

National Health Expenditures, 1929-74

by NANCY L. WORTHINGTON*

Preliminary estimates of the Nation's health spending in fiscal year 1974 and data for previous years are presented in this annual article. In fiscal year 1974, health expenditures passed the \$100 billion mark, reaching an estimated \$104.2 billion, or \$485 per capita. The increase for 1974 in total spending was 10.6 percent, slightly higher than the revised annual increase of 9.1 percent for 1973 when mandatory economic controls were fully in effect for the health industry. Despite the acceleration, health expenditures remained at the 1973 proportion of the gross national product—7.7 percent. Public spending increased twice as fast as private, mainly because of the expansion of the Medicare and Medicaid programs. Third parties financed an estimated 65 percent of all personal health care spending, with the government's share 38 percent and that of private health insurance 26 percent. Direct out-of-pocket payments in 1974 amounted to \$149 per person, compared with \$142 the previous year.

AMERICANS ARE NOW SPENDING more than \$100 billion a year for medical care. Preliminary estimates for fiscal year 1974 place total health spending at \$104.2 billion, an average of \$485 per person.¹ The 1974 outlays were 10.6 percent higher than they were a year earlier, and, although this represents the second lowest increase since 1966, it is a slight acceleration over the 1973 rate (table 1). Revised estimates for 1973—the only fiscal year during which mandatory economic controls were fully in effect for the health industry—indicate that the annual rate of increase in that year was 9.1 percent, the smallest increase since the introduction of Medicare and Medicaid (the State-Federal medical assistance program) in 1966. Despite the acceleration in 1974, however, health expenditures as a percentage of GNP (gross national product) remained the same as in 1973—7.7 percent. Since

* Division of Health Insurance Studies, Office of Research and Statistics

¹ For comparable data on a calendar-year basis, see Nancy L. Worthington, *National Health Expenditures, Calendar Years 1929-73* (Research and Statistics Note No. 1), Office of Research and Statistics, 1975. Unless otherwise stated, all figures in this *Bulletin* article are fiscal-year figures.

1971, health spending as a percentage of GNP appears to have leveled off after 5 years of rapid gains (chart 1).

The data reported here for recent years have been revised somewhat, as is customary for this series when more reliable data become available. This year, however, a major additional revision was undertaken in the nursing-home expenditure category. In previous years, nursing-home care included only spending for care in skilled-nursing homes. Vendor payments to intermediate-care facilities under the Medicaid program were previously classified with "other health services," since the care they provide is less intensive than that provided by a skilled-nursing facility. In this article, however, the nursing-home category includes expenditures in all facilities that provide some level of nursing care, including all homes certified by Medicare and/or Medicaid as skilled-nursing facilities, those certified by Medicaid as intermediate care facilities, and those providing some nursing care but not certified by either program. Revisions for previous years have been made in the nursing-home category so that this definition is consistent throughout.

EXPENDITURES IN FISCAL YEAR 1974

The Nation's \$104.2 billion health bill is a function of a number of factors, including the price of services and supplies, per capita utilization, supply of facilities and health manpower, and the quality and quantity of inputs. Although the contribution of each factor varies according to the category of expenditure, price increases have historically been the major contributor to rising expenditures.

Beginning in August 1971, the health industry was subject to mandatory economic controls under the economic stabilization program that remained in force until April 30, 1974. Although controls on the health industry were officially in effect for 10 months of fiscal year 1974, medical care prices began to accelerate several months before the expiration of the program. As a result the last half of 1973 was characterized by unusually

high rates of increase, as shown below. These yearend price rises contributed substantially to the higher health spending levels in 1974.

6 months ending—	Percentage increase			
	Medical care, total	Hospital semi-private room charges	Physicians' fees	Dentists' fees
June 1971 ¹	3 5	5 7	3 3	3 4
December 1971.....	1 2	3 3	1 8	2 8
June 1972.....	1 8	3 5	1 3	1 8
December 1972.....	1 5	1 4	1 1	1 0
June 1973.....	1 9	2 9	1 9	1 8
December 1973.....	3 2	2 8	2 0	1 8
June 1974.....	5 7	6 4	6 7	5 1

¹ Before the economic stabilization program.

² Much of this increase is due to the annual adjustment in the medical care index for the price of health insurance that is not an itemized component of the index but is a factor used in its calculation.

Source: *Consumer Price Index*, Bureau of Labor Statistics.

Type of Expenditure

Hospital care continues to be the largest expenditure item, accounting for \$40.9 billion or 39 percent of total spending (table 2). The 13.1-percent increase in 1974 is the highest since 1970. This rise reflects the increase both in inpatient utilization and in costs and charges for hospital care. The tabulation below shows that the number of inpatient days in community hospitals rose 2.7 percent during 1974, the highest rise since 1968.

Fiscal year	Community hospitals						
	Admissions (in thousands)	Inpatient days (in thousands)	Average length of stay (in days)	Occupancy rate (per cent)	Outpatient visits (in thousands)	Total expenses (in millions)	Expense per adjusted patient day ¹
Number or amount in year							
1966.....	26,831	203,741	7 6	76 4	94,083	\$9,721	\$43 58
1967.....	27,048	214,454	7 9	78 0	100,301	11,510	49 22
1968.....	27,465	221,971	8 1	78 2	108,150	13,697	56 24
1969.....	28,027	227,633	8 1	78 5	113,805	15,965	63 66
1970.....	29,238	231,601	7 9	77 8	126,404	18,669	73 14
1971.....	30,312	234,413	7 7	77 1	142,582	21,418	82 70
1972.....	30,706	232,892	7 6	75 1	152,571	23,925	92 48
1973.....	31,483	235,984	7 5	75 0	163,481	26,569	101 05
1974.....	32,762	242,398	7 4	75 4	170,584	30,115	110 77
Percentage change from preceding year							
1967.....	0 8	5 3	3 9	2 1	6 6	18 4	12 9
1968.....	1 5	3 5	2 5	3	7 8	19 0	14 3
1969.....	2 0	2 6	—	4	5 2	16 6	13 2
1970.....	4 3	1 7	-2 5	-1 9	11 1	16 9	14 9
1971.....	3 7	1 2	-2 5	-9	12 8	14 7	13 1
1972.....	1 3	-6	-1 3	-2 6	7 0	11 7	11 8
1973.....	2 5	1 3	-1 3	-1 3	7 2	11 1	9 3
1974.....	4 0	2 7	-1 3	5	4 3	13 3	9 6

¹ Adjusted to account for the volume of outpatient visits.

Source: "Hospital Indicators," *Hospitals*, midmonth issues, and unpublished data from the American Hospital Association.

In addition, community hospital expenses per adjusted patient day, as reported by the American Hospital Association, accelerated during 1974 after 3 years of declining rates of increase. Hospital charges, as measured by the semiprivate-room charges component of the Bureau of Labor Statistics consumer price index (CPI), also accelerated somewhat in 1974.² Since hospitals are reimbursed through both cost-reimbursement and the payment of charges, these cost and price rises, combined with the increased utilization, brought about the increase in hospital expenditures.

Physicians' services represent the second largest expenditure category. Outlays for the services of physicians rose an estimated 8.5 percent in 1974 to reach \$19.0 billion. Since current data on gross receipts of physicians in private practice are not yet available from the Internal Revenue Service, expenditure estimates for 1974 are based on price and utilization changes. Revised estimates for 1973 indicate that the rise in spending for physicians' services in that year was 6.6 percent—the lowest since 1966. This deceleration mainly resulted from the dramatic reduction in physicians' fee increases that took place during most of the economic stabilization program period. Physicians' fees increased by only 2.6 percent during 1973. Fees began to rise faster during the last months of 1974, and as a consequence the annual increase was nearly twice as high as in 1973—5.0 percent. This inflation accounts for the higher rate of increase in expenditures for 1974.

