Private Health Insurance Plans In 1976: An Evaluation

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Private health insurers collected a record $39 4 billion in premiums and returned $35 billion in benefits to their subscribers in 1976—a reflection of the steadily rising cost of health care, higher utilization, and the demand for expanded services The industry experienced a net underwriting loss of $611 million, mainly because claims and operating expenses under insurance-company group business ran 3 percent above premium income About 77 percent of the civilian population had some form of private hospital insurance, and about the same percentage had some form of surgical insurance Lesser proportions were covered for other types of care An estimated 12–13 percent of the population under age 65 had no economic protection against the costs of illness or health-related care—under either a private insurance plan or a public program Although virtually all of the aged were covered by Medicare, some 13–15 million bought private insurance, most of it under plans that covered some or all of the gaps in the Federal program

The net number of different persons who had private health insurance increased in 1976 Total enrollments dropped as duplicate coverage declined Dental coverage rose sharply, and coverage for non-hospital-associated care showed some gains Health insurance premiums rose to $39 4 billion to meet the rising cost of benefits, higher utilization, and the demand for expanded services All but the $4 4 billion of these premiums retained by private insurers was returned to consumers in benefits

Extent of Health Insurance Coverage

Net Number of Insured

The net number of different persons who had private insurance for hospital care and surgical services increased by about 2 million in 1976 This increase brought coverage of the U S civilian population to 76 8 percent for hospital care and 75 8 percent for surgical services (table 1)

Smaller proportions of the population had economic protection against other health care costs through private insurers About three-fourths of the under-age-65 population had private insurance that paid some of the cost of in-hospital physicians' visits, X-ray and laboratory examinations, prescribed drugs, and nursing services Only three-fifths of this age group had any coverage for physicians' home and office visits, and only one-third for long-term care

Although only 24 percent of the population under age 65 had dental protection in 1976, the proportion had risen from 18 percent in just one year Largely as a result of collective bargaining, dental coverage is the fastest-growing area of health insurance, with 12 million new enrollees in 1976

Almost all the aged have coverage under the Federal program of health insurance for the aged and disabled (Medicare) They continued to buy complementary insurance that paid some or all of the patient deductibles and coinsurance required by Medicare for hospital care, physicians' services, and nursing-home care Some of these plans also made partial payments for services totally excluded by Medicare—prescribed drugs and private-duty nursing Employer-related coverage continued into retirement for some workers, other retirees bought individual coverage, still others had a combination of employer-related and individual coverage About 14 6 million or 63 percent of the aged had supplemen-

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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, 1976

Type of service	All ages		Under age 65		Aged 65 and over	
	Number (in thousands)	Percent of civilian population [1]	Number (in thousands)	Percent of civilian population [2]	Number (in thousands)	Percent of civilian population [3]
Hospital care	164 235	76 8	149,643	78 5	14 592	62 8
Physicians services						
Surgical services	162,179	75 8	149,262	78 3	12,917	55 6
In hospital visits	155,548	72 7	145,470	76 3	10,078	43 4
X ray and laboratory examinations	150 897	70 6	142 942	75 0	7,955	34 2
Office and home visits	124 124	58 0	118 522	62 2	5 602	24 1
Dental care	46,578	21 8	45 808	24 0	770	3 3
Prescribed drugs (out of hospital)	150 222	70 2	145 440	76 3	4,782	20 6
Private duty nursing	147 311	68 9	142 668	74 8	4 643	20 0
Visiting nurse service	145 863	68 2	140 841	73 9	5 022	21 6
Nursing home care	70 422	32 9	65 560	34 4	4 862	20 9

[1] Based on Bureau of Census estimate of 213,863 000 as of Jan 1, 1977
[2] Based on Bureau of Census estimate of 190 628 000 as of Jan 1, 1977
[3] Based on Bureau of Census estimate of 23,235 000 as of Jan 1 1977

Table 2 —Gross enrollment under private health insurance plans, by age, type of plan and specified type of care, as of December 31, 1976

[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	208,575	192 813	190 723	184,768	151 844	47,036	157,491	153 817	152,566	71,782	(1)
Blue Cross Blue Shield	85,528	76 952	74 684	68,438	35 958	4 363	46,253	41 620	37,420	37 023	763
Blue Cross	83,054	4 629	4 121	(1)	1 369	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield	2 474	72 323	70 563	(1)	34 589	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies	113 820	104,399	105 027	105 027	105,027	26 662	105 027	105 027	105 027	28 852	(1)
Group policies	86 824	88 327	98 355	99 355	98,355	26 562	98 355	98 355	98 355	23,189	(1)
Individual policies	26,996	16 072	6 672	6 672	6 672	100	6,672	6 672	6 672	5 663	(1)
Independent plans	9,227	11 462	11,012	11,303	10 859	16 011	6,311	7 170	10 119	5,907	7 127
Community	4,070	6 205	6,204	6 137	6 044	1 802	2,034	4 857	7,379	3,347	4 558
Employer-employee-union	5 005	5 095	4,646	5 004	4 653	2,137	4 240	2 299	2,740	2 410	2 415
Private group clinic	152	162	162	162	162	72	37	14	0	150	154
Dental service corporation						12 000					
	Under age 65										
Total	191,989	180 381	180 353	175,819	145 460	46 266	152 713	149 081	147 443	66,871	(1)
Blue Cross Blue Shield	76 956	69,100	67 288	62 423	32,479	4 358	44 001	39,480	34 898	33 221	742
Blue Cross	74 756	4,120	3 757	(1)	1,277	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield	2 200	64 980	63,531	(1)	31 202	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies	106,613	100 626	102 869	102,869	102 869	26 240	102,869	102 869	102 869	28 207	(1)
Group policies	84 876	86,390	96,344	96 344	96 344	26,140	96 344	96 344	96 344	22 721	(1)
Individual policies	21 737	14 236	6 525	6 525	6 525	100	6 525	6 525	6 525	5,486	(1)
Independent plans	8 420	10 655	10 196	10 527	10 122	15 688	5,843	6 732	9,676	5 443	6 624
Community	3,835	5 893	5 891	5,824	5,733	1 770	1,926	4 627	7 099	3 163	4,285
Employer-employee union	4 446	4 613	4 156	4,554	4 230	2 021	3,882	2 091	2 577	2 143	2,198
Private group clinic	139	149	149	149	149	70	35	14	0	137	141
Dental service corporation						11,807					
	Aged 65 and over										
Total	16 586	12,432	10,370	8 949	6 384	770	4 878	4 736	5,123	4 911	(1)
Blue Cross-Blue Shield	[2] 8 572	[2] 7,852	[2] 7 396	[2] 6 015	[2] 3,479	5	2,252	2,140	[2] 2 522	[2] 3 802	21
Blue Cross	[2] 8 298	[2] 509	[2] 364	(1)	[2] 92	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield	[2] 274	[2] 7 343	[2] 7,032	(1)	[2] 3 387	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies	7 207	3,773	2 158	2 158	2,158	422	2 158	2 158	2,158	645	(1)
Group policies	1 948	1,937	2 011	2 011	2,011	422	2 011	2 011	2,011	468	(1)
Individual policies	5,259	1 836	147	147	147		147	147	147	177	(1)
Independent plans	807	807	816	776	747	343	468	438	443	464	503
Community	235	312	313	313	311	32	108	230	280	184	273
Employer-employee union	559	482	490	450	423	116	358	208	163	267	217
Private group clinic	13	13	13	13	13	2	2	0	0	13	13
Dental service corporation						193					

