Blue Cross plans and the 70 Blue Shield plans These data exclude Health Services, Incorporated, 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 17 joint plans that report identical data to the two national organizations

[3] National Underwriter Company, *1976 Argus Chart of Health Insurance*, 1976.

[4] *Ibid*, page 3