Spending for nursing-home care reached an estimated \$7.5 billion in 1974, an increase of 12 percent. The change in the definition of this category to include levels of care other than skilled was described earlier. Revised estimates for the past 8 fiscal years, shown below, demon-

Fiscal year	Amount (in millions)			Percentage distribution		
	Total	Private	Public	Total	Private	Public
1967.....	\$1,751	\$844	\$907	100 0	48 2	51 8
1968.....	2,360	894	1,466	100 0	37 9	62 1
1969.....	3,057	1,354	1,703	100 0	44 3	55 7
1970.....	3,818	2,145	1,673	100 0	56 2	43 8
1971.....	4,890	2,919	1,971	100 0	59 7	40 3
1972.....	5,860	3,395	2,465	100 0	57 9	42 1
1973.....	6,650	3,386	3,264	100 0	50 9	49 1
1974.....	7,450	3,504	3,946	100 0	47 0	53 0

² A more comprehensive measure of hospital charges is the composite hospital service charges component of the CPI, introduced in January 1972. Comparable data are not available for earlier periods.

TABLE 1.—Aggregate and per capita national health expenditures, by source of funds, and percent of gross national product, selected fiscal years, 1929-74

Fiscal year	Gross national product (in billions)	Health expenditures								
		Total			Private			Public		
		Amount (in millions)	Per capita	Percent of GNP	Amount (in millions)	Per capita	Percent of total	Amount (in millions)	Per capita	Percent of total
1929	\$101.0	\$3,589	\$29.16	3.6	\$3,112	\$25.28	86.7	\$477	\$3.88	13.3
1935	68.7	2,846	22.04	4.1	2,303	17.84	80.9	543	4.21	19.1
1940	95.1	3,863	28.83	4.1	3,081	22.99	79.8	782	5.84	20.2
1950	263.4	12,028	78.35	4.6	8,962	58.38	74.5	3,066	19.97	25.5
1955	379.7	17,330	103.76	4.6	12,909	77.29	74.5	4,421	26.46	25.5
1960	495.6	25,856	141.63	5.2	19,461	106.60	75.3	6,395	35.03	24.7
1965	655.6	38,892	197.75	5.9	29,357	149.27	75.5	9,535	48.48	24.6
1966	718.5	42,109	211.56	5.9	31,279	157.15	74.3	10,830	54.41	25.7
1967	771.4	47,879	237.93	6.2	32,057	159.80	67.0	15,823	78.63	33.0
1968	827.0	53,765	264.37	6.5	33,727	165.84	62.7	20,040	98.54	37.3
1969	899.0	60,617	295.20	6.7	37,682	183.51	62.2	22,937	111.70	37.8
1970	954.8	69,202	333.57	7.2	43,904	211.92	63.5	25,298	121.65	36.5
1971	1,013.6	77,162	368.25	7.6	48,568	231.74	62.9	28,604	136.51	37.1
1972	1,100.6	86,391	408.31	7.8	53,365	252.22	61.8	33,025	156.09	38.2
1973	1,225.2	94,235	441.94	7.7	58,415	273.95	62.0	35,819	167.98	38.0
1974 ¹	1,349.8	104,239	485.36	7.7	62,929	293.01	60.4	41,311	192.35	39.6

¹ Preliminary estimates.

strate both the rapid growth in the nursing-home industry and the changes in sources of financing for nursing-home care. The impact of Medicaid payments for intermediate care is evident as the private share of total spending has continued to drop since 1971.

The fastest-growing expenditure category in 1974 was "government public health activities." Spending for this category reached \$2.1 billion. The overall increase of 26 percent was spurred by a 35-percent increase in Federal spending. About half of the Federal rise does not represent an actual increase in spending but instead can be traced to the reclassification of expenditures formerly made by the Office of Economic Opportunity (OEO). Health activities of the OEO, outlays for which totaled more than \$150 million in 1973, have been transferred to the Department of Health, Education, and Welfare. As a result, spending for health activities originating with OEO is no longer shown separately but is included as of 1974 with "government public health activities" and is not allocated by type of expenditure.

In addition, Federal expenditures for public health activities, medical research, and other health-related endeavors, held down somewhat during 1973 by the impoundment of Federal funds, were boosted slightly by the release of some of these funds during 1974. The slight decline registered in the residual "other health services" category from 1973 does not reflect a

real decline in spending but stems simply from the unavailability of data on school health expenditures as of 1974.

Source of Funds

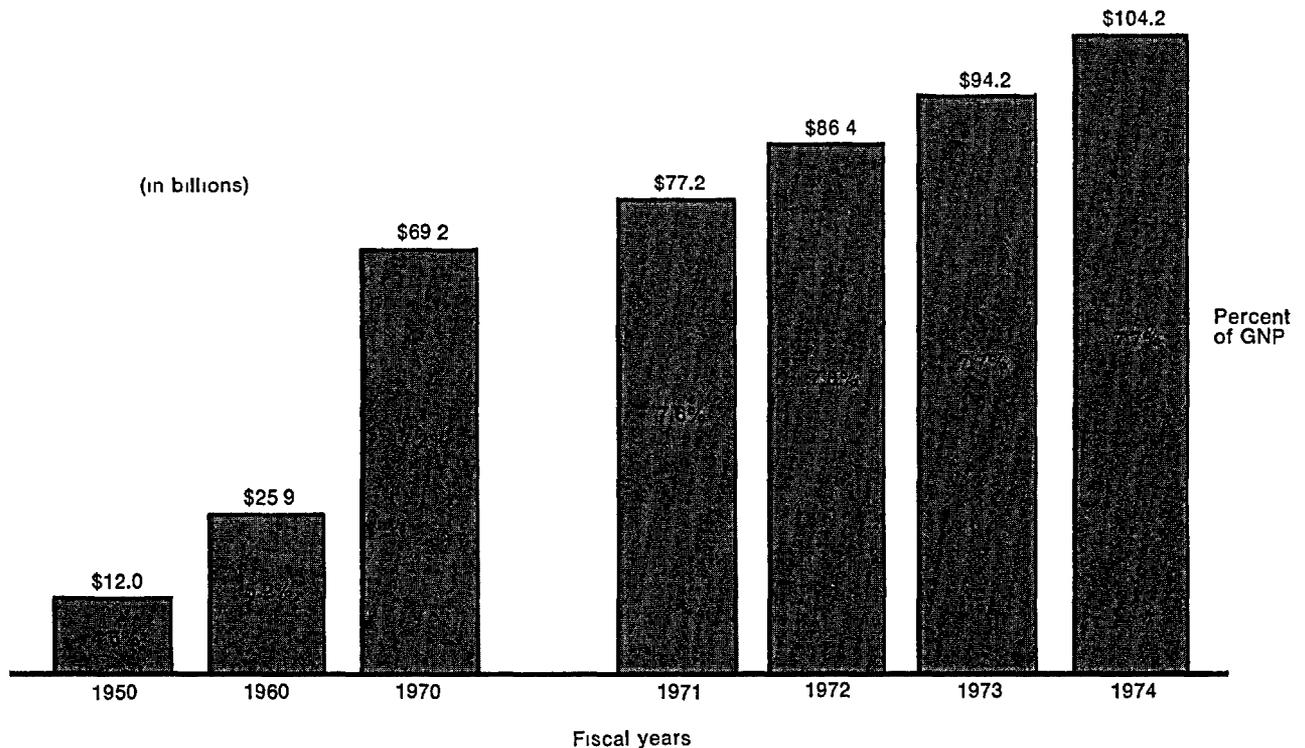
Although growth rates for private and public funds varied from year to year, the proportion of the total each represents remained essentially the same from 1968 to 1973. In 1974, however, public spending increased twice as fast as private (15.3 percent, compared with 7.7 percent), and the public share of the total grew 1½ percentage points to 39.6 percent. This rising share is largely due to expanded coverage under Medicare and Medicaid.