[1] Data not available
[2] Includes disabled persons under age 65 who are eligible for Medicare

tary insurance for hospital care, 12 9 million or 56 percent for surgical care, and about 5 million or 20–22 percent for other services—drugs, nursing services, and long-term care

Total Enrollments

Private insurance organizations reported fewer persons enrolled in health care plans in 1976 than in the previous year (table 2) Most of the decrease occurred in individual plans of the commercial carriers About 3 million enrollments for hospital coverage were lost, with smaller losses in coverage for physicians' services The increasing cost of insurance led many persons to drop individual policies, especially when they were also covered by a group policy or another individual policy Some insurance companies stopped writing individual medical-expense coverage because of difficulties encountered in getting rate increases

Another factor in the decline was newly available group coverage for groups of 10 employees or less Previously only individual coverage was available for small groups The new group coverage, known as multiple-employer trusts, was offered by brokers to trade associations of small employers These new brokerages became controversial when some trusts became uninsured or self-funded in an effort to maintain lower rates Efforts were made to place them under State insurance department regulation and some litigation developed in the courts The number of enrollments actually represented by these consolidated trusts is not known because reporting was not required It is believed that most of the self-funded plans will return to the insurance fold

The small drop in reported group insurance coverage—about one-third of a million—was probably due to reporting technicalities In 1975, when the unemployment rate reached 8 5 percent, it was likely that overreporting occurred because the companies project enrollment levels from the policy anniversary dates to the end of the calendar year As a result, in 1976, when the unemployment rate went down to 7 7 percent and an increase in the number of persons covered by health insurance would normally have been expected to occur, enrollments reported were lower They were, however, lower only in the sense that they ran below the overreported 1975 figure

The small decline in enrollments reported by Blue Cross-Blue Shield plans is considered to result from the decline in the number of dependents in regular contracts The number of children is falling, and, as Medicare complementary contracts continue to rise, the number of elderly dependents per contract is declining

Major-medical coverage increased only slightly in 1976 The gain was in comprehensive coverage plans written by the companies and Blue Cross and Blue Shield Both types of insurers lost enrollments in supplementary major-medical plans

Type of Care and Insurer

Table 2 also shows enrollments for all private insurers by type of health care for each type of insurer and for each of the age groups Gross enrollment for persons of all ages for hospital care was 208 6 million, or 44 3 million more than the net coverage for this type of care Duplicate enrollments occur when (1) both spouses are employed and both have group insurance through their employer, (2) persons with group coverage purchase one or more individual policies to supplement the group plan, and (3) persons not eligible for group coverage purchase two or more individual policies in an effort to obtain adequate health care coverage The rate of duplicate coverage was less for surgical insurance Approximately 30 6 million enrollees had duplicate coverage—almost 16 percent of gross enrollments

As in previous years, insurance companies continued to dominate the market particularly for those in the work force and their families Employer-related group policies and policies sold to individuals under age 65 covered almost 107 million persons for hospital care, well above the 77 million persons of this age group covered by Blue Cross-Blue Shield plans Insurance company shares of the market for other health care services were even greater, running from 56 percent of total enrollment for surgical services to 71 percent of enrollments for physicians' office and home visits, (table 3)

Blue Cross-Blue Shield plans had the largest share of the market for coverage of nursing-home care for all age groups Almost all of the complementary insurance sold to Medicare beneficiaries was through these plans

Independent plans continued to hold a small portion of total enrollments These plans, which usually offer a comprehensive set of health care services, covered 9 million persons for hospital care, about 11 million for physicians' services, about 16 million for dental care, and about 7 million for most other types of care They predominated among aged enrollees as a result of collective bargaining agreements that continued workers' health insurance coverage into their retirement years

Persons Under Age 65 Without Private Health Insurance

An estimated 41 million Americans under age 65 had no private insurance for hospital or surgical care in 1976 In this group were persons who chose not to buy health insurance, those who could not obtain private insurance and had to pay their own bills, and those who received assistance in meeting their medical expenses

Table 3.—Percentage distribution of total gross enrollment under private health insurance plans, by age, type of plan, and specified type of care, as of December 31, 1976

