

# Age Differences in Medical Care Spending, Fiscal Year 1973

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The Social Security Administration reports that, of the \$80 billion spent for personal health care in fiscal year 1973, 15 percent was spent for the young (under age 19), 57 percent for persons aged 19-64, and 28 percent for those aged 65 and over. The aged individual had the largest per capita medical bill, \$1,052; the bill was \$384 for a person in the intermediate age group and \$167 for a young person. Most medical bills were paid for by a third party—government, private health insurance, philanthropy, or industry. Altogether, third parties paid 70 percent of the bill for the aged and more than 60 percent for persons under age 65. Public funds alone paid for nearly 30 percent of personal health care spending for the two younger groups and as much as 64 percent for the aged. Medicare met 40 percent of the health bill for the oldest group—slightly less than the 42 percent in 1972. The smaller proportion results partly from the rise in the SMI deductible, which went from \$50 to \$60 as of January 1973. The average out-of-pocket payment rose \$7 for persons under age 65 and was nearly \$23 higher for the aged.

THE SIZE AND SHAPE of medical care bills is directly associated with age. This article examines data on personal health care expenditures, by type of service and source of funds, for persons in three age groups—the young (under age 19), the intermediate group (aged 19-64), and the aged (65 and over). The age differences in medical care bills in fiscal year 1973<sup>1</sup> and trends from fiscal year 1966 to the present are featured in this annual article.

## EXPENDITURES IN 1973

During fiscal year 1973, the Nation spent over \$80.0 billion for personal health care, according to preliminary estimates (table 1). Included in personal health care expenditures are all outlays

for medical care services and supplies received by individuals—or over 85 percent of total national health expenditures. Excluded from the personal health care total are expenditures for medical research, medical-facilities construction, public health activities (disease prevention and control), and some expenses of philanthropic organizations (mainly for fund-raising activities). Also excluded is the net cost of insurance—the difference between health insurance premiums and benefits paid—as well as the administrative cost of several government programs.

Of the estimated \$80.0 billion spent in 1973, 15 percent went for persons under age 19, 57 percent for persons aged 19-64, and 28 percent for persons aged 65 and over. As in the past, a consider-

Age	Percentage distribution			
	Health expenditures		Population	
	1972	1973	1972	1973
All ages.....	100.0	100.0	100.0	100.0
Under 19.....	15.8	15.4	35.4	34.7
19-64.....	56.6	56.5	54.7	55.3
65 and over.....	27.6	28.0	9.9	10.0

ably greater proportion of medical care outlays was spent for the aged than for the other groups in relation to the age composition of the population. Since the average aged person is twice as likely to have one or more chronic conditions and more likely to be limited in activity, he experiences more and costlier illnesses than the average person under age 65.

The average personal health care bill for all persons was \$375—about \$31 more than in the previous year (table 2). For an aged person, however, the average amount was well above \$1,000—nearly three times the \$375 figure. The \$1,052 per capita for persons aged 65 and over was more than six times that for a young person and nearly triple that for a person in the intermediate age group.

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<sup>1</sup> For a description of developments in fiscal year 1973 for all age groups, see Barbara S. Cooper, Nancy L. Worthington, and Paula A. Piro, "National Health Expenditures, 1929-73," *Social Security Bulletin*, February 1974.

TABLE 1.—Estimated personal health care expenditures, by type of expenditure and source of funds, for three age groups, fiscal years 1971-73

[In millions]

Type of expenditure	All ages			Under 19			19-64			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public
1971												
Total.....	\$65,662	\$42,441	\$23,221	\$10,678	\$7,959	\$2,718	\$37,332	\$28,197	\$9,136	\$17,650	\$6,283	\$11,369
Hospital care.....	29,300	14,383	14,917	3,071	1,723	1,348	17,582	11,244	6,338	8,644	1,416	7,228
Physicians' services.....	15,086	11,662	3,424	3,592	3,235	357	8,326	7,268	1,058	3,168	1,159	2,009
Dentists' services.....	4,637	4,402	235	1,027	947	80	3,281	3,156	125	330	299	31
Other professional services.....	1,516	1,315	201	364	321	43	834	764	70	318	229	226
Drugs and drug sundries.....	7,602	7,084	518	1,481	1,407	74	4,322	4,089	233	1,708	1,588	210
Eyeglasses and appliances.....	1,922	1,856	66	317	306	11	1,193	1,142	51	412	408	4
Nursing-home care.....	3,212	1,239	1,973	80	20	60	402	348	54	2,730	1,164	1,566
Other health services.....	2,388	500	1,888	746	—	746	1,392	480	912	250	20	230
1972												
Total.....	\$72,761	\$45,605	\$27,156	\$11,495	\$8,189	\$3,305	\$41,162	\$30,162	\$10,997	\$20,106	\$7,257	\$12,851
Hospital care.....	32,691	15,143	17,548	3,518	1,772	1,746	19,362	11,594	7,768	9,807	1,777	8,030
Physicians' services.....	16,626	12,882	3,744	3,636	3,221	415	9,332	8,155	1,177	3,658	1,508	2,150
Dentists' services.....	5,048	4,793	255	1,122	1,030	92	3,572	3,437	135	355	326	29
Other professional services.....	1,598	1,370	228	351	300	51	895	812	83	352	258	94
Drugs and drug sundries.....	8,157	7,544	613	1,596	1,499	97	4,643	4,358	285	1,920	1,687	233
Eyeglasses and appliances.....	2,034	1,957	77	336	323	13	1,264	1,204	60	435	430	5
Nursing-home care.....	3,480	1,376	2,104	87	44	43	435	82	353	2,958	1,251	1,707
Other health services.....	3,126	540	2,586	849	—	849	1,659	520	1,139	621	20	601
1973 <sup>1</sup>												
Total.....	\$80,048	\$49,713	\$30,335	\$12,367	\$8,792	\$3,576	\$45,240	\$32,950	\$12,287	\$22,442	\$7,972	\$14,473
Hospital care.....	36,200	16,951	19,249	3,765	1,884	1,881	21,573	13,063	8,510	10,860	2,004	8,856
Physicians' services.....	18,040	13,999	4,041	3,938	3,484	454	10,133	8,810	1,323	3,969	1,707	2,262
Dentists' services.....	5,385	5,097	288	1,199	1,006	103	3,805	3,634	151	381	347	34
Other professional services.....	1,680	1,439	241	386	336	50	941	849	92	353	254	99
Drugs and drug sundries.....	8,780	8,110	670	1,713	1,611	102	4,994	4,681	313	2,074	1,818	256
Eyeglasses and appliances.....	2,109	2,025	84	346	334	12	1,311	1,245	66	452	446	6
Nursing-home care.....	3,735	1,512	2,223	93	47	46	467	88	379	3,175	1,376	1,799
Other health services.....	4,119	580	3,539	927	—	927	2,016	580	1,456	1,178	20	1,158

<sup>1</sup> Preliminary estimates

Personal health care expenditures in fiscal year 1973 rose 10.0 percent over 1972. For all of the age groups, the growth rate was the lowest in several years, although the extent of this growth varied. In 1973, expenditures rose fastest for persons aged 65 and over—11.6 percent, compared with 7.6 percent and 9.9 percent for the young and intermediate age groups, respectively.