The public, or government, contribution to health spending is financed by all levels of government—Federal, State, and local. Since Medicare and Medicaid were implemented, the Federal share of total public spending has been predominant, representing nearly 70 percent in 1974.

Private health expenditures represent, for the most part, payments made to providers of services by private consumers or by private insurers in their behalf. Consumer payments, which include both patient payments and insurance benefits, amounted to \$58.0 billion in 1974, about \$4.4 billion more than the 1973 total.

The remaining private spending consists of philanthropy, amounts spent by industry for

CHART 1.—National health expenditures and percent of gross national product, selected fiscal years, 1950–74



maintenance of in-plant health services (classified under “other health services”), expenditures made from capital funds for expansion, renovation, or new construction of medical facilities, and outlays for research by private foundations. These expenditures totaled \$4.9 billion in 1974.

The type of service purchased differs with the source of funds. About three-tenths of private health funds—but more than half the public funds—went for hospital care. Similarly, nursing-home care accounted for less than 6 percent of private expenditures but represented 9.6 percent of public outlays. The proportion spent for medical research was far smaller in the private sector—0.3 percent, compared with 6.0 percent in the nonprivate sector.

In contrast, only 2 percent of the public medical care dollar was spent for out-of-hospital drugs, compared with 14 percent of the private dollar. About 35 percent of private funds were spent for the services of health professionals—doctors, dentists, nurses, and other medical personnel. Only 13 percent of public funds were spent for these services.

The above analysis by source of funds classifies all of the Medicare outlays, including voluntary premium payments by individuals, as public expenditures. The classification conforms with that of social insurance in the Social Security Administration’s social welfare expenditure series, where all outlays under various government programs, including those financed through enrollee contributions, are treated as public outlays.³ This classification system tends to slightly understate the private share.

In 1974, premium payments by individuals (excluding those paid by Medicaid) accounted for more than 10 percent of the \$11.3 billion Medicare total. If these premium payments were classified as private expenditures, the private share of national health expenditures would be raised from 60.4 percent of the total to 61.5 percent.

The estimated source of funds for Medicare

³ See Alfred M. Skolnik and Sophie R. Dales, “Social Welfare Expenditures, 1974,” *Social Security Bulletin*, January 1975.

outlays in fiscal years 1972-74 is shown below for both hospital insurance and medical insurance.

Source of funds ¹	1972	1973	1974
Total Medicare expenditures (in millions)-----	\$8,819 2	\$9,478 8	\$11,321 9
Percent from—			
Payroll tax-----	61 6	70 0	71 5
Premium payments by enrollees-----	14 2	11 7	10 4
Premium payments by Medicaid-----	1 6	1 4	1 0
General revenues-----	22 6	17 0	17 0
Hospital insurance expenditures (in millions)-----	\$6,275 5	\$6,841 7	\$8,043 7
Percent from—			
Payroll tax-----	90 5	94 7	95 5
General revenues-----	9 5	5 3	4 5
Supplementary medical insurance expenditures (in millions)-----	\$2,543 7	\$2,637 1	\$3,278 3
Percent from—			
Premium payments by enrollees-----	44 4	44 7	41 5
Premium payments by Medicaid-----	5 1	5 2	4 2
General revenues-----	50 5	50 1	54 4

¹ Excludes small amounts transferred from the railroad retirement account and from interest on investments.

² Includes small amounts paid in HI premiums by persons previously uninsured.

Expenditures Under Public Programs

The government at all levels spent \$37.4 billion for health services and supplies in 1974. More than \$25 billion (68 percent) of this amount came from Federal sources; the remainder came from State and local sources.

Table 3 lists each government program along with amounts spent during fiscal years 1972 through 1974 for various types of health services and supplies. The Federal and the State and local sources of funds are shown separately to distinguish between those programs financed solely by Federal funds, those by State and local funds, and those by both. These programs and their outlays are the same as those currently reported in the annual social welfare expenditures article of the BULLETIN.

Expenditures for health services and supplies in 1974 were \$4.8 billion or 14.9 percent higher than in 1973. This increase is more than 50 percent higher than that registered in 1973 and is the result of several factors, including the expansion of the Medicare program and the accelerated inflation rate.

The Medicare and Medicaid programs accounted for 80 percent of the overall rise in public spending. Each program spent more than \$11 billion for benefits and administration in 1974. Together, they made up three-fifths of the total

government health budget. Medicare has been substantially the larger since the two programs began in 1966. Because of significant increases registered in vendor medical payments under Medicaid in recent years, however, that program now spends nearly as much as Medicare.

Expenditures under Medicare rose by \$1.8 billion or 19.4 percent in 1974. Much of this increase stems from the expanded coverage authorized under the 1972 amendments to the Social Security Act. Under the law, Medicare coverage was extended, as of July 1, 1973, to persons who have been entitled to receive cash benefits because of disability for at least 2 years and to persons with chronic kidney disease, and hospital insurance coverage was opened to previously uninsured persons aged 65 and over who enroll voluntarily and pay a premium. At that time, an estimated 1.7 million disabled persons and 9,300 persons with chronic renal disease were eligible for Medicare coverage,⁴ and, as of December 1973, an additional 12,300 persons have enrolled under the voluntary hospital insurance program.

Medicare expenditures for each covered service increased substantially during 1974. The fastest-rising benefit category was skilled-nursing care (classified as nursing-home care), which increased an estimated 45 percent—from \$154 million to \$224 million. This rise, largely attributable to the coverage of the disabled, is the first for this category since 1969.

Payments under Medicaid were \$2.0 billion (21.8 percent) higher in 1974 than in 1973. As with Medicare, Medicaid spending for all types of benefits increased rapidly during the year. The steady growth in Medicaid spending—a trend in recent years—can be attributed to ever-increasing numbers of recipients and to rising health costs.

A relatively small amount of duplication occurs in the Medicare and Medicaid amounts—a factor that causes total public expenditures to be slightly overstated. Medicaid expenditures include premiums paid into Medicare's supplementary medical insurance trust fund for coverage under State "buy-in" agreements for aged or disabled persons who either receive public assistance money payments or are medically indigent. Since premium payments into the trust

⁴ Martin Ruther, *Disability Beneficiaries Eligible for Medicare, July 1, 1973* (Health Insurance Statistics Note No 61), Office of Research and Statistics, 1974.

fund are in turn used to finance services under the supplementary medical insurance program, they are counted again. The amounts of premiums paid by States under such agreements since the beginning of Medicare are shown below:

<i>Fiscal year</i>	<i>Amount (in millions)</i>
1967 -----	\$32.1
1968 -----	53.0
1969 -----	75.8
1970 -----	97.2
1971 -----	131.5
1972 -----	137.9
1973 -----	149.3
1974 -----	153.2

The third largest category of public expenditure, general hospital and medical care, mostly represents government spending for direct provision of medical services (excepting those provided to veterans and to the military). Federal spending includes primarily the operation of Public Health Service hospitals and Indian health services. State and local spending, nearly 80 percent of the total for this category, includes for the most part funds for the operation of State or locally owned psychiatric hospitals. Total expenditures for general hospital and medical care reached \$5.0 billion in 1974, up 8.3 percent from 1973. This increase was the lowest since 1969.

Spending under two government programs is no longer shown separately, as noted earlier. Estimates of school health outlays can no longer be obtained, and spending for this purpose is included with the education category in the social welfare expenditures series and excluded from health expenditures. The health activities of the Office of Economic Opportunity have been transferred to the Department of Health, Education, and Welfare and are currently included in "government public health activities."