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					
	All ages									
Total	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0
Blue Cross Blue Shield	41 0	39 9	39 1	36 8	23 6	9 3	29 4	27 1	24 5	51 6
Insurance companies	54 6	54 1	55 2	57 0	69 3	56 7	66 6	68 3	68 8	40 2
Group policies	41 6	45 8	51 5	53 4	64 8	56 5	62 4	63 9	64 4	32 3
Individual policies	12 9	8 3	3 6	3 6	4 4	2	4 2	4 3	4 4	7 9
Independent plans	4 4	6 0	5 8	6 2	7 1	34 0	4 0	4 6	6 7	8 2
	Under age 65									
Total	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 1	38 3	37 3	35 5	22 3	9 4	28 8	26 5	23 7	49 7
Insurance companies	55 5	55 8	57 0	58 5	70 7	56 7	67 4	69 0	69 8	42 2
Group policies	44 2	47 9	53 4	54 8	66 2	56 5	63 1	64 6	65 3	34 0
Individual policies	11 3	7 9	3 6	3 7	4 5	2	4 3	4 4	4 4	8 2
Independent plans	4 4	5 9	5 7	6 0	7 0	33 9	3 8	4 5	6 5	8 1
	Aged 65 and over									
Total	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100 0
Blue Cross Blue Shield	51 7	63 2	68 6	67 2	54 5	6	46 2	45 2	49 2	77 4
Insurance companies	43 4	30 3	23 8	24 1	33 8	54 8	44 2	45 6	42 1	13 1
Group policies	11 7	15 6	19 9	22 5	31 5	54 8	41 2	42 5	39 2	9 5
Individual policies	31 7	14 7	3 9	1 6	2 3	0	3 0	3 1	2 9	3 6
Independent plans	4 9	6 5	7 6	8 7	11 7	44 6	9 6	9 2	8 7	9 5

through public programs such as Medicare, Medicaid, the civilian health and medical care program for the uniformed services (CHAMPUS), Veterans Administration programs, and workers' compensation

Preliminary figures indicate that 20 8 million persons under age 65 received Medicaid (medical assistance) payments in fiscal year 1976 Of these, 2 7 million were permanently and totally disabled, 10 6 million were dependent children under age 21, 5 3 million were adults in families with dependent children, and the remaining 2 2 million were the blind and other eligible persons under age 65

Medicare covered 2 4 million disabled persons under age 65 for hospital care and 2 2 million for supplementary medical insurance (SMI) State and Federal workers' compensation programs covered 69 1 million persons, but this coverage applies only to work-related medical expenses

Persons Under Age 65 Without Any Coverage

Estimates of the net number of persons under age 65 without coverage by a health insurance plan—public or private—range from 12 to 13 percent of the total group Unpublished preliminary estimates from the Bureau of the Census Survey of Income and Education indicate that in 1975 about 25 million persons, or about 13 percent of those under age 65, had no insurance The Robert Wood Johnson Foundation in a recent study of the leading indicators of access to medical care estimated that 12 percent of that age group had no insurance [1]

Persons Aged 65 and Over

The National Health Survey[2] provides estimates of the insurance coverage of persons aged 65 and older in a fair amount of detail Some public programs are excluded from their statistics, however As a result, no estimate is given of the number or proportion of the aged population that had no health insurance coverage whatsoever—either under a public program or under a private insurance plan

On January 1, 1977, the Medicare program covered 22 8 million persons (98 1 percent of the aged population) for hospital care and insured 22 5 million (96 8 percent of the aged) for SMI The Current Medicare Survey of the Social Security Administration has estimated that 14 9 million of the 22 5 million with SMI also carried private hospital insurance and 13 0 million had private surgical insurance It is not known how many of the 400,000-700,000 aged without Medicare coverage were covered by private health insurance

[1] The Robert Wood Johnson Foundation, **Special Report Number One A New Survey on Access to Medical Care,** 1978

[2] National Center for Health Statistics, **National Health Survey** (Series 10, No 117), page 3, table C

Medicaid statistics for fiscal year 1976 reported that 3 8 million persons aged 65 and over received Medicaid

Because the number of the aged served by some public programs is not known, nor the extent of the overlap in coverage between private coverage and public programs, the number without any economic protection against the costs of health care and illness—though thought to be very small—is difficult to determine The Survey of Income and Education has made a preliminary estimate, however, that 3 3 percent of the aged are not covered by any health insurance plan

The Quality of Health Insurance

Not enough is known about the quality of health insurance coverage How broad and deep is the protection? What are the benefit levels? To what degree are hospital and medical costs met? What exactly do the plans provide? What are the costs? Statistical reports on new group coverage written by insurance companies and those on plan provisions by the Blue Cross-Blue Shield national organizations provide some insight in this area No centralized data source exists, however, nor has any overall evaluation been made of the content and depth of health plans and policies sold to individuals

Those persons who have major-medical insurance (approximately two-thirds of the population) do have substantial protection against hospital costs, but few have first-dollar coverage because of the deductible and coinsurance requirements of the major-medical plans The remaining third of the population—those without major-medical expense protection, the majority of individual buyers of insurance, and those without any private health insurance—had to pay directly for a substantial part of their hospital care costs or rely on public programs, such as Medicaid, to pay or to help pay hospital bills

Private insurance plans continue to be characterized by exclusions, restrictions, and limitations The plans do, however, offer health care benefits commensurate with what the market will bear in cost and with what some insurance experts consider sound plan design

Group Coverage

According to a report by the Health Insurance Institute, among 472 group health insurance plans written for the first time or renegotiated in the first 3 months of 1977 for groups of 100 employees or more, 39 percent were financed entirely by the employer In 6 percent of the plans the employee paid the entire premium, and the other 55 percent were financed by joint contributions

Among these large groups, 192 offered basic coverage, 198 provided supplementary major-medical coverage, and 186 provided comprehensive major-medical coverage Where the basic plans were limited they did not use deductibles but relied on internal limits as the financial control in relation to utilization Among the 179 plans that offered basic hospital coverage, for example, only 116 paid the full cost for semiprivate room and board, and 53 had a maximum daily benefit of less than $80

Only 63 plans provided additional benefits under the basic plan for confinement in a hospital intensive care unit Only 90 plans paid for preadmission testing Moreover, the maximum number of covered hospital days was less than 80 for more than half the plans About half provided full reimbursement for miscellaneous hospital expenses

Surgical benefits were paid on a reasonable and customary-charge basis by only 40 of the basic plans, in-hospital medical expense by only 17, and only 2 plans paid reasonable and customary charges for physicians' office visits

The overall benefit limit for basic diagnostic X-ray examinations was $100 or less for 80 of the 179 groups Only 11 plans had no benefit limit for these services

Basic coverage only was provided by just 13 plans Thus, major medical coverage helped to cover the additional patient costs incurred but almost all such plans had coinsurance rates (most frequently 20 percent) and imposed a deductible of $100 or more Only 63 of the 186 plans with comprehensive major-medical coverage provided full reimbursement for covered expenses in one or more service areas Of these, only four paid full benefits for both nonscheduled hospital and surgical care Similar restrictions and limitations were found in supplementary major-medical coverage