On a per person basis, the rise in expenditures is slightly lower (9.2 percent), but among the age groups it is still greatest for aged persons (9.7 percent). Per capita increases in medical care spending reflect both changes in levels of expenditures and growth in population.

#### Source of Funds

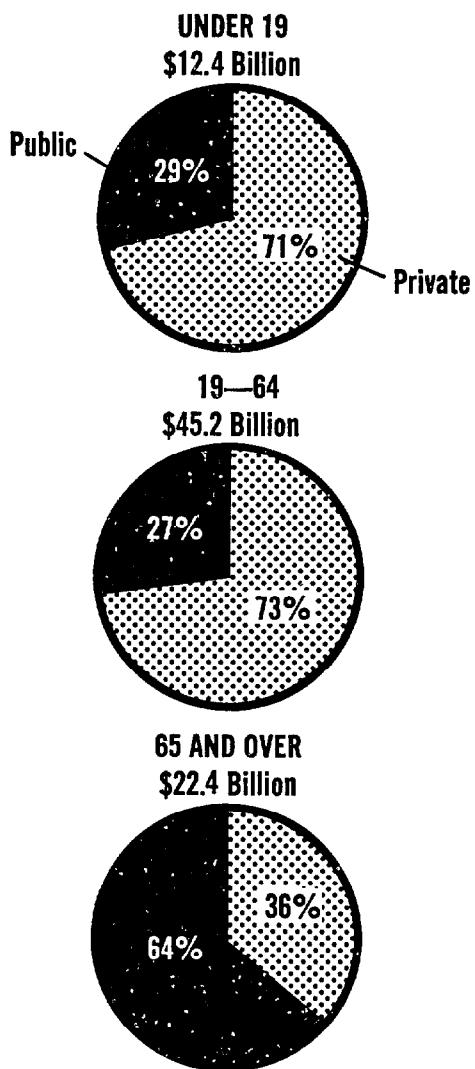
The total personal health care bill continues to be financed largely from private sources. In fiscal year 1973, private funds contributed 62 percent of the total outlays; Federal, State, and local gov-

ernments contributed the remainder. For each of the three age groups, however, the proportion financed by each source varied substantially. For the two younger groups, public funds accounted for nearly three-tenths of their expenditures. For the aged, in contrast, nearly two-thirds of the expenditures for health care were paid from public funds (chart 1).

Within total government spending, the mix of Federal and State-local funds also varied among the age groups, as shown in the tabulation below. For all age groups, the Federal Government was the chief source of funds with two-thirds of total

Age	Percentage distribution		
	Total	Federal	State and local
All ages.....	100.0	66.3	33.7
Under 19.....	100.0	59.8	40.2
19-64.....	100.0	52.0	48.0
65 and over.....	100.0	80.0	20.0

CHART 1.—Percentage distribution of expenditures for personal health care, by source of funds and age group, fiscal year 1973



public medical care outlays (table 3). For the aged, four-fifths was financed from Federal funds—mainly for the Medicare program and the Federal matching contribution under Medicaid (Federal-State medical assistance). For the intermediate group, about half came from this source. Federal funds provided nearly three-fifths of expenditures for the youngest group—primarily Federal payments under Medicaid and expenditures under the military dependents' medical care program of the Department of Defense.

*Expenditures for the young.*—In fiscal year 1973, \$12.4 billion was spent on personal health care services and supplies for persons under age 19. Of this \$12.4 billion, \$8.8 billion (71 per-

cent) came from private sources; public funds contributed the remaining \$3.6 billion (table 4). Most of the public funds came from three programs: Public assistance payments under Medicaid (38 percent), military dependents' medical care program (25 percent), and general hospital and medical care programs (16 percent). The remainder came from maternal and child health care programs, school health, medical vocational rehabilitation, and Office of Economic Opportunity programs (mainly neighborhood health centers).

Of the \$3.6 billion in government outlays for the young, \$2.1 billion (60 percent) represented Federal funds and \$1.4 billion State and local funds. Over two-fifths of the Federal expenditures came from the military dependents' medical care program; public assistance payments represented over two-fifths of State and local expenditures.

*Expenditures for the intermediate age group.*—Personal health care expenditures for persons aged 19-64 totaled \$45.2 billion in fiscal year 1973. Private sources paid 73 percent of the total; public sources financed the remaining \$12.3 billion. Again, Medicaid contributed the largest share of public funds (32 percent). Payments under general hospital and medical care programs—primarily in State and local psychiatric hospitals—followed with 25 percent, the Veterans Administration with 16 percent, and the Department of Defense with 13 percent.

Public funds were almost equally divided between Federal and other government sources. Three Federal programs accounted for 89 percent of the total Federal expenditures for the intermediate age group: Medicaid (33 percent), Veterans Administration (31 percent), and the Department of Defense (including the care of military dependents) (25 percent).

Slightly less than half (45 percent) of State and local government expenditures went for hospital care provided either in facilities that they operate and maintain or in private facilities that they reimburse. The majority of these outlays is spent in State and locally owned psychiatric hospitals.

*Expenditures for the aged.*—Financing of the health care of the aged differs significantly from that of both younger groups. Private funds constituted only 36 percent of the \$22.4 billion spent for persons aged 65 and over in fiscal year 1973.

Since the implementation of the Medicare and Medicaid programs in the mid-1960's, government has become the primary purchaser of medical care services for the aged population. Those two programs alone accounted for 85 percent of the \$14.5 billion in public funds paid out in behalf of the aged. All expenditures under Medicare and nearly two-fifths of those under Medicaid were for persons aged 65 and over.

All Medicare benefit payments are classified here as public expenditures, even though enrollees must pay monthly premiums (matched by contributions from general revenues) to obtain supplementary medical insurance coverage. In fiscal year 1973, persons enrolled under the program paid a monthly premium of \$5.80. Total premium payments for that year, excluding those paid through Medicaid in behalf of indigent enrollees, amounted to \$1.2 billion. If these payments were classified as private outlays, the public share of the health bill for the aged would be reduced from 64 percent to 59 percent.

#### Type of Expenditure

In fiscal year 1973, as in past years, hospital care was not only the largest item of expenditure—45 percent of all personal health care outlays—but one of the fastest-growing categories. The second largest item, physicians' services, made up another 23 percent of the total. Together these services represented nearly 68 percent of total outlays. The remaining expenditures were distributed as follows: Drugs and drug sundries (11 percent), other professional services (9 percent), nursing-home care (5 percent), and all other services (8 percent).