Fifty-eight percent of all public outlays for health services and supplies financed hospital care. This proportion differs among the various programs and depends on the coverage extended by each individual program. In 1974, hospital expenditures accounted for nearly all outlays under the general hospital and medical care category and 71 percent of the expenditures under Medicare and the Veterans Administration programs. Only 15 percent of the expenditures for maternal and child health services purchased hospital care.

For physicians' services—accounting for 12

percent of public outlays for health—the distribution also varies among the programs. Medicare used 20 percent of its funds for physicians' services, workmen's compensation spent 43 percent, and the Veterans Administration spent less than 1 percent. It should be noted that most of the expenditures made by the Veterans Administration and the Department of Defense for physicians' services are included with hospital care expenditures (see Definitions, pages 14–20).

Data on administrative costs of government programs are available in full for two programs (Medicare and Medicaid) and in part for two others (Department of Defense and Veterans Administration contract medical care programs). Administrative costs for these programs increased 47 percent in 1974, reflecting both the increased cost associated with program expansion and rising claims volume and the escalation in overhead costs due to increased management control efforts.

Government outlays for medical research and construction went up 20 percent in 1974, increasing by \$656 million. Both research and construction registered similar percentage increases. For research, the 1974 rise is 1½ times that for 1973; for construction, the 1974 increase follows a 20-percent decline in 1973.

Medical Education

As a category, "medical training and education" is not included in estimates of total health expenditures. Some of the components of this category, however, are included—mainly training outlays that cannot be separated from hospital expenses and medical research. Most of these expenditures are made by the Department of Defense and the Veterans Administration. Shown below are data on Federal spending for medical

Agency	Fiscal year		
	1972	1973	1974
	[In millions]		
Total.....	\$1,110	\$1,218	\$1,390
Department of Health, Education, and Welfare.....	683	745	806
Department of Defense.....	123	131	216
Veterans Administration.....	124	146	168
Department of Labor.....	156	156	158
Environmental Protection Agency.....	3	14	13
Other agencies.....	21	26	29

Source. *Special Analyses, Budget of the United States Government, Fiscal Year 1974*, pages 158–159 and *Fiscal Year 1975*, pages 157–158, Office of Management and Budget, 1974

education and training compiled by the Office of Management and Budget. These Federal expenditures principally include direct support for health professional schools as well as student assistance through loans and scholarships. Train-

ing is funded for a wide variety of health professionals, including physicians, dentists, nurses, mental health and other health professionals, research personnel, and paramedical personnel.

A study recently completed by the National

TABLE 2.—National health expenditures, by type of expenditure and source of funds, fiscal years 1972-74

(In millions)

Type of expenditure	Total	Source of funds					
		Private			Public		
		Total	Consumers	Other	Total	Federal	State and local
1974 ¹							
Total.....	\$104,239	\$62,929	\$58,043	\$4,886	\$41,311	\$28,343	\$12,968
Health services and supplies.....	97,183	59,815	58,043	1,772	37,369	25,335	12,034
Hospital care.....	40,900	19,272	18,759	513	21,628	14,845	6,783
Physicians' services.....	19,000	14,476	14,462	14	4,524	3,277	1,248
Dentists' services.....	6,200	5,858	5,858	-----	342	210	132
Other professional services.....	1,990	1,629	1,591	38	361	226	136
Drugs and drug sundries ²	9,695	8,900	8,900	-----	795	404	391
Eyeglasses and appliances.....	2,153	2,065	2,065	-----	88	50	38
Nursing-home care.....	7,450	3,504	3,474	30	3,946	2,208	1,738
Expenses for prepayment and administration.....	4,224	2,934	2,934	-----	1,290	1,042	247
Government public health activities.....	2,126	-----	-----	-----	2,126	1,234	892
Other health services.....	3,445	1,177	-----	1,177	-----	1,840	428
Research and medical-facilities construction.....	7,056	3,114	-----	3,114	3,942	3,008	934
Research ²	2,684	205	-----	205	2,479	2,395	84
Construction.....	4,372	2,909	-----	2,909	1,463	613	850
Publicly owned facilities.....	1,112	-----	-----	-----	1,112	277	835
Privately owned facilities.....	3,260	2,909	-----	2,909	351	336	15
1973							
Total.....	\$94,235	\$58,415	\$53,638	\$4,777	\$35,819	\$24,280	\$11,539
Health services and supplies.....	87,805	55,271	53,638	1,633	32,533	21,793	10,740
Hospital care.....	36,174	17,274	16,803	471	18,900	12,751	6,149
Physicians' services.....	17,518	13,535	13,523	12	3,983	2,933	1,049
Dentists' services.....	5,767	5,456	5,456	-----	311	212	99
Other professional services.....	1,803	1,478	1,444	34	325	216	109
Drugs and drug sundries ²	8,942	8,272	8,272	-----	670	355	305
Eyeglasses and appliances.....	1,985	1,905	1,905	-----	80	45	35
Nursing-home care.....	6,650	3,386	3,358	28	3,264	1,896	1,367
Expenses for prepayment and administration.....	3,753	2,877	2,877	-----	876	700	177
Government public health activities.....	1,685	-----	-----	-----	1,685	911	774
Other health services.....	3,528	1,088	-----	1,088	2,440	1,763	677
Research and medical-facilities construction.....	6,430	3,144	-----	3,144	3,286	2,487	799
Research ²	2,285	203	-----	203	2,082	2,002	80
Construction.....	4,145	2,941	-----	2,941	1,204	485	719
Publicly owned facilities.....	967	-----	-----	-----	967	263	704
Privately owned facilities.....	3,178	2,941	-----	2,941	237	222	15
1972							
Total.....	\$86,391	\$53,365	\$49,094	\$4,271	\$33,025	\$22,082	\$10,943
Health services and supplies.....	80,252	50,589	49,094	1,495	29,662	19,755	9,907
Hospital care.....	32,720	15,142	14,715	427	17,578	11,751	5,827
Physicians' services.....	16,431	12,793	12,782	11	3,638	2,708	930
Dentists' services.....	5,342	5,066	5,066	-----	276	186	90
Other professional services.....	1,634	1,382	1,350	32	252	177	76
Drugs and drug sundries ²	8,233	7,620	7,620	-----	613	330	283
Eyeglasses and appliances.....	1,877	1,800	1,800	-----	77	44	33
Nursing-home care.....	5,860	3,395	3,370	25	2,465	1,444	1,022
Expenses for prepayment and administration.....	3,181	2,391	2,391	-----	790	657	133
Government public health activities.....	1,923	-----	-----	-----	1,923	968	955
Other health services.....	3,051	1,000	-----	1,000	2,051	1,490	560
Research and medical-facilities construction.....	6,139	2,776	-----	2,776	3,363	2,327	1,036
Research ²	2,058	203	-----	203	1,855	1,776	79
Construction.....	4,081	2,573	-----	2,573	1,508	551	957
Publicly owned facilities.....	1,045	-----	-----	-----	1,045	102	943
Privately owned facilities.....	3,036	2,573	-----	2,573	463	449	14

¹ Preliminary estimates

² Research expenditures of drug companies included in "drugs and drug

sundries" excluded from "research expenditures"

TABLE 3.—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years 1972-74

[In millions]