Employer contributions were lower and coverage was generally more restricted in the newly written group coverages for smaller groups of employees Of the 761 basic plans covering fewer than 100 employees, for example, only 41 percent provided full payment for hospital semiprivate room-and-board charges, compared with 65 percent of the basic plans for groups of 100 employees or more Only 47 percent of the small plans reimbursed miscellaneous hospital expenses without limit, compared with 54 percent of the large plans Reasonable and customary charges for in-hospital physicians' visits were paid by only 13 percent More than half of the small plans had an overall limit of $100 for basic diagnostic X-ray services, compared with 5 out of 10 of the large plans On the other hand, 95 percent of new groups with less than 100 employees included basic plans plus major-medical and 93 percent of groups with more than 100 employees included basic plus major-medical coverage

Individual Policies

Individuals have less access to health care insurance protection than groups They often face age-limit re-

strictions and/or the termination of insurance benefits, once stated maximums are reached Waiting periods and exclusions from coverage because of preexisting conditions are frequently encountered In addition, benefit levels in individual policies and plans are far below those provided in group coverage Many persons not eligible for group coverage carry multiple policies in order to obtain greater economic protection against the cost of illness or health-related care In large part the additional problems facing persons who purchase insurance individually arise from the inherent difference between those who choose their health insurance and those who are offered health insurance subsidized by their employer

The Industry

Growth in Total Enrollments

The growth in the total number of persons covered for hospital care and surgical services in the period 1950–76 is shown in table 4 Enrollment data for prescribed drugs and dental care date from 1966, the first year that such enrollment figures as reported by the insurers were available

Hospital and surgical insurance grew rapidly in the fifties when paid health coverage was a prominent item in union negotiations for fringe benefits Total enrollments for hospital insurance rose 71 percent, for surgical insurance 127 percent This trend continued in the sixties, but at slackened rates In the period 1970–75, growth slowed even more, and in 1976, as noted earlier, gross enrollments for hospital care dropped by about 3 6 million and enrollments for surgical care about 2 8 million Insurance company group coverage for hospital care declined by about 1 million, however

Once essential coverage for hospital and surgical coverage was achieved, unions began pushing for employer-paid benefits for prescribed drugs and dental care Thus, by 1966 health insurance plans had been extended to provide at least partial payment for drugs to almost 70 million persons and some level of dental care benefits to about 4 million Coverage for prescribed drugs rose 52 percent by 1970 and at almost the same rate in the next 5 years before tapering off in 1976 Paid dental care benefits experienced an even more dramatic increase, tripling from 1966 to 1970 and rising at almost that rate in the following 5-year period Group dental insurance policies and dental service corporation plans were the major source of growth in that period and were responsible for all but 1 million of the 12 million increase that occurred in the last year alone

The companies increased their health insurance business faster than the Blue Cross-Blue Shield plans up until the seventies, with the exception of Blue Shield's tremendous growth in coverage for surgical services in

Table 4.—Gross enrollment under private health insurance plans, by type of care and type of plan, 1950–76

[In thousands]

End of year	Gross enrollment							
	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
1960	140 055	57,464	55 938	1 526	76 597	54,416	22 181	5 994
1970	190,758	75,464	72 942	2 522	107 163	80,505	26 658	8 131
1975	212 154	85 762	83 179	2 583	117 300	87,185	30 115	9 092
1976	208 575	85 528	83 054	2,474	113,820	86 824	26,996	9 227
	Surgical services							
1950	55 950	17,253	1,151	16,102	34,937	21 219	13,718	3,760
1960	127 091	48 266	3,773	44,493	71 489	55 464	16 025	7,336
1970	179 152	69,110	3 874	65,236	99 510	81,549	17 961	10 532
1975	195 624	77,803	4,699	73 104	106 426	87,958	18 468	11 395
1976	192 813	76,952	4,629	72,323	104 399	88 327	16 072	11 462
	Prescribed drugs (out of-hospital)							
1950	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]
1960	69 632	10 800	[1]	[1]	56 100	51,700	4 400	2 732
1970	105 885	25 627	[1]	[1]	75,437	70 396	5 041	4 821
1975	156 592	46 122	[1]	[1]	104,033	96,718	7,315	6 437
1976	157 591	46 253	[1]	[1]	105,027	98 355	6 672	6,311
	Dental care							
1950	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]
1960	4 227	16	[1]	[1]	2 000	2,000		2 211
1970	12 977	273	[1]	[1]	7,454	7 383	71	5 250
1975	34 815	3 320	[1]	[1]	19 020	18 936	84	12 475
1976	47 036	4 363	[1]	[1]	26,662	26 562	100	16,011

[1] Data not available

Table 5 —Estimates of net number of different persons under private health insurance plans and percent of population covered, by specified type of care, 1974–76

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)									
1974	163 396	159 518	147 038	152 206	126 235	32 896	142 246	140 353	135 751	69 601
1975	162 378	160 244	151 562	156 717	127 735	34 477	149 276	145 927	141,561	70,146
1976	164,235	162,179	155,548	150,897	124,124	46 578	150 222	147 311	145 863	70 422
	Percent									
1974	77 6	75 7	69 8	72 3	59 9	15 6	67 5	66 6	64 5	33 0
1975	76 4	75 4	71 4	73 8	60 1	16 2	70 3	68 7	66 6	33 0
1976	76 8	75 8	72 7	70 6	58 0	21 8	70 2	68 9	68 2	32 9

the decade of the fifties Since 1970, Blue Cross hospital coverage has risen almost 14 percent, compared with an 8-percent growth in group hospital insurance policies For surgical services, Blue Shield coverage rose 11 percent (group insurance policies, 8 percent) during the same period

The Blue Cross and Blue Shield plans have also outstripped the companies since 1970 in percentage growth in coverage for prescribed drugs In contrast, dental coverage has grown very slowly under the two organizations Despite these gains, the Blue Cross-Blue Shield plans, as noted earlier, have a substantially smaller share of the market than the companies for persons in the work force and their families, a group that represents 89 percent of the civilian population