The composition of the medical care bill for each age group varies considerably. For the two older age groups, nearly half of their outlays went for hospital care—by far the largest item of expenditure. Young persons spent about the same amounts for hospital care and physicians' services, about three-tenths of the total.

The bill for physicians' services was the second largest item of expenditure for the two older age

TABLE 2.—Estimated per capita personal health care expenditures, by type of expenditure and source of funds, for three age groups, fiscal years 1971–73

Type of expenditure	All ages			Under 19			19-64			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public
1971												
Total.....	\$313.36	\$202.54	\$110.82	\$142.34	\$106.10	\$36.23	\$327.51	\$247.37	\$80.15	\$859.51	\$305.97	\$553.64
Hospital care.....	139.83	68.64	71.19	40.94	22.97	17.97	154.24	98.64	55.60	420.94	68.96	351.98
Physicians' services.....	72.00	55.66	16.34	47.88	43.12	4.76	73.04	63.76	9.28	154.27	56.44	97.83
Dentists' services.....	22.13	21.01	1.12	13.69	12.62	1.07	28.78	27.69	1.10	16.07	14.56	1.51
Other professional services.....	7.23	6.28	.96	4.85	4.28	.57	7.32	6.70	.61	15.49	11.15	4.33
Drugs and drug sundries.....	36.28	33.81	2.47	19.74	18.76	.99	37.92	35.87	2.04	87.56	77.33	10.23
Eyeglasses and appliances.....	9.17	8.86	.32	4.23	4.08	.15	10.47	10.02	.45	20.06	19.87	.19
Nursing-home care.....	15.33	5.91	9.42	1.07	.27	.80	3.53	.47	3.05	132.94	56.08	76.26
Other health services.....	11.40	2.39	9.01	9.04	-----	9.04	12.21	4.21	8.00	12.17	.97	11.20
1972												
Total.....	\$343.89	\$215.54	\$128.35	\$153.47	\$109.33	\$44.13	\$355.65	\$260.61	\$95.02	\$959.85	\$346.45	\$613.50
Hospital care.....	154.51	71.57	82.94	46.97	23.66	23.31	167.29	100.18	67.12	468.18	84.83	383.35
Physicians' services.....	78.58	60.88	17.70	48.54	43.00	5.54	80.63	70.46	10.17	174.63	71.99	102.64
Dentists' services.....	23.86	22.65	1.21	14.98	13.75	1.23	30.86	29.70	1.17	16.95	15.56	1.38
Other professional services.....	7.55	6.48	1.08	4.69	4.01	.68	7.73	7.02	.72	16.80	12.32	4.49
Drugs and drug sundries.....	38.55	35.66	2.90	21.31	20.01	1.30	40.12	37.65	2.46	91.66	80.54	11.12
Eyeglasses and appliances.....	9.61	9.25	.36	4.49	4.31	.17	10.92	10.40	.52	20.77	20.53	.24
Nursing-home care.....	16.45	6.50	9.94	1.16	.59	.57	3.76	.71	3.05	141.21	59.72	81.49
Other health services.....	14.77	2.55	12.22	11.34	-----	11.34	14.33	4.49	9.84	29.65	.95	28.69
1973 <sup>1</sup>												
Total.....	\$375.41	\$233.15	\$142.27	\$167.15	\$118.83	\$48.33	\$383.67	\$270.44	\$104.20	\$1,052.48	\$373.87	\$678.75
Hospital care.....	169.77	79.50	90.28	50.89	25.46	25.42	182.96	110.78	72.17	509.31	93.98	415.33
Physicians' services.....	84.61	65.65	18.95	53.22	47.09	6.14	85.94	74.72	11.22	186.14	80.05	106.08
Dentists' services.....	25.25	23.90	1.35	16.21	14.81	1.39	32.27	30.99	1.28	17.87	16.27	1.59
Other professional services.....	7.88	6.75	1.13	5.22	4.54	.68	7.98	7.20	.78	16.55	11.91	4.64
Drugs and drug sundries.....	41.18	38.03	3.14	23.15	21.77	1.38	42.35	39.70	2.65	97.27	85.26	12.01
Eyeglasses and appliances.....	9.89	9.50	.39	4.68	4.51	.16	11.12	10.56	.56	21.20	20.92	.28
Nursing-home care.....	17.52	7.09	10.43	1.26	.64	.62	3.96	.75	3.21	148.90	64.53	84.37
Other health services.....	19.32	2.72	16.60	12.53	-----	12.53	17.10	4.75	12.35	65.25	.94	54.31

<sup>1</sup> Preliminary estimates

TABLE 3.—Estimated public personal health care expenditures, by type of expenditure and source of funds, for three age groups, fiscal years 1971–73

[In millions]

Type of expenditure	All ages			Under 19			19-64			65 and over		
	Total	Federal	State and local	Total	Federal	State and local	Total	Federal	State and local	Total	Federal	State and local
1971												
Total.....	\$23,221	\$15,415	\$7,807	\$2,718	\$1,579	\$1,139	\$9,136	\$4,593	\$4,543	\$11,369	\$9,242	\$2,127
Hospital care.....	14,917	9,742	5,176	1,348	861	487	6,338	2,950	3,388	7,228	5,930	1,298
Physicians' services.....	3,424	2,086	838	357	241	116	1,058	408	650	2,009	1,837	72
Dentists' services.....	235	148	87	80	45	35	125	83	42	31	21	10
Other professional services.....	201	148	53	43	34	9	70	30	40	69	85	4
Drugs and drug sundries.....	518	276	241	74	44	30	233	119	114	210	113	97
Eyeglasses and appliances.....	66	35	31	11	6	5	51	26	25	4	3	1
Nursing-home care.....	1,973	1,196	777	60	32	28	348	196	152	1,586	968	598
Other health services.....	1,888	1,283	604	746	316	430	912	782	130	230	184	46
1972												
Total.....	\$27,156	\$18,145	\$9,010	\$3,305	\$1,975	\$1,330	\$10,997	\$5,739	\$5,238	\$12,861	\$10,432	\$2,419
Hospital care.....	17,548	11,563	5,985	1,746	1,111	635	7,768	3,791	3,977	8,030	6,660	1,370
Physicians' services.....	3,744	2,810	933	415	278	137	1,177	432	725	2,150	2,080	70
Dentists' services.....	255	166	90	92	53	39	135	93	42	29	21	8
Other professional services.....	228	166	62	51	41	10	83	36	47	94	89	5
Drugs and drug sundries.....	613	327	286	97	57	40	285	145	140	233	126	107
Eyeglasses and appliances.....	77	44	33	13	9	4	60	31	29	5	4	1
Nursing-home care.....	2,104	1,272	832	43	23	20	353	198	155	1,707	1,030	657
Other health services.....	2,586	1,798	758	849	403	446	1,139	995	144	601	401	200
1973 <sup>1</sup>												
Total.....	\$30,335	\$20,105	\$10,230	\$3,576	\$2,137	\$1,439	\$12,287	\$6,393	\$5,894	\$14,473	\$11,576	\$2,897
Hospital care.....	19,249	12,609	6,640	1,881	1,204	677	8,510	4,104	4,406	8,856	7,300	1,556
Physicians' services.....	4,041	2,902	1,049	454	301	153	1,323	506	817	2,282	2,184	78
Dentists' services.....	288	188	101	103	59	44	151	104	47	34	24	10
Other professional services.....	241	168	73	50	38	12	92	37	55	99	92	7
Drugs and drug sundries.....	670	360	310	102	60	42	313	161	152	286	140	116
Eyeglasses and appliances.....	84	48	37	12	8	4	66	34	32	6	5	1
Nursing-home care.....	2,223	1,350	873	46	25	21	379	217	162	1,709	1,108	691
Other health services.....	3,539	2,392	1,147	927	441	485	1,456	1,231	225	1,158	722	437