Program and source of funds	Total	Hospital care	Physicians' services	Dentists' services	Other professional services	Drugs and drug sundries	Eye-glasses and appliances	Nursing-home care	Government public health activities	Other health services	Administration
Total.....	\$37,369 0	\$21,628 5	\$4,524 3	\$342 0	\$361 3	\$794 9	\$87.8	\$3,946 3	\$2,126 2	\$2,268 0	\$1,289 9
Health insurance for the aged ^{1,2}	11,321 9	8,005 7	2,318 2		106 8			224 0			667 2
Temporary disability insurance (medical benefits) ³	71 2	52 5	16 1		1 1	8	8				
Workmen's compensation (medical benefits) ³	1,450 0	730 4	617 0		44 6	29 0	29 0				
Public assistance (vendor medical payments) ²	11,218 4	4,105 2	1,222 5	267 3	173 6	743 3		3,597 0		540 2	569 4
General hospital and medical care.....	5,022 4	4,907 5	11 5	3 8		1 1				98 5	
Defense Department hospital and medical care (including military dependents) ⁴	2,709 0	1,715 3	169 2	15 5		4 8				781 9	22 3
Maternal and child health services.....	469 8	70 4	43 4	10 5	35 2	10 2	13 7			286 4	
School health ⁵											
Other public health activities.....	2,126 2								2,126 2		
Veterans' hospital and medical care ⁴	2,786 6	1,967 2	25 8	44 9		5 7	25 7	125 3		561 0	31 0
Medical vocational rehabilitation.....	193 5	74 3	100 6				18 6				
Office of Economic Opportunity ⁵											
Federal.....	25,334 7	14,845 4	3,276 8	209 5	225 5	404 2	49 8	2,207 8	1,234 0	1,839 7	1,042 5
Health insurance for the aged ^{1,2}	11,321 9	8,005 7	2,318 2		106 8			224 0			667 2
Workmen's compensation (medical benefits).....	36 0	23 4	9 0		2 2	7	7				
Public assistance (vendor medical payments).....	5,824 1	2,121 0	631 6	138 1	89 7	384 0		1,858 5		279 0	322 0
General hospital and medical care.....	1,033 0	918 1	11 5	3 8		1 1				98 5	
Defense Department hospital and medical care (including military dependents) ⁴	2,709 0	1,715 3	169 2	15 5		4 8				781 9	22 3
Maternal and child health services.....	236 0	35 3	31 0	7 2	26 8	7 9	8 5			119 3	
Other public health activities.....	1,234 0							1,234 0			
Veterans' hospital and medical care ⁴	2,786 6	1,967 2	25 8	44 9		5 7	25 7	125 3		561 0	31 0
Medical vocational rehabilitation.....	154 1	59 4	80 5				14 9				
Office of Economic Opportunity ⁵											
State and local.....	12,034 3	6,783 0	1,247 5	132 5	135 8	390 7	37 9	1,738 5	892 2	428 2	247 3
Temporary disability insurance (medical benefits) ³	71 2	52 5	16 1		1 1	8	8				
Workmen's compensation (medical benefits) ³	1,414 0	707 0	608 0		42 4	28 3	28 3				
Public assistance (vendor medical payments) ²	5,394 3	1,984 1	590 9	129 2	83 9	359 3		1,738 5		261 0	247 3
General hospital and medical care.....	3,989 4	3,989 4									
Maternal and child health services.....	233 8	35 1	12 4	3 3	8 4	2 3	5 1			167 2	
School health ⁵											
Other public health activities.....	892 2								892 2		
Medical vocational rehabilitation.....	39 4	14 9	20 1				3 7				

See footnotes at end of table.

Academy of Sciences' Institute of Medicine presents estimates of the total cost of education for eight health professions.⁵ The study reports that \$3.1 billion was spent for the education of more than 300,000 students in 1972. About 25 percent (\$765 million) of this expenditure was financed by unrestricted Federal and State government funds. The remaining amount was financed through private sources or through other types of Federal and State support.

⁵ *Costs of Education in the Health Professions: Report of a Study, Parts I and II*, National Academy of Sciences, Institute of Medicine, 1974. The eight professions included in the study are medicine, osteopathy, dentistry, optometry, pharmacy, podiatry, veterinary medicine, and nursing.

TRENDS IN HEALTH EXPENDITURES

Much attention has been focused on the rapid growth in health spending since the mid-1960's. During the 9 fiscal years since 1965, health expenditures have increased on the average more than 11 percent a year, from \$39 billion to \$104 billion (table 4).

It is difficult to pinpoint the precise contribution of each of the sources of increase. Inflation has undoubtedly had a significant impact on health spending levels in recent years, but it is often very difficult to separate pure inflation from price rises attributable to more extensive care. Technological developments in areas such as equip-

TABLE 3.—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years 1972-74—Continued

[In millions]

Program and source of funds	Total	Hospital care	Physicians' services	Dentists' services	Other professional services	Drugs and drug sundries	Eye-glasses and appliances	Nursing-home care	Government public health activities	Other health services	Administration
Total	\$32,533 3	\$18,899 9	\$3,982 6	\$311 0	\$324 6	\$670 5	\$80 2	\$3,263 5	\$1,684 7	\$2,440 1	\$876 4
Health insurance for the aged ^{1 2}	9,478 8	6,787 1	2,015 7	-----	83 3	-----	-----	154 0	-----	-----	438 7
Temporary disability insurance (medical benefits) ³	68 7	50 7	15 5	-----	1 1	7	7	-----	-----	-----	-----
Workmen's compensation (medical benefits) ³	1,315 0	662 4	559 7	-----	40 4	26 3	26 3	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	9,208 6	3,397 5	994 4	210 3	134 1	608 9	-----	3,002 0	-----	470 2	391 3
General hospital and medical care.....	4,639 5	4,551 1	8 5	2 2	-----	1 3	-----	-----	-----	76 4	-----
Defense Department hospital and medical care (including military dependents) ⁴	2,468 0	1,548 0	159 7	25 6	-----	6 4	-----	-----	-----	708 0	20 3
Maternal and child health services.....	455 3	68 6	41 8	10 1	33 7	9 8	13 3	-----	-----	277 9	-----
School health.....	300 0	-----	-----	-----	-----	-----	-----	-----	1,684 7	300 0	-----
Other public health activities.....	1,684 7	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Veterans' hospital and medical care ⁴	2,587 3	1,767 3	21 6	55 2	-----	4 9	23 0	107 5	-----	581 7	26 1
Medical vocational rehabilitation.....	175 0	67 2	91 0	-----	-----	-----	16 9	-----	-----	-----	-----
Office of Economic Opportunity.....	152 4	-----	74 7	7 6	32 0	12 2	-----	-----	-----	25 9	-----
Federal	21,792 9	12,751 1	2,933 4	212 3	215 7	365 3	45 2	1,896 3	911 0	1,763 0	699 6
Health insurance for the aged ^{1 2}	9,478 8	6,787 1	2,015 7	-----	83 3	-----	-----	154 0	-----	-----	438 7
Workmen's compensation (medical benefits) ³	32 3	21 0	8 1	-----	1 9	6	6	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	4,997 4	1,824 0	542 9	114 8	73 2	332 4	-----	1,634 8	-----	260 8	214 5
General hospital and medical care.....	804 7	716 3	8 5	2 2	-----	1 3	-----	-----	-----	76 4	-----
Defense Department hospital and medical care (including military dependents) ⁴	2,468 0	1,548 0	159 7	25 6	-----	6 4	-----	-----	-----	708 0	20 3
Maternal and child health services.....	221 0	33 6	29 4	6 9	25 3	7 5	8 1	-----	-----	110 2	-----
Other public health activities.....	911 0	-----	-----	-----	-----	-----	-----	-----	911 0	-----	-----
Veterans' hospital and medical care ⁴	2,587 3	1,767 3	21 6	55 2	-----	4 9	23 0	107 5	-----	581 7	26 1
Medical vocational rehabilitation.....	140 0	53 8	72 8	-----	-----	-----	13 5	-----	-----	-----	-----
Office of Economic Opportunity.....	152 4	-----	74 7	7 6	32 0	12 2	-----	-----	-----	25 9	-----
State and local	10,740 5	6,148 8	1,049 2	98 8	108 9	305 2	34 9	1,367 2	773 7	677 2	176 8
Temporary disability insurance (medical benefits) ³	68 7	50 7	15 5	-----	1 1	7	7	-----	-----	-----	-----
Workmen's compensation (medical benefits) ³	1,282 7	641 4	551 6	-----	38 5	25 7	25 7	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	4,211 3	1,573 4	451 5	95 5	60 9	276 5	-----	1,367 2	-----	209 5	176 8
General hospital and medical care.....	3,834 8	3,834 8	-----	-----	-----	-----	-----	-----	-----	-----	-----
Maternal and child health services.....	234 3	35 1	12 4	3 3	8 4	2 3	5 1	-----	-----	167 7	-----
School health.....	300 0	-----	-----	-----	-----	-----	-----	-----	773 7	300 0	-----
Other public health activities.....	773 7	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Medical vocational rehabilitation.....	35 0	13 4	18 2	-----	-----	-----	3 4	-----	-----	-----	-----