Net Coverage

Recent growth in net coverage—the number of different persons covered for 10 types of health care services—is indicated in table 5 The estimates for hospital and surgical coverage are based on household surveys conducted by the National Center for Health Statistics Estimates for other types of care are developed by the Health Care Financing Administration (HCFA) from data reported by the industry Growth trends in net coverage were similar to those observed in the total enrollments reported by the various insurers

Major-Medical Coverage

The total number of persons covered by supplementary major-medical and comprehensive health insurance plans of insurance companies and Blue Cross-Blue Shield plans has increased tremendously since 1960 when it stood at 31 8 million (table 6) In 5 years, Blue Cross-Blue Shield enrollments quadrupled They gained an additional 70 percent by 1970 and another 70 percent by 1975

Although their major-medical business did not increase as rapidly, the companies had eight times as many persons covered as the Blue Cross-Blue Shield plans in 1960 In 1976 the companies had two-and-a-half times the number enrolled by the other two organizations, with total enrollments for major-medical insurance reaching 146 7 million

Table 6.—Number of persons covered under supplementary major-medical and comprehensive policies of insurance companies and under supplementary major-medical and comprehensive contracts of Blue Cross-Blue Shield plans, 1960–76

[In thousands]

End of year	Gross enrollment							
	Total	Insurance companies				Blue Cross Blue Shield		
		Total	Group		Individual	Total	Supplementary	Comprehensive
			Supplementary	Comprehensive				
1960	31 774	28 061	17,991	8,463	1 607	[1]3,713	[1]3,020	[1]693
1965	74 468	59 868	42 450	12,962	4 456	[2]14 600	([3])	([3])
1970	112 281	87 376	61 718	20 244	5 414	24 905	21 658	3 247
1975	146 091	104 033	67,310	29 408	7 315	42,058	39 172	[4]2 886
1976	146,697	105 027	66 753	31,602	6,672	41 670	37,026	4,644

[1] Data 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 1975

Independent Group-Practice Prepayment Plans

The figures in table 7 show the slow but steady growth of group-practice prepayment plans—plans not underwritten by insurance companies or Blue Cross-Blue Shield plans Persons with private health insurance who are represented in prepaid group-practice plans (about 5 7 million out of 208 6 million) were covered for a generally wide array of services Growth in these plans has not, however, matched the gains made by independent individual-practice plans [3]

Table 7.—Gross enrollment under independent group-practice prepayment plans, by specified type of care, 1961–76

[In thousands]

End of year	Hospital care	Physicians services			Dental care
		Surgical services	In hospital visits	Office, clinic, or health center visits	
1961	2 586	3 484	3 643	3 643	398
1964	2 695	3,504	3,196	3 894	438
1967	3 060	4 130	3,760	4,480	(1)
1970	4,131	5 032	4 532	5 432	910
1973	4,199	5,270	4 729	5 670	791
1974	4,297	5,362	4,863	5 744	771
1975	4,461	5 451	5 010	5 842	726
1976	4,985	5,670	5,206	5,740	1,417

[1] Data not available

Financial Experience

Data are presented here for the three major types of insurers The commercial carriers or the life and casualty companies that sell health insurance, the Blue Cross-Blue Shield plans, and the independent prepayment and self-insured or self-funded plans Health maintenance organizations that provide and are at risk for health care services to their members are included in the independent-plans category

Claims expense and operating expenses are measured against premium and subscription income to show the net underwriting gain or loss and other operating results—the proportion of premiums returned as benefits (the claims ratio) and the amount retained for operating expenses, additions to reserves, and profits Available data on investment income provide some insight into the net income of the insurers

Operating Statistics

In 1976, private health insurers received $39 4 billion in premium and subscription income and returned $35 0 billion (88 7 percent of premium income) in claims or benefits (table 8) Operating expense totaled $5 0 billion, or 12 8 percent of premium income Primarily as a result of the continuing high medical costs, the insurers suffered a $0 6 billion net underwriting loss (1 5 percent of premium income) that had to be paid out of reserves or investment income Among the insurers, the insurance companies incurred the greatest underwriting loss both in dollars and as a percentage of premium income Independent plans showed a slight underwriting gain

For the Blue Cross-Blue Shield plans, net income (the difference between total income and total expenditures) amounted to $140 8 million, for the independent plans, it was $53 3 million Net income for the companies could not be determined because investment income was not obtainable separately for their health and medical expense business In terms of volume of business the companies wrote $2 2 billion more than the Blue Cross-Blue Shield plans and more than seven times the business of the independent plans

Insurance company group business showed a claims ratio of 89 7 percent of premiums For individual policies the ratio was 52 7 percent Separate financial data were not available for the group and nongroup business of the Blue Cross-Blue Shield plans, together

[3] A further discussion of independent group-practice and individual-practice plans will be presented in a forthcoming **HCFA Health Note**

Table 8.—Financial experience of private health insurance organizations, 1976

[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)	$39,422 3	$34,985 1	88 7	$5,048 1	12 8	−$611 0	−1 5	(1)	(1)
Blue-Cross Blue Shield	$17 560 1	17,268 1	16 226 5	94 0	1 192 8	6 9	−151 2	− 9	$140 8	8
Blue Cross	12,242 9	12 037 4	11,624 9	96 6	623 3	5 2	−210 8	−1 8	−5 3	− 04
Blue Shield	5,317 2	5 230 7	4 601 6	88 0	569 5	10 9	59 6	1 1	146 1	2 7
Insurance companies	(1)	19 504 0	16 280 2	83 5	3 689 0	18 9	−465 2	−2 4	(1)	(1)
Group policies	(1)	16 222 0	14 549 0	89 7	2,154 0	13 3	−481 0	−3 0	(1)	(1)
Individual policies	(1)	3 282 0	1,731 2	52 7	1,535 0	46 8	15 8	5	(1)	(1)
Independent plans	2,698 0	2 650 2	2,478 4	93 5	166 3	6 3	5 5	2	53 3	2 0
Community	1 175 8	1 162 1	1 069 3	92 0	76 2	6 6	16 6	1 4	30 3	2 6
Employer-employee union	1 177 2	1,147 8	1,090 1	95 0	69 7	6 1	−12 0	−1 1	17 4	1 5
Private group clinic	45 0	40 3	34 0	84 4	5 4	13 4	9	2 2	5 6	12 4
Dental service corporation	300 0	300 0	285 0	95 0	15 0	5 0	0	0	0	0