<sup>1</sup> Preliminary estimates.

groups—22 percent for persons aged 19–64 and 18 percent for persons aged 65 and over. For the aged, nursing-home care followed closely with 14 percent. The latter type of service represents only about 1 percent of the outlay for persons in the two younger groups. In contrast, spending for other professional services accounted for 13 percent of the health outlays for the youngest group but only 3 percent for the aged, as the tabulation below indicates.

Beginning January 1972, expenditures for services in intermediate-care facilities (ICF) began to be reimbursed under the Medicaid program and added to the personal health care total.<sup>2</sup> Spending for this purpose is classified as "other health services" and affects the aged primarily. Fiscal year 1973 is the first full year with ICF payments in the health expenditure figures. As a result of this addition the outlays for the aged for "other health services" doubled.

The different types of expenditures are financed in different ways. More than half the expenditures for hospital care were publicly financed in 1973. For the young, the public share was 50 percent; it was 39 percent for persons in the intermediate age group and 82 percent for the aged. The high proportion for the aged reflects chiefly

Type of expenditure	Age			
	All ages	Under 19	19-64	65 and over
Total.....	100.0	100.0	100.0	100.0
Hospital care.....	45.2	30.4	47.7	48.4
Physicians' services.....	22.5	31.8	22.4	17.7
Other professional services.....	8.8	12.8	10.5	3.3
Drugs and drug sundries.....	11.0	13.9	11.0	9.2
Nursing-home care.....	4.7	.8	1.0	14.1
Other health services.....	7.8	10.3	7.4	7.3

<sup>2</sup> Prior to January 1972, ICF expenditures were financed through cash assistance programs and excluded from the health expenditure figures.

the \$6.6 billion that was spent for hospital care under the Medicare program.

Public funds finance only about one-fifth of total physicians' service expenditures. For the two younger groups, slightly more than one-tenth of the expenditures for physicians' services was met by public funds; for the aged, government contributed nearly three-fifths.

The public share of the total was 27 percent for all other types of expenditures. Among the

age groups it was 27 percent for the young, 18 percent for the intermediate age group, and 44 percent for the oldest group.

The average amount spent per person for each type of expenditure varies widely with age, as the tabulation that follows shows. The average hospital care bill for a person aged 19-64 (\$183) was more than three and one-half times that for a youth; his average amount for physicians' services (\$86) was more than one and one-half times

TABLE 4.—Estimated personal health care expenditures under public programs, by program and source of funds, for three age groups, fiscal years 1971-73

[In millions]

Program	All ages			Under 19			19-64			65 and over		
	Total	Federal	State and local	Total	Federal	State and local	Total	Federal	State and local	Total	Federal	State and local
1971												
Total.....	\$23,221	\$15,415	\$7,807	\$2,718	\$1,579	\$1,139	\$9,136	\$4,593	\$4,543	\$11,369	\$9,242	\$2,127
Health insurance for the aged.....	7,478	7,478	68	-----	-----	-----	68	-----	68	7,478	7,478	-----
Temporary disability insurance.....	-----	-----	68	-----	-----	-----	68	-----	68	-----	-----	-----
Workmen's compensation (medical benefits).....	1,095	25	1,070	-----	-----	-----	1,053	25	1,028	42	42	42
Public assistance (vendor medical payments).....	5,997	3,222	2,775	1,050	564	486	2,723	1,463	1,260	2,225	1,195	1,030
General hospital and medical care.....	3,748	414	3,334	312	112	200	2,321	241	2,080	1,114	60	1,054
Defense Department hospital and medical care (including military dependents).....	1,957	1,957	-----	685	685	-----	1,213	1,213	59	59	59	-----
Maternal and child health services.....	403	148	255	275	101	174	128	47	81	-----	-----	-----
School health.....	272	-----	272	272	-----	272	-----	-----	-----	433	433	433
Veterans' hospital and medical care.....	1,854	1,854	-----	33	26	7	1,421	1,421	101	4	3	1
Medical vocational rehabilitation.....	163	130	33	-----	7	-----	127	-----	26	14	14	-----
Office of Economic Opportunity.....	187	187	-----	91	91	-----	82	82	-----	14	14	-----
1972												
Total.....	\$27,156	\$18,145	\$9,010	\$3,305	\$1,975	\$1,330	\$10,997	\$5,739	\$5,258	\$12,861	\$10,432	\$2,419
Health insurance for the aged.....	8,364	8,364	68	-----	-----	-----	68	-----	68	8,364	8,364	-----
Temporary disability insurance.....	-----	-----	68	-----	-----	-----	68	-----	68	-----	-----	-----
Workmen's compensation (medical benefits).....	1,215	27	1,188	-----	-----	-----	1,171	27	1,144	44	44	44
Public assistance (vendor medical payments).....	7,455	4,003	3,453	1,208	681	587	3,590	1,928	1,662	2,597	1,395	1,202
General hospital and medical care.....	4,353	619	3,734	474	194	280	2,647	366	2,281	1,231	59	1,172
Defense Department hospital and medical care (including military dependents).....	2,341	2,341	-----	810	819	-----	1,451	1,451	70	70	70	-----
Maternal and child health services.....	495	259	236	337	176	161	158	83	75	-----	-----	-----
School health.....	295	-----	295	295	-----	295	-----	-----	-----	530	530	530
Veterans' hospital and medical care.....	2,233	2,233	-----	36	29	7	1,703	1,703	112	4	3	1
Medical vocational rehabilitation.....	179	143	36	76	76	-----	140	112	28	11	11	-----
Office of Economic Opportunity.....	156	156	-----	-----	-----	-----	69	69	-----	-----	-----	-----
1973 <sup>1</sup>												
Total.....	\$30,335	\$20,105	\$10,230	\$3,576	\$2,137	\$1,430	\$12,287	\$6,393	\$5,894	\$14,473	\$11,576	\$2,897
Health insurance for the aged.....	9,039	9,039	68	-----	-----	-----	68	-----	68	9,039	9,039	-----
Temporary disability insurance.....	-----	-----	68	-----	-----	-----	68	-----	68	-----	-----	-----
Workmen's compensation (medical benefits).....	1,370	30	1,340	-----	-----	-----	1,324	30	1,294	46	46	46
Public assistance (vendor medical payments).....	8,525	4,625	3,899	1,370	743	627	3,896	2,114	1,782	3,259	1,768	1,491
General hospital and medical care.....	5,060	721	4,829	560	235	325	3,070	425	2,645	1,420	61	1,359
Defense Department hospital and medical care (including military dependents).....	2,597	2,597	-----	909	909	-----	1,610	1,610	78	78	78	-----
Maternal and child health services.....	455	221	234	310	151	159	145	70	75	-----	-----	-----
School health.....	320	-----	320	320	-----	320	-----	-----	-----	608	608	608
Veterans' hospital and medical care.....	2,561	2,561	-----	40	32	8	1,955	1,955	30	4	3	1
Medical vocational rehabilitation.....	197	158	39	67	67	-----	153	123	66	19	19	19
Office of Economic Opportunity.....	152	152	-----	-----	-----	-----	66	66	-----	-----	-----	-----