See footnotes at end of table

ment and drugs, as well as improved treatment procedures, are often costly. For many diagnoses, the course of treatment followed today does not resemble that followed a decade ago, or even 5 years ago.

In addition to price increases and technological change, aggregate spending levels are influenced by population growth and by changes in per capita utilization resulting from changes in both demand and supply factors. Although per capita expenditures eliminate the effect of population growth, health expenditures still registered substantial increases from 1965 to 1974. During this period, per capita expenditures rose from \$198 to \$485, an average annual increase of 10.5 per-

cent. Since this increase is only slightly less than the 11.6-percent annual rate for aggregate expenditures, it appears that population growth has had relatively little effect on aggregate expenditures. In general, with the decline in the population growth rate in the late 1960's and the 1970's, the effect of rising population on the increases in health expenditures has continued to dwindle.

If the effect of inflation could also be eliminated, one could determine the "real" increase in health spending—that is, the increase in expenditures that results from more utilization and higher quality of care. This type of analysis is difficult to undertake. At present, no one measure

TABLE 3.—Expenditures for health services and supplies under public programs, by program, type of expenditure, and source of funds, fiscal years 1972-74—Continued

[In millions]

Program and source of funds	Total	Hospital care	Physicians' services	Dentists' services	Other professional services	Drugs and drug sundries	Eye-glasses and appliances	Nursing-home care	Government public health activities	Other health services	Administration
Total.....	\$29,661 8	\$17,577 5	\$3,637 5	\$276 5	\$252 2	\$613 2	\$76 7	\$2,465 2	\$1,922 7	\$2,050 6	\$789 6
Health insurance for the aged ^{1 2}	8,819 2	6,215 1	1,904 5	-----	76 6	-----	-----	168 0	-----	-----	455 0
Temporary disability insurance (medical benefits) ³	68 3	50 4	15 4	-----	1 1	7	7	-----	-----	-----	-----
Workmen's compensation (medical benefits) ³	1,180 0	594 1	502 5	-----	36 2	23 6	23 6	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	7,751 6	3,363 8	837 2	187 9	67 8	554 7	-----	2,206 2	-----	237 6	296 3
General hospital and medical care.....	4,211 7	4,141 8	7 4	1 7	-----	1 3	-----	-----	-----	59 4	-----
Defense Department hospital and medical care (including military dependents) ⁴	2,341 0	1,476 0	138 0	19 7	-----	5 1	-----	-----	-----	686 4	15 8
Maternal and child health services.....	495 3	74 2	46 5	11 5	37 8	11 2	14 6	-----	-----	299 5	-----
School health.....	281 3	-----	-----	-----	-----	-----	-----	-----	-----	281 3	-----
Other public health activities.....	1,922 7	-----	-----	-----	-----	-----	-----	-----	1,922 7	-----	-----
Veterans' hospital and medical care ⁴	2,255 6	1,592 1	18 4	47 9	-----	4 1	19 7	91 0	-----	459 9	22 5
Medical vocational rehabilitation.....	179 2	70 0	91 2	-----	-----	-----	18 1	-----	-----	-----	-----
Office of Economic Opportunity.....	155 9	-----	76 4	7 8	32 7	12 5	-----	-----	-----	26 5	-----
Federal.....	19,754 5	11,750 9	2,707 9	186 2	176 6	329 9	44 1	1,443 5	968 0	1,490 4	656 9
Health insurance for the aged ^{1 2}	8,819 2	6,215 1	1,904 5	-----	76 6	-----	-----	168 0	-----	-----	455 0
Workmen's compensation (medical benefits) ³	26 9	17 5	6 7	-----	1 6	5	.5	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	4,166 2	1,806 0	449 5	100 9	36 4	297 8	-----	1,184 5	-----	127 5	163 6
General hospital and medical care.....	619 3	549 4	7 4	1 7	-----	1 3	-----	-----	-----	59 4	-----
Defense Department hospital and medical care (including military dependents) ⁴	2,341 0	1,476 0	138 0	19 7	-----	5 1	-----	-----	-----	686 4	15 8
Maternal and child health services.....	259 0	38 8	34 0	8 2	29 3	8 6	9 4	-----	-----	130 7	-----
Other public health activities.....	968 0	-----	-----	-----	-----	-----	-----	-----	968 0	-----	-----
Veterans' hospital and medical care ⁴	2,255 6	1,592 1	18 4	47 9	-----	4 1	19 7	91 0	-----	459 9	22 5
Medical vocational rehabilitation.....	143 4	56 0	73 0	-----	-----	-----	14 5	-----	-----	-----	-----
Office of Economic Opportunity.....	155 9	-----	76 4	7 8	32 7	12 5	-----	-----	-----	26 5	-----
State and local.....	9,907 3	5,826 7	929 6	90 3	75 6	283 3	32 6	1,021 8	954 7	560 1	132 7
Temporary disability insurance (medical benefits) ³	68 3	50 4	15 4	-----	1 1	7	7	-----	-----	-----	-----
Workmen's compensation (medical benefits) ³	1,153 1	576 6	495 8	-----	34 6	23 1	23 1	-----	-----	-----	-----
Public assistance (vendor medical payments) ²	3,585 4	1,557 9	387 7	87 0	31 4	256 9	-----	1,021 8	-----	110 0	132 7
General hospital and medical care.....	3,592 4	3,592 4	-----	-----	-----	-----	-----	-----	-----	-----	-----
Maternal and child health services.....	236 3	35 4	12 5	3 3	8 5	2 6	5 2	-----	-----	168 8	-----
School health.....	281 3	-----	-----	-----	-----	-----	-----	-----	-----	281 3	-----
Other public health activities.....	954 7	-----	-----	-----	-----	-----	-----	-----	954 7	-----	-----
Medical vocational rehabilitation.....	35 8	14 0	18 2	-----	-----	-----	3 6	-----	-----	-----	-----

¹ Includes premium payments for supplementary medical insurance by or in behalf of enrollees

² Includes duplication in the Medicare and Medicaid amounts where premium payments for Medicare are financed by Medicaid for cash assistance recipients and, in some States, for the medically indigent

³ Includes medical benefits paid under public law by private insurance

carriers and self-insurers

⁴ Payments for services outside the hospital (excluding "other health services") represent only those made under contract medical care programs

⁵ Beginning in 1974, data not separable from total education expenditures

⁶ Beginning in 1974, included with "other public health activities"

(or set of measures) of pure inflation exists that could be appropriately applied to the variety of expenditure categories.