[1] Data not available

they showed a 94 0-percent benefit ratio Independent plans paid 93 5 cents on the dollar in benefits

Claims Ratio of Insurance Companies

The relatively low claims ratios of the insurance companies must be discounted 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 coverage 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 5 billion (46 8 percent of premium income)—represented more than two-fifths of the total operating expenses for all carriers As a result, the overall operating-expense ratio of the companies was 18 9 percent of premium income Group business, which accounts for more than four-fifths of total company business, had an operating-expense ratio of 13 3 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 2 percent and 10 9 percent, respectively Major-medical insurance is, of course, the most costly type of coverage to administer

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

Finally, many of the insurance companies operate for stockholder profit Blue Cross and Blue Shield plans and almost all the independent plans are nonprofit plans

Escalating Claims and Premium Increases

To meet the rising costs of health care services as well as the demand for a wider array of benefits, rate increases were obtained in 1976 by all private insurance organizations, as in previous years Benefit expense rose faster during 1976 than premiums, however, except for the Blue Cross-Blue Shield plans They sought to overcome the substantial lag in premium income in 1975 that had caused a net underwriting loss of $808 6 million for that year (table 9) The subscription income for these plans increased 19 5 percent, compared with a 14 3-percent increase in benefits The companies, on the other hand, reported a substantial 25 6-percent increase in claims but showed only a 16 6-percent rise in premium income The result was a net underwriting loss in 1976—a reversal of the previous year's experience when they enjoyed a substantial underwriting gain of a little more than $622 million (3 7 percent of premium income) The overall claims increase for all insurers was 19 3 percent, compared with an overall increase of 17 3 percent in premium income

Premium Income and Benefit Trends

Changes in the premium income and benefit expenditures of private health insurers from 1950 to 1976 are shown in table 9 The accompanying chart illustrates the behavior of premiums and benefits from 1966 to 1976

During the late sixties and up until mandatory price controls on the health insurance industry were imposed in 1971, premium income was responding in normal cyclical fashion to rising benefit expenditures Nevertheless, premium income in 1970 fell behind benefit expenditures, rising only 17 percent as claims 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 took a sharp upward swing Benefits increased faster than premiums, but by 1975 the lag was overcome and premiums rose faster than claims The cycle resumed in 1976 when a premium lag again occurred Benefit expenditures rose 2 percentage points faster than premiums

Benefit Expenditures by Type of Care and Insurer

Benefits for hospital care accounted for more than 60 percent of the $35 0 billion in benefits paid by private health insurance in 1976 (table 10) Hospital expenditures accounted for 92 percent of all Blue Cross benefit expenditures and for 67 percent of Blue Cross-Blue Shield expenditures combined They represented 58 percent of insurance company group plan benefits, 66 percent of insurance company individual policy payments, and 36 percent of independent plan benefits

Almost 30 percent of benefit expenditures of the plans were for physicians' services The remaining 10 percent were benefits for dental care, drugs, nursing services, and other types of health care

Dental benefit payments were 50 percent larger than those paid in 1975, the $1 6 billion paid represented

Percentage increases in private health insurance premiums and benefits, 1966–76

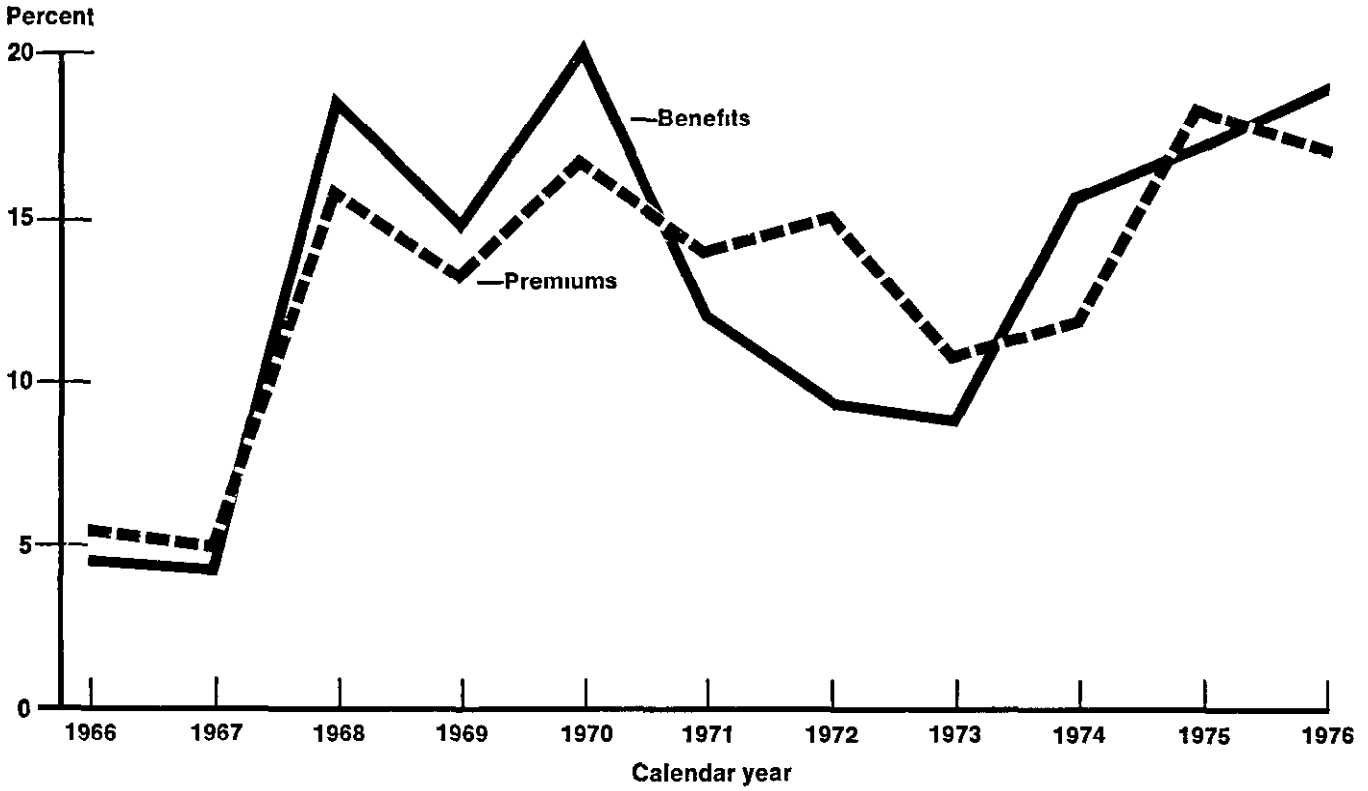

Table 9 —Subscription or premium income and benefit expenditures of private health insurance organizations, 1950–76