<sup>1</sup> Preliminary estimates.

that spent for a youth. For the aged, the average expenditure for hospital care was ten times that for a young person. The aged person spent \$186, on the average, for physicians' services—nearly three and one-half times the average for a person in the youngest group and more than double the average for a person aged 19-64.

Age	Per capita expenditures			
	Total	Hospital care	Physicians' services	All other
All ages.....	\$375	\$170	\$85	\$120
Under 19.....	167	51	53	63
19-64.....	384	183	86	115
65 and over.....	1,052	509	186	357

## TRENDS

In the 7 years that Medicare and Medicaid have been in operation, personal health care expenditures have averaged increases of 12 percent a year. This high annual rate of increase was the result of inflation in medical care prices as well as the increased use of services. The past few years, however, have seen a slowdown in this growth, partly because of the economic stabilization program that acted to depress inflation. By fiscal year 1973, the growth rate was 10 percent.

The rate of growth, however, may differ from age group to age group. An epidemic, for example, may affect one age group more than another. Changes in the use of health services, improvements in medical technology, population increases, and public spending policies all help determine growth in expenditures and can vary for each age group. In fiscal year 1973, the growth rates in expenditures for all of the age groups decelerated but to different degrees. For the two younger age groups, the growth rates in health care spending dropped just slightly from the previous year—from 7.7 percent to 7.6 percent for those under age 19 and from 10.3 percent to 9.9 percent for those aged 19-64. For persons aged 65 and over the growth in expenditures dropped the fastest. In 1972 the annual rate for this group was 13.9 percent; by 1973, it was down to 11.6 percent. The age differences in annual rates of increase in expenditures are shown in the following tabulation:

Fiscal year	Annual percentage increase			
	Total	Under age 65		
		Total	Under 19	19-64
1967.....	14.1	12.0	(1)	(1)
1968.....	12.1	9.2	9.8	9.1
1969.....	12.4	11.7	9.6	12.3
1970.....	13.6	13.7	14.9	13.4
1971.....	11.1	10.5	10.7	10.4
1972.....	10.8	9.7	7.7	10.3
1973.....	10.0	9.4	7.6	9.9

<sup>1</sup> Data not available.

## Source of Funds

The most significant trend in recent years has been the shift in the source of funds for medical care. With the implementation of Medicare and Medicaid, the government has taken over an increasingly larger share of the personal health care bill. Although most of the shift in financing has been for the aged population, the public share for those under age 65 also has grown—from 19 percent in 1966 to 28 percent in 1973.

For the aged, the growth in government financing has been considerable. Public funds paid 30 percent of the health bill for the aged in 1966. In fiscal year 1973 the percentage reached 64. Medicare alone spent more in that year than the total aged health bill in 1966. Medicaid, too, spends substantial amounts on the aged. In 1973, this program spent \$3.3 billion on the aged poor by financing their Medicare health insurance premiums and paying other health bills not met by Medicare.

Medicare paid 40 percent of the health bills for the aged in 1973 (table 5). For services covered under Medicare, the proportion is considerably higher—61 percent for hospital care, and 53 percent for physicians' services. For other services such as dental care or out-of-hospital prescription drugs, Medicare does not pay anything.

Medicare's share of health expenditures for the aged has been declining slightly in recent years. Part of this decrease is due to the inclusion of Medicaid's ICF payments in the total for the aged. As noted earlier, such payments (classified here under "other health services") were first included under Medicaid in January 1972; half of fiscal year 1972 and all of 1973 therefore reflect this addition. Total ICF outlays amounted to about \$400 million in fiscal year 1972 and an

TABLE 5.—Estimated amount and percentage distribution of personal health care expenditures for the aged, by type of expenditure and source of funds, fiscal years 1971–73