The medical care component of the CPI has been used frequently in the past to convert per capita personal health expenditures from current dollars to constant dollars. This component, although useful as a general measure of price inflation for a group of standard health services, cannot appropriately be used to deflate total expenditures for personal health care. The services priced by the Bureau of Labor Statistics

that make up the medical care component represent only a portion of the total services for which expenditures are made. Nursing-home care and private-duty nursing, for example, are not priced at all. In addition, the weights assigned to each component of the index (such as hospital service charges, physicians' fees, etc.) differ from the relative weights of each expenditure category. To illustrate, hospital service charges are assigned a weight of about 27 percent in the medical care index, yet hospital care expenditures account for 45 percent of personal health spending.

THIRD-PARTY PAYMENTS

Benefit payments under all types of private health insurance plans jumped 12.5 percent to exceed \$23 billion in 1974.⁶ The amounts paid in benefits by private insurers, including the Blue Cross-Blue Shield associations, commercial insurance companies, and independent plans, have more than doubled since 1968. This rapid growth, when combined with increased government spending, has served to gradually reduce the proportion of health expenditures met directly by consumers.

As table 5 and chart 2 illustrate, health insurance benefits have a differing impact by type of service. More than 60 percent of all benefits went for hospital care, the most commonly covered

⁶ For detailed data on private health insurance enrollment and finances, see Marjorie Smith Mueller, "Private Health Insurance in 1973: A Review of Coverage, Enrollment, and Financial Experience," pages 21-40 in this issue of the *Bulletin*.

medical expense. Thirty-one percent of the benefits financed physicians' services, and much of this expenditure was related to surgical services.

Minimal coverage was extended for other types of medical care not associated with hospitalization. Out of every \$10 spent for dental care and drugs, only 68 cents was reimbursed under private insurance plans. Benefit expenditures for the remaining types of care—including private-duty nursing, vision care, nursing-home care, and other health services—were insignificant, compared with total spending for these items.

Third-party payments include all spending by private health insurance, government, philanthropy, and industry. The third-party contribution to personal health care financing has become increasingly significant in recent years.⁷ In 1967,

⁷ Personal health care includes all services and supplies of direct benefit to the individual, such as hospital care, drugs, etc. A precise definition is provided in table 6.

TABLE 4.—Aggregate and per capita national health expenditures, by type of expenditure, selected fiscal years, 1929-74

[In millions]

Type of expenditure	1929	1935	1940	1950	1955	1960	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Aggregate amount (in millions)																
Total.....	\$3,589	\$2,846	\$3,863	\$12,027	\$17,330	\$25,356	\$38,892	\$42,109	\$47,879	\$53,766	\$60,617	\$69,202	\$77,162	\$86,391	\$94,235	\$104,239
Health services and supplies.....	3,382	2,738	3,729	11,181	16,392	24,162	35,664	38,661	44,343	49,802	56,327	64,065	71,762	80,252	87,805	97,183
Hospital care.....	651	731	969	3,698	5,689	8,499	13,152	14,245	16,921	19,384	22,356	25,879	29,133	32,720	36,174	40,900
Physicians' services.....	994	744	946	2,689	3,632	5,580	8,405	8,865	9,738	10,734	11,842	13,443	15,098	16,431	17,518	19,000
Dentists' services.....	476	298	402	940	1,457	1,944	2,728	2,866	3,158	3,518	3,920	4,473	4,908	5,342	5,767	6,200
Other professional services.....	248	150	173	384	552	848	989	1,140	1,139	1,217	1,298	1,385	1,509	1,634	1,803	1,990
Drugs and drug sundries.....	601	471	624	1,642	2,282	3,591	4,647	5,032	5,480	5,865	6,482	7,114	7,626	8,233	8,942	9,695
Eyeglasses and appliances.....	131	128	180	475	605	750	1,151	1,309	1,514	1,665	1,743	1,776	1,810	1,877	1,985	2,163
Nursing-home care.....	-----	-----	28	178	291	480	1,271	1,407	1,751	2,360	3,057	3,818	4,890	5,860	6,650	7,450
Expenses for prepayment and administration.....	101	91	161	290	605	807	1,234	1,446	1,818	1,939	2,066	2,115	2,405	3,181	3,753	4,224
Government public health activities.....	89	112	155	351	384	401	671	731	884	1,001	1,195	1,437	1,698	1,923	1,685	2,126
Other health services.....	90	63	92	534	895	1,262	1,416	1,620	1,940	2,119	2,368	2,625	2,685	3,051	3,528	3,445
Research and medical-facilities construction.....	207	59	134	847	938	1,694	3,228	3,448	3,536	3,964	4,290	5,137	5,400	6,139	6,430	7,056
Research.....	-----	-----	3	110	194	592	1,391	1,545	1,606	1,800	1,790	1,846	1,850	2,058	2,285	2,684
Construction.....	207	59	131	737	744	1,102	1,837	1,903	1,930	2,164	2,500	3,291	3,550	4,081	4,145	4,372
Per capita amount ¹																
Total.....	\$29.16	\$22.04	\$28.83	\$78.35	\$103.76	\$141.63	\$197.75	\$211.56	\$237.93	\$264.37	\$295.20	\$333.57	\$368.25	\$408.31	\$441.04	\$485.36
Health services and supplies.....	27.48	21.59	27.83	72.83	98.14	132.35	181.34	194.24	220.36	244.88	274.30	308.81	342.48	379.29	411.78	452.51
Hospital care.....	5.29	5.66	7.23	24.09	34.06	46.56	66.87	71.67	84.09	95.31	108.87	124.74	139.03	154.64	169.65	180.44
Physicians' services.....	8.08	5.76	7.06	17.52	21.75	30.57	42.74	44.54	48.39	52.78	57.67	64.80	72.05	77.66	82.15	88.47
Dentists' services.....	3.87	2.31	3.00	6.12	8.72	10.65	13.87	14.40	15.69	17.30	19.09	21.56	23.42	25.25	27.05	28.87
Other professional services.....	2.01	1.16	1.29	2.50	3.30	4.65	5.03	5.73	5.66	5.98	6.32	6.68	7.20	7.72	8.46	9.27
Drugs and drug sundries.....	4.88	3.65	4.66	10.70	13.66	19.67	23.63	25.28	27.23	28.84	31.57	34.29	36.39	38.61	41.94	45.14
Eyeglasses and appliances.....	1.06	.99	1.34	3.09	3.62	4.11	5.85	6.58	7.52	8.19	8.49	8.56	8.64	8.87	9.31	10.02
Nursing-home care.....	-----	-----	.21	1.16	1.74	2.63	6.46	7.07	8.70	11.60	14.89	18.40	23.34	27.70	31.19	34.69
Expenses for prepayment and administration.....	.82	.70	1.20	1.89	3.62	4.42	6.27	7.26	9.03	9.53	10.06	10.19	11.48	15.03	17.60	19.67
Government public health activities.....	.72	.87	1.16	2.29	2.30	2.19	3.41	3.67	4.39	4.92	5.82	6.93	8.10	9.09	7.90	9.90
Other health services.....	.73	.49	.69	3.48	5.36	6.91	7.20	8.14	9.64	10.42	11.53	12.65	12.81	14.42	15.55	16.04
Research and medical-facilities construction.....	1.68	.45	1.00	5.52	5.62	9.28	16.41	17.32	17.57	19.49	20.89	24.76	25.77	29.02	30.15	32.85
Research.....	-----	-----	.02	.72	1.16	3.24	7.07	7.76	7.98	8.85	8.72	8.90	8.83	9.73	10.72	12.50
Construction.....	1.68	.45	.98	4.80	4.46	6.04	9.34	9.56	9.59	10.64	12.18	15.86	16.94	19.29	19.44	20.36

¹ Based on January 1 data from the Bureau of the Census for total U.S. population (including Armed Forces and Federal civilian employees over-

seas and the civilian population of outlying areas).