[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	1 585 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	14 657 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
1976	39,422 3	17 268 1	12,037 4	5,230 7	19 504 0	16,222 0	3 282 0	2 650 2
	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	4,265 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	1,131 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 7	7,067 3	1,274 0	1 193 4
1972	19,429 2	8 990 9	6,501 3	2 489 6	9 120 3	7 754 2	1 366 0	1,318 3
1973	21 494 5	10 004 2	7 187 3	2 816 9	9 943 2	8,387 0	1 556 2	1 547 1
1974	25 059 2	11,639 5	8,311 1	3 328 4	11,547 3	10 013 8	1,533 5	1 872 4
1975	29,333 9	14 192 0	10 075 9	4,116 1	12 957 6	11,388 6	1,569 0	2 184 3
1976	34,985 1	16 226 5	11,624 9	4 601 6	16,280 2	14 549 0	1 731 2	2 478 4

Table 10 —Benefit expenditures of private health insurance organizations, by specified type of care, 1976

[In millions]

Type of plan	Total	Hospital care	Physicians services	Dental care	Drugs (out of hospital)	Private-duty nursing	Visiting nurse service	Nursing home care	Vision care	Other types of care
Total	$34 985 1	$21,349 0	$10 321 9	$1 609 3	$865 3	$198 8	$15 4	$88 3	$23 4	$513 9
Blue Cross Blue Shield	16 226 5	10 949 6	4 223 5	176 6	337 1	23 5	12 7	34 9	5 9	462 9
Blue Cross	11 624 9	10 721 0	399 3	78 1	195 0	20 3	11 8	33 7	3 1	162 6
Blue Shield	4 601 6	228 5	3 824 1	98 5	142 1	3 2	9	1 2	2 8	300 3
Insurance companies	16 280 2	9 508 0	5 045 7	1 078 5	414 1	170 6	(1)	48 1	(1)	15 2
Group policies	14 549 0	8 371 7	4,492 6	1,078 5	410 1	156 8	(1)	26 2	(1)	13 1
Individual policies	1,731 2	1 136 3	553 1		4 0	13 8	(1)	21 9	(1)	2 1
Independent plans	2,478 4	891 4	1 052 7	354 2	114 1	4 7	2 7	5 3	17 5	35 8
Community	1,069 3	344 4	642 0	29 5	31 6	1 7	2	5	10 5	9 0
Employer employee union	1,090 1	532 5	397 8	37 6	81 4	2 8	2 5	2 4	6 8	26 3
Private group clinic	34 0	14 5	12 9	2 1	1 1	2		2 4	2	5
Dental service corporation	285 0			285 0						

[1] Included in other types of care

almost 5 percent of all benefit expense The largest growth was reported by the insurance companies Dental benefits were more than double those paid in 1975

The plans paid 30 percent more in benefits for prescribed drugs than they did in the previous year The independent plans spent proportionately more for drugs than any of the other plans, and they account for 75 percent of all benefits reported for vision care

New business accounted for a substantial part of the benefit expenditures for dental care and prescribed drugs Price rises, on the other hand, accounted for the major share of the 20-percent rise in hospital benefits and of the 17-percent increase in insurance expenditures for physicians' services from the amounts paid in 1975

Table 11.—Amount and percentage distribution of benefit expenditures of all private health insurance organizations, by specified type of care, 1950–76

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	19 429	12 162	6 062	427	389	389
1973	21 494	13 240	6 728	516	537	473
1974	25 059	15 161	7 818	576	777	727
1975	29 334	18 011	8 918	675	1,085	645
1976	34 985	21 349	10,322	865	1,609	840
	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
1976	100 0	61 0	29 5	2 5	4 6	2 4

[1] Data not available

[2] Included in physicians services

The distribution of benefit expenditures by all private insurers for hospital care, physicians' services, prescribed drugs, dental care, and other types of care in 1950–76 is shown in table 11 Benefits for nonhospital nonphysician care have increased substantially over the years—from 2 0 percent of all benefits in 1960 to 9 5 percent in 1976 Recently, the share for dental care has grown most rapidly—from about 1 5 percent in 1970 to almost 5 0 percent of the benefit dollar in 1976

Price rises have helped to keep the share of expenditures for hospital care and physicians' services at continuing high levels despite the fact that the plans have broadened their coverage to include other kinds of care Increases in the share of dental care expenditures result from expanding coverage and improving benefit levels, as well as price increases

Operating Expense

Claims or benefit payments are the major determinant of premiums The dollar amount of operating-expense increases with increased business, but, as a proportion of premium income, operating expense remains about the same from year to year As table 12 shows, the operating-expense ratio declined only slightly—from 14 percent of premium income in 1970 to 12 8 percent in 1976

Operating-expense ratios vary widely among the insurers as a result of differences in the complexity of claims processing, acquisition costs, and other expenses of doing business For Blue Cross plans the operating-expense ratio (5–6 percent) is lower than that of Blue Shield plans (around 11 percent), primarily because hospital claims are not as complex to process as are surgical-medical claims Similarly, group insurance

Table 12.—Operating expense of private health organizations as percent of premium income, 1970–76

Type of plan	Operating expense as percent of premium income				
	1970	1972	1974	1975	1976
Total	14 0	14 2	14 1	13 1	12 8
Blue Cross Blue Shield [1]	7 2	6 9	7 4	7 4	6 9
Blue Cross	5 6	5 2	5 4	5 5	5 2
Blue Shield	11 0	11 3	11 8	11 5	10 9
Insurance Companies	20 4	21 5	21 0	18 8	18 9
Group policies	12 8	13 4	13 0	12 7	13 3
Individual policies	46 6	47 0	47 0	46 1	46 8
Independent plans	7 7	7 0	7 4	7 5	6 3
Community	7 2	6 9	7 1	6 6	6 6
Employer employee union	7 7	6 0	5 9	6 7	6 1