Type of expenditure	Amount (in millions)					Percentage distribution				
	Total	Private	Public			Total	Private	Public		
			Total	Medicare	Other			Total	Medicare	Other
1971										
Total.....	\$17,650	\$6,283	\$11,369	\$7,478	\$3,891	100 0	35.6	64.4	42.4	22.0
Hospital care.....	8,644	1,416	7,228	5,290	1,938	100.0	16.4	83.6	61.2	22.4
Physicians' services.....	3,168	1,159	2,009	1,859	150	100.0	36.6	63.4	58.7	4.7
Dentists' services.....	330	299	31	—	31	100.0	90.6	9.4	—	9.4
Other professional services.....	318	229	89	78	11	100.0	72.0	28.0	—	3.5
Drugs and drug sundries.....	1,798	1,588	210	—	210	100.0	88.3	11.7	—	11.7
Eyeglasses and appliances.....	412	408	—	—	4	100.0	99.0	1.0	—	1.0
Nursing-home care.....	2,730	1,164	1,566	223	1,343	100.0	42.6	57.4	8.2	49.2
Other health services.....	250	20	230	28	202	100.0	8.0	92.0	11.2	80.8
1972										
Total.....	\$20,106	\$7,257	\$12,851	\$8,364	\$4,487	100 0	36.1	63.9	41.6	22.3
Hospital care.....	9,807	1,777	8,030	6,017	2,013	100.0	18.1	81.9	61.4	20.5
Physicians' services.....	3,658	1,508	2,150	2,006	144	100.0	41.2	58.8	54.8	3.9
Dentists' services.....	355	326	29	—	29	100.0	91.8	8.2	—	8.2
Other professional services.....	352	258	94	82	12	100.0	73.3	26.7	23.3	3.4
Drugs and drug sundries.....	1,920	1,687	233	—	233	100.0	87.9	12.1	—	12.1
Eyeglasses and appliances.....	435	430	5	—	5	100.0	98.9	1.1	—	1.1
Nursing-home care.....	2,958	1,251	1,707	216	1,491	100.0	42.3	57.7	7.3	50.4
Other health services.....	621	20	601	43	558	100.0	3.2	96.8	6.9	89.9
1973 <sup>1</sup>										
Total.....	\$22,442	\$7,972	\$14,473	\$9,039	\$5,434	100 0	35.5	64.5	40.3	24.2
Hospital care.....	10,860	2,004	8,856	6,613	2,243	100.0	18.5	81.5	60.9	20.7
Physicians' services.....	3,969	1,707	2,262	2,094	168	100.0	43.0	57.0	52.8	4.2
Dentists' services.....	381	347	34	—	34	100.0	91.1	8.9	—	8.9
Other professional services.....	353	254	99	81	18	100.0	72.0	28.0	22.9	5.1
Drugs and drug sundries.....	2,074	1,818	256	—	256	100.0	87.7	12.3	—	12.3
Eyeglasses and appliances.....	452	446	6	—	6	100.0	98.7	1.3	—	1.3
Nursing-home care.....	3,175	1,376	1,799	206	1,593	100.0	43.3	56.7	6.5	50.2
Other health services.....	1,178	20	1,158	46	1,113	100.0	1.7	98.3	3.8	94.5

<sup>1</sup> Preliminary estimates.

estimated \$1 billion in fiscal year 1973. A large proportion of these outlays were spent for the aged. If the ICF amounts were excluded, Medicare's share in both 1972 and 1973 would have

been 42 percent. Due in large part to their inclusion, however, the proportion of the aged's health bill met by all public programs increased from 63.9 percent in 1972 to 64.5 percent in 1973.

TABLE 6.—Community hospital utilization and expenses, by age group, fiscal years 1967–73

Fiscal year	Number of admissions (in thousands)			Number of patient days (in thousands)			Average length of stay (days)			Expenses	
	All ages	Under 65	65 and over	All ages	Under 65	65 and over	All ages	Under 65	65 and over	Total (in millions)	Per adjusted patient day
1967.....	27,048	21,840	5,208	214,454	148,536	65,918	7.93	6.80	12.66	\$11,510	\$49.22
1968.....	27,465	21,960	5,505	221,971	148,878	73,093	8.08	6.78	13.28	13,697	56.24
1969.....	28,027	22,123	5,904	227,633	149,585	78,048	8.12	6.76	13.22	15,965	63.66
1970.....	28,238	23,101	6,137	231,601	153,120	78,481	7.92	6.63	12.79	18,669	73.14
1971.....	30,312	23,966	6,346	234,413	155,475	78,988	7.73	6.49	12.44	21,418	82.70
1972.....	30,706	24,071	6,635	232,892	153,587	79,305	7.58	6.38	11.95	23,925	92.48
1973.....	31,483	24,513	6,970	235,984	155,623	80,361	7.50	6.35	11.53	26,589	101.05
Percentage change from preceding year.											
1968.....	1.5	0.5	5.7	3.5	0.2	10.0	1.0	-0.3	4.9	19.0	14.3
1969.....	2.0	.7	7.2	2.6	.5	6.8	.5	-1.3	-.5	16.6	13.2
1970.....	4.3	4.4	3.9	1.7	2.4	6	-2.5	-1.9	-3.3	16.9	14.9
1971.....	3.7	3.7	3.4	1.2	1.5	.6	-2.4	-2.1	-2.7	14.7	13.1
1972.....	1.3	.4	4.6	-1.6	-1.2	.5	-1.9	-1.7	-3.9	11.7	11.8
1973.....	2.5	1.8	5.0	1.3	1.3	1.3	-1.1	-.5	-3.5	11.1	9.3

Source "Hospital Indicators," *Hospitals*, midmonth issues.

For hospital care, Medicare's share has declined from 66 percent in 1969 to 61 percent in 1973, partly because of the decline in the average length of stay for aged persons (table 6). Since the aged individual is responsible for a hospital deductible roughly equivalent to 1 day of care, his proportion of the bill goes up as the average length of stay goes down.

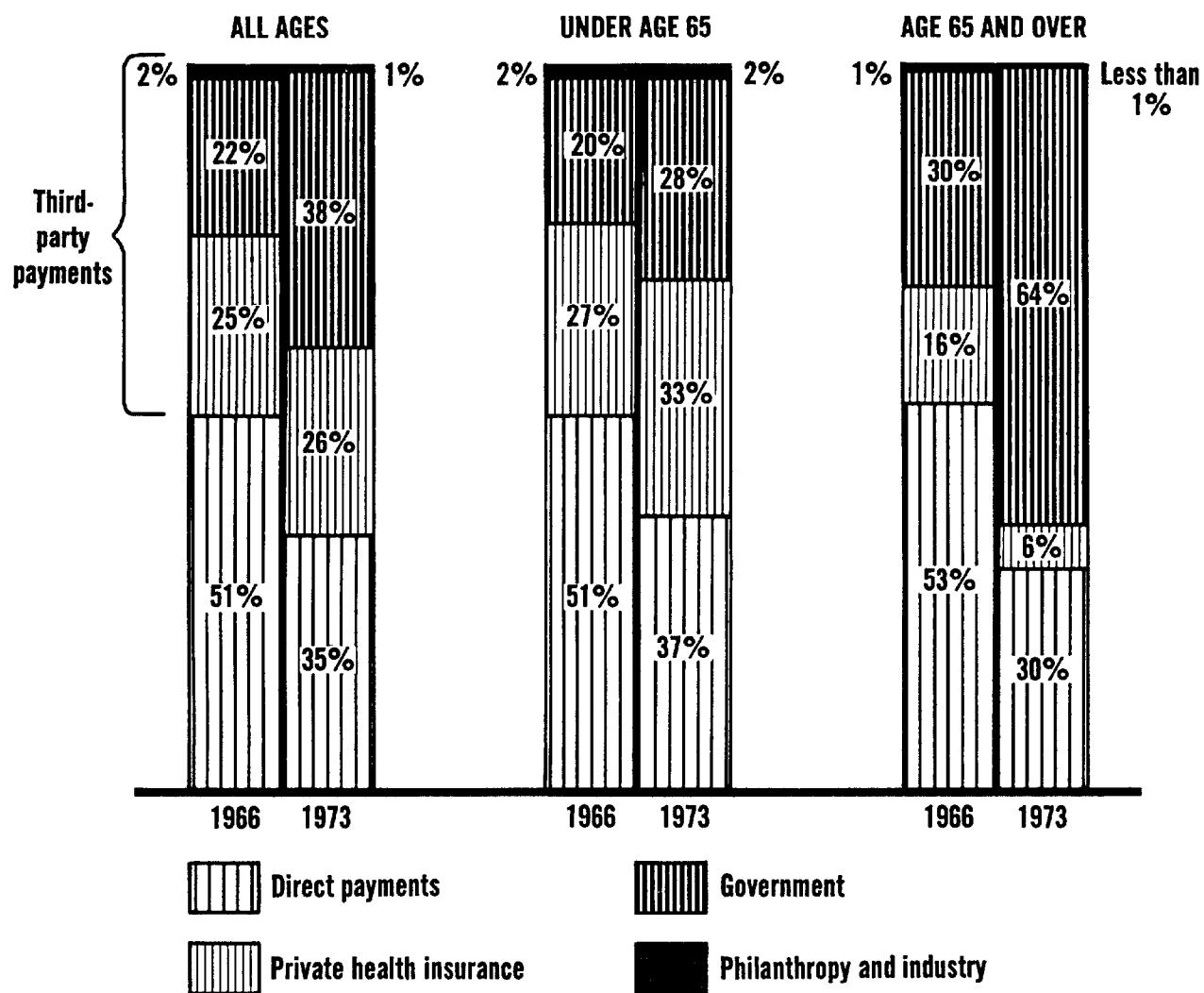
For physicians' services, the proportion paid by Medicare went down from 61 percent in 1969 to 53 percent in 1973. The reduction reflects in part the \$10 increase to \$60 in the deductible under Medicare's medical insurance program, effective January 1973. Tighter regulations for reimbursement of charges for physicians' services also contributed to reducing Medicare's share of

