

# ACTUARIAL NOTE

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## DISTRIBUTION OF SMI BILLS AND REIMBURSEMENTS BY TYPE OF SERVICE

By Robert J. Myers  
Office of the Actuary

Data on numbers of bills and amount of reimbursements under the Supplementary Medical Insurance program by type of service, allocated by recording periods (i.e., dates of summarization of administrative tape records) have been made available by the Office of Research and Statistics. Such data, as to time sequence, are not as significant as if they were on an accrual basis by date on which service is rendered, or on a basis of when claim is submitted or when claim is paid. Nonetheless, certain interesting results can be derived from these data.

It should be emphasized that, in considering these data an inherent and not completely measurable bias is contained in the distribution by type of service. This arises because data are included only for claims resulting in a payment and not for services rendered that went toward satisfying the \$50 deductible. For example, if an individual had a \$40 bill for physician services and a \$20 bill for home health services, then his total benefit would be \$8 (20% of the excess of the \$60 of total bills over the \$50 deductible). The distribution of reimbursements (and bills with respect thereto) by type of service would differ depending upon which bill was submitted first to the SMI program. If the physician bill was submitted first, neither a bill nor any reimbursement would be shown for physician services; rather, the home health data would include one bill and \$8 of reimbursements in this case. The opposite situation would, of course, result if the home health bill had been submitted first.

The accompanying table summarizes the distributions of SMI bills and reimbursements by type of service for various recording periods for bills recorded through the end of 1968. Up to now, physician bills represent 83% of total bills, but 92% of the reimbursements. In the first six months of operation, the proportions for physician services were relatively high—probably because procedures to pay such claims were developed more completely earlier than for other categories. Outpatient hospital bills represent 11% of the total bills, but only 3% of the total reimbursements; the proportions were somewhat higher for 1968 than for the earlier years, probably in part at least due to the shifting of the coverage of the non-physician component of outpatient diagnostic services from the HI program to SMI as a result of the 1967 Amendments. Home health services benefits represented about 1½% of the total throughout the period, both by bills and by reimbursements. Independent laboratory services benefits were 1½% by number of bills and ½% by amount of reimbursements, while “other” services benefits (including such items as ambulances, physical therapy, and rental of equipment) were about 3% by both number and amount; the latter benefits showed a significant increase in proportion in 1968, perhaps due at least in part to the broadening of the coverage of physical therapy benefits as a result of the 1967 Amendments.

PERCENTAGE DISTRIBUTIONS OF SMI BILLS AND  
REIMBURSEMENTS BY TYPE OF SERVICE FOR  
VARIOUS RECORDING PERIODS

<i>Period Recorded</i>	<i>Physician</i>	<i>Home Health</i>	<i>Outpatient Hospital</i>	<i>Independent Laboratory</i>	<i>All Other</i>
Based on Bills					
July-December 1966	94.0%	1.1%	2.4%	1.0%	1.5%
January-December 1967	83.7	1.5	10.6	1.4	2.8
January-December 1968	81.7	1.5	11.2	1.4	4.2
July 1966-December 1968	82.8	1.5	10.8	1.4	3.5
Based on Reimbursements					
July-December 1966	97.5%	.7%	.5%	.4%	.9%
January-December 1967	93.9	1.4	2.1	.6	2.1
January-December 1968	91.2	1.6	3.3	.5	3.3
July 1966-December 1968	92.5	1.5	2.7	.5	2.7

*Note:* Totals of lines may not add up to 100% due to rounding.