[1] Data adjusted for duplication

policies—less expensive to sell and to administer than individual policies—require only about 13 cents of the premium dollar for operating expense, and individual policies require almost four times that amount

The Consumer

Consumers' Net Cost

Private health insurance cost consumers $4 4 billion above the amounts they received from insurers for claims or benefits in 1976 This $4 4 billion was retained by insurers to cover their other expenses—operating expenses, profits, and additions to reserves

Proportion of Consumer Expenditures Met by Insurance

In 1976, consumers spent $75 5 billion for health care Private health insurance benefits met 46 percent of the cost, as revealed in the percentages shown below

Year	Total	Hospital care	Physicians' services	Prescribed drugs (out-of hospital)	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 3	76 9	40 7	[1]	[1]	13 9
1969	36 6	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	6 0
1973	39 9	75 9	46 1	6 0	8 6	6 8
1974	42 9	77 8	50 7	6 2	11 5	9 8
1975	45 0	86 8	46 8	6 9	13 9	8 3
1976	46 3	85 8	45 9	8 1	18 4	9 6

[1] Data not available

The remaining 54 percent was direct out-of-pocket expense for noncovered health care services and for the net cost of insurance (the difference between premiums and benefits) Insurance payments took care of 86 percent of consumer hospital costs and 46 percent of the charges for physicians' services

The proportion of consumer expenditures met by insurance for other health care services has been increasing slowly but steadily since 1971, when it was 16 percent Benefits for dental care have increased to the point that 18 percent of dental bills were paid by insurance in 1976 Benefits for prescribed drugs have also risen, but consumers still have to pay 92 percent of drug charges out of pocket, including those for drug sundries

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 or for both group and individual policies of insurance companies

Blue Cross and Blue Shield data were supplied by the Blue Cross Association and the Blue Shield Association from data reported to them by the various plans in the United States Gross enrollments for hospital and surgical care and for physicians' in-hospital visits, and home and office visits were provided separately by Blue Cross and Blue Shield plans for two age groups (1) Regular membership (under age 65) and (2) coverage complementary to Medicare (for those aged 65 and over and disabled members under age 65 eligible for Medicare) For all other types of care, enrollments were reported jointly, by the Blue Cross and Blue Shield associations Major-medical and extended-benefits coverage was also reported jointly, but information was available only for the combined age groups Data were adjusted by the Office of Policy, Planning, and Research (OPPR) of HCFA to exclude enrollments for underwritten welfare programs

The data for insurance companies were compiled by the Health Insurance Association of America (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, surgical, regular medical, and major-medical (supplementary and comprehensive) expense policies were reported for persons under age 65 and those aged 65 and over The enrollments for persons under age 65 included some 10–11 million persons covered under insurance-company administrative service agreements and minimum premium plans

Since 1974, HIAA has used the gross enrollments under major-medical plans for both age groups to estimate directly gross enrollments for prescribed drugs and nursing services Major-medical coverage is also the primary determinant of enrollment of persons under age 65 and aged 65 and over for the following services Physicians' in-hospital visits and home and office visits

and X-ray and laboratory examinations Dental enrollment was reported by HIAA for the combined age groups

For independent health insurance plans, the 1976 data were based on estimates from OPPR's annual survey of such plans The 1973 census of all known independent plans has served as the benchmark for annual surveys of about 65 of the larger independent plans stratified by sponsor and medical arrangement A new census is being conducted in 1978 to obtain benchmark data for the year 1977

OPPR 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 The 1975 net estimates for hospital and surgical insurance coverage for persons under age 65 are based on data revised by the National Center for Health Statistics (NCHS)

Net coverage for hospital and surgical care for persons under age 65 in 1976 is based on data collected by NCHS in household interview surveys in 1976 The NCHS 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 OPPR 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 few members of the institutional population had insurance No current data were available on the number of persons in institutions who have insurance, but it is believed the proportion is very small The data were further adjusted to reflect the situation at the end of 1976

Net hospital coverage enrollment of aged persons was obtained from NCHS, but a net estimate for surgical care was not available and had to be derived from gross enrollment figures, NCHS data, and data of the Social Security Administration The Current Medicare Survey estimates define the proportion of SMI enrollees who also carried private hospital and surgical insurance

Net figures for physicians' in-hospital visits for persons under age 65 were derived from applying the ratio of net regular medical-expense coverage to net surgical care coverage under insurance company policies to the NCHS net estimate for surgical care For persons aged 65 and over, net figures were obtained by removing from the gross estimates 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, 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

For home and office visits, the net estimates for both age groups were obtained from gross estimates (for the companies, from HIAA gross major-medical estimates) by removing all duplication in coverage among insurers The HIAA figures were further adjusted by removing the estimated enrollment under administrative service agreements and minimum premium plans Net coverage for all other types of services was based simply on an assumed ratio of gross to net enrollment, as noted in the tabulation below

Type of care	Ratio of gross to net enrollment	
	Under age 65	Aged 65 and over
X ray and laboratory examinations	123 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 Insurance company data include administrative service agreements and minimum premium plans

Sources of Financial Data

In table 8, the data for Blue Cross and Blue Shield plans are based on financial statements supplied by the Blue Cross Association and the Blue Shield Association 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 Service, Inc , and for Medical Indemnity of America, Inc —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 [4] 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 1975 and 1976 include business for administrative service agreements and minimum premium plans 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 has estimated the premiums for this category of business—for companies reporting these items—at about $1 7 billion for 1976 and approximately $800 million for 1975, benefits amounted to approximately $730 million in 1975 and $1 5 billion in 1976

Operating expenses were estimated by applying the ratio of operating expense to premium income derived from the National Underwriter aggregates to the figures for premium income provided by HIAA The data for independent plans are OPPR estimates based on its 1977 survey

[4] National Underwriter Company, **1977 Argus Chart of Health Insurance,** 1977