medical expenses. Another factor was the decrease in the proportion of claims for which physicians have accepted assignment.

When a physician accepts assignment, he accepts Medicare's determination of a reasonable charge and the patient is billed only for the unmet part of the annual \$60 deductible plus 20 percent of the remaining amount. If he does not accept assignment, he can charge more than the "reasonable charge" under Medicare and the patient must make up the difference. In fiscal year 1969, the net assignment rate (excluding hospital-based physicians) was 61 percent; in 1973, it was down to 53 percent.

A decline in Medicare's share has also occurred in other types of services. The most significant

CHART 2—Percentage distribution of expenditures for personal health care, by source of funds and age group, fiscal years 1966 and 1973



drop in Medicare payments has been for skilled-nursing facilities. Beginning in fiscal year 1970, controls on the use of skilled-nursing facilities were tightened and payments for such care have declined each year since. In 1969, Medicare spent \$367 million for skilled nursing—nearly 18 percent of the nursing-home bill for those aged 65 and over.<sup>3</sup> By 1973, the Medicare outlay was \$206 million—6 percent of the bill.

#### Per Capita Amounts

Although aggregate amounts and percentage increases provide a global view of medical care spending, the impact of growth or changes is best understood when expressed in terms of per capita amounts. In 1966, the average amount spent for health care was \$182. In the past fiscal year this amount reached \$375—more than double the 1966 amount (table 7). Some of the increase reflects inflation, some results from increased use of services, and the remainder is due to improved and more costly treatment methods. It is not possible to determine what portion is caused by inflation since a price measure is not available that accurately reflects the medical care sector of the economy. The medical care component of the Consumer Price Index has often been used for this purpose but the weights of the various health care services and supplies in this measure are not comparable to those in the medical care bill. It would be even more difficult to isolate the effects of inflation for each of the age groups since the weights of the various health services and supplies would have to differ for each age group.

The growth in the average amount spent for health care has been substantial for all ages. For a person under age 65, the average amount has doubled over the last 7 years. For the aged, the growth has been even more marked. In 1966, medical care outlays for each aged person averaged \$445. By 1973, the per capita amount had jumped about \$600 to \$1,052. The continuing growth of third-party financing, however, changes the picture considerably.

<sup>3</sup> For 1969 figures, see Barbara S. Cooper and Nancy L. Worthington, "Age Differences in Medical Care Spending, Fiscal Year 1972," *Social Security Bulletin*, May 1973.

#### Third-Party Payments

Third parties—government, private health insurance, philanthropy, and industry through industrial in-plant services—have been playing an increasingly greater role in the financing of health care. Included in third-party outlays are the premium payments made under private health insurance or under Medicare. The tremendous influx of Medicare and Medicaid funds for the aged, along with a substantial growth in government and private health insurance payments for younger persons, has significantly lessened the direct burden on the individual's pocket-book (chart 2).

In 1973, third parties financed nearly two-thirds of a person's average health care outlays, a sizable increase from 1966 when third parties paid less than one-half. For aged persons, the growth in third-party financing has been even greater. In 1966, third parties paid less than half of the health bills for the aged. By 1973, their share rose to more than seven-tenths, most of it

CHART 3.—Private per capita expenditures for personal health care for the aged, by type of expenditure, fiscal years 1966 and 1973

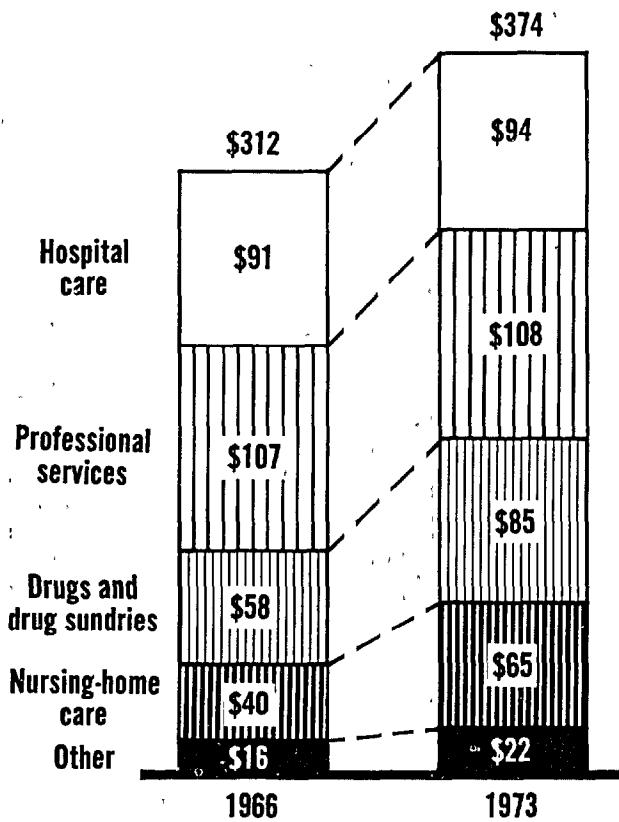


TABLE 7.—Amount and percent of expenditures for personal health care met by third parties for two age groups, fiscal years 1966–73

Fiscal year	Total	Direct payments	Third-party payments			
			Total	Private health insurance	Government	Philanthropy and industry
All ages						
Total amount (in millions).						
1966	\$36,216	\$18,668	\$17,548	\$8,936	\$7,892	\$720
1967	41,324	18,766	22,558	9,344	12,461	753
1968	46,323	18,899	27,424	10,444	16,205	775
1969	52,059	20,316	31,744	12,206	18,714	824
1970	59,127	23,281	35,846	14,406	20,550	890
1971	66,662	24,749	40,913	16,723	23,221	964
1972	72,761	25,968	46,793	18,602	27,156	1,025
1973	80,048	28,127	51,921	20,463	30,335	1,123
Per capita amount						
1966	\$181.96	\$93.79	\$88.16	\$44.90	\$39.65	\$3.62
1967	205.35	93.26	112.10	46.43	61.92	3.74
1968	227.78	92.93	134.85	51.36	79.68	3.81
1969	253.52	98.93	154.59	59.44	91.13	4.01
1970	285.00	112.22	172.79	69.44	99.06	4.29
1971	313.36	118.11	195.25	79.83	110.82	4.60
1972	343.89	122.73	221.16	87.92	128.35	4.89
1973	375.41	131.91	243.50	98.97	142.27	5.27
Percentage distribution						
1966	100.0	51.5	48.5	24.7	21.8	2.0
1967	100.0	45.4	54.6	22.6	30.2	1.8
1968	100.0	40.8	59.2	22.5	35.0	1.7
1969	100.0	39.0	61.0	23.4	35.9	1.6
1970	100.0	39.4	60.6	24.4	34.8	1.5
1971	100.0	37.7	62.3	25.5	35.4	1.5
1972	100.0	35.7	64.3	25.6	37.3	1.4
1973	100.0	35.1	64.9	25.6	37.9	1.4
Under age 65						
Total amount (in millions)						
1966	\$27,974	\$14,286	\$13,688	\$7,627	\$5,432	\$620
1967	31,332	15,085	16,247	8,755	6,815	677
1968	34,222	15,711	18,511	9,786	8,024	701
1969	38,223	16,784	21,439	11,437	9,256	746
1970	43,461	18,720	24,741	13,498	10,434	809
1971	48,010	19,574	28,436	15,708	11,854	874
1972	52,657	19,928	32,729	17,486	14,302	941
1973	57,807	21,488	36,119	19,235	15,863	1,021
Per capita amount						
1966	\$154.96	\$79.13	\$75.82	\$42.25	\$30.09	\$3.48
1967	171.71	82.67	89.04	47.98	37.35	3.71
1968	185.73	85.27	100.47	53.11	43.55	3.80
1969	205.68	90.32	115.36	61.54	49.81	4.01
1970	231.77	99.83	131.94	71.98	55.64	4.31
1971	254.02	103.56	150.45	83.11	62.72	4.62
1972	276.22	104.53	171.68	91.72	75.02	4.94
1973	300.19	111.97	188.21	100.23	82.66	5.32
Percentage distribution						
1966	100.0	51.1	48.9	27.3	19.4	2.2
1967	100.0	48.1	51.9	27.9	21.8	2.2
1968	100.0	45.9	54.1	28.6	23.4	2.0
1969	100.0	43.9	56.1	29.9	24.2	2.0
1970	100.0	43.1	56.9	31.1	24.0	1.9
1971	100.0	40.8	59.2	32.7	24.7	1.8
1972	100.0	37.8	62.2	33.2	27.2	1.8
1973	100.0	37.3	62.7	33.4	27.5	1.8
Aged 65 and over						
Total amount (in millions)						
1966	\$8,242	\$4,382	\$3,860	\$1,309	\$2,460	\$91
1967	9,990	3,681	6,309	589	5,644	76
1968	12,102	3,191	8,911	658	8,179	74
1969	13,838	3,534	10,304	769	9,457	78
1970	15,664	4,569	11,105	908	10,116	81
1971	17,650	5,171	12,479	1,020	11,369	90
1972	20,106	6,045	14,061	1,116	12,851	94
1973	22,442	6,640	15,802	1,228	14,473	101
Per capita amount						
1966	\$445.25	\$236.72	\$208.52	\$70.71	\$132.89	\$4.92
1967	532.32	196.14	336.18	31.38	300.74	4.05
1968	638.05	166.92	466.13	34.42	427.84	3.87
1969	709.35	181.16	528.19	39.42	484.78	4.00
1970	785.67	228.67	557.00	45.54	507.40	4.06
1971	859.51	251.81	607.69	49.67	553.64	4.38
1972	859.85	288.59	671.27	53.28	613.50	4.49
1973	1,052.48	311.40	741.08	87.59	678.75	4.74
Percentage distribution						
1966	100.0	53.2	46.8	15.9	29.8	1.1
1967	100.0	36.8	63.2	5.9	56.5	.8
1968	100.0	26.4	73.6	5.4	67.8	.6
1969	100.0	25.5	74.5	5.6	68.3	.6
1970	100.0	29.1	70.9	5.8	64.6	.5
1971	100.0	29.3	70.7	5.8	64.4	.5
1972	100.0	30.1	69.9	5.6	63.9	.5
1973	100.0	29.6	70.4	5.5	64.5	.4

in public funds. As a result, in 1973 an aged person directly paid an average of \$311 out of his total \$1,052 bill. Of the \$600 growth in his bill since 1966, his direct payments have grown just \$75.

Probably the largest contributors to the rise in direct payments by the aged are expenditures for items still generally not covered by either Medicare or private health insurance. The two largest sources of increase in private per capita spending during the 1966-73 period were outlays for out-of-hospital drugs and nursing-home care, which together increased \$52 (chart 3). In 1966, these two services comprised three-tenths of the aged's private expenditures. By 1973, two-fifths of private sources went for these same services. In contrast, both hospital care and pro-

fessional services lost importance in the aged's private health bill. Private outlays for these two services combined grew just \$4 over the 7-year period.

Although the impact of third parties on the younger population's health bills is not so dramatic, it is not insignificant. In 1966, third parties paid 49 percent of health outlays for those under age 65. Today, the proportion is 63 percent. The major third party is private health insurance, paying one-third of the total bill. This proportion has remained the same over the last 3 reported years. The government's share—about 27 percent—has been the same for the last 2 years. On a per capita basis, a person under age 65 directly paid \$112 for health care in 1973—\$33 more than 7 years earlier.