TABLE 5.—Amount and percentage distribution of personal health care expenditures met by third parties, by type of expenditure, fiscal year 1974

Type of expenditure	Total	Direct payments	Third-party payments			
			Total	Private health insurance	Government	Philanthropy and industry
Aggregate amount (in millions)						
Total.....	\$90,282	\$31,970	\$58,312	\$23,139	\$33,953	\$1,220
Hospital care.....	40,900	4,274	36,626	14,485	21,628	513
Physicians' services.....	19,000	7,381	11,619	7,081	4,524	14
Dentists' services.....	6,200	5,326	874	632	842	-----
Drugs and drug sundries.....	9,895	8,345	1,350	555	795	-----
All other services ¹	14,487	6,644	7,843	486	6,664	693
Per capita amount						
Total.....	\$420 38	\$148 86	\$271 52	\$107 74	\$158 09	\$5 68
Hospital care.....	190 44	19 90	170 54	67 45	100 71	2 39
Physicians' services.....	88 47	34 37	54 10	32 97	21 06	07
Dentists' services.....	28 87	24 80	4 07	2 48	1 59	-----
Drugs and drug sundries.....	45 14	38 86	6 28	2 58	3 70	-----
All other services ¹	67 46	30 94	36 52	2 26	31 03	3 23
Percentage distribution						
Total.....	100 0	35 4	64 6	25 6	37 6	1 4
Hospital care.....	100 0	10 4	89 6	35 4	52 9	1 3
Physicians' services.....	100 0	38 8	61 2	37 3	23 8	1
Dentists' services.....	100 0	85 9	14 1	8 6	5 5	-----
Drugs and drug sundries.....	100 0	86 1	13 9	5 7	8 2	-----
All other services ¹	100 0	45 9	54 1	3 4	46 0	4 8

¹ Includes other professional services, eyeglasses and appliances, nursing-home care, and other services not elsewhere classified.

for the first time, out-of-pocket payments by consumers made up less than half of total personal health care expenditures. This proportion has continued to decline since that year and, in 1974, out-of-pocket payments represented slightly more than a third of the total. Because of inflation and other factors, however, the per capita amount paid directly has continued to rise and is now more than double what it was in 1950.

Trends in third-party financing of personal health care since 1950 are revealed in table 6 and chart 3. In 1950, direct payments made up 68 percent of the total. The remaining 32 percent was paid by third parties as follows: Federal, State, and local governments, 20 percent; private health insurance, 9 percent; and philanthropy and industry, 3 percent.

The period of the 1950's was a time of rapid expansion for private health insurance. By 1960, private insurance alone covered 21 percent of the personal health care bill. During the 1960's, government expenditures experienced their fastest

growth, particularly following the enactment of Medicare and Medicaid in 1965. This growth, coupled with the continuing rise in insurance benefits, brought the proportion paid by third parties to 60 percent in 1970. By 1974, third parties were paying an estimated 65 percent of the total health bill, with the government share at 38 percent and that of private health insurance 26 percent.

The impact of the growth rate in third-party payments has differed among the expenditure categories (table 7). Hospital care was the first item to be extensively covered by private health insurance, and more than half of all spending for this type of service has been financed by third parties since before 1950. In 1950, patients paid about a third of their hospital bill directly. By 1974, this proportion was reduced to one-tenth, with government (53 percent), private health insurance (35 percent), and philanthropy (1 percent) making up the remainder.

For physicians' services, the third-party share is smaller but is still significant. In 1950, 15 percent of expenditures for physicians' services was financed by third parties. Rapid growth of private insurance coverage in the 1950's and of government programs in the 1960's caused the third-party share to increase dramatically, and in 1974, it reached 61 percent.

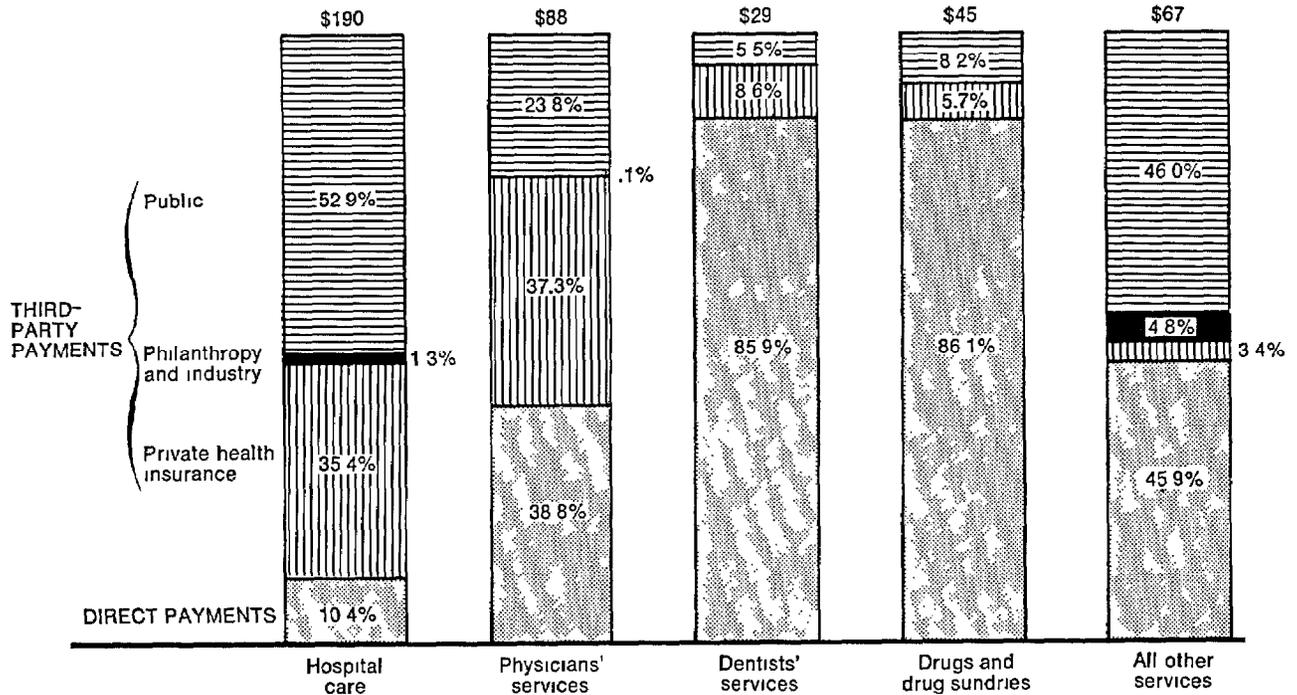
For other types of care (including dentists' and other professional services, drugs, eyeglasses and appliances, nursing-home care, and other health services), third-party payments have grown much more slowly—from 11 percent of total spending in 1950 to 33 percent in 1974. For this residual category, most of the growth has been registered in government spending.

DEFINITIONS, METHODOLOGY, AND SOURCES OF DATA

Estimates of national health expenditures are compiled by type of expenditure and source of funds. As of 1974, the data for the public sector represent the outlays of 10 categories of government health programs.⁸ In previous years, 12

⁸ For a description of the public programs, see Barbara S Cooper and Nancy L. Worthington, *Personal Health Care Expenditures, by State, Vol. 1: Public Funds, 1966 and 1969*, Office of Research and Statistics, 1973.

CHART 2—Percentage distribution of per capita personal health care expenditures, by type of expenditure and source of funds, fiscal year 1974



such categories were shown, but for two of these categories—school health and Office of Economic Opportunity—data are no longer shown separately. For several Federal health programs, the data are taken from the Office of Management and Budget special analysis of health programs.⁹ For the remainder, the data are supplied by the various agencies.

In the private sector, the data are estimated first on a calendar-year basis by type of expenditure and are then converted to fiscal-year figures on the basis of price and utilization change during 6-month periods. The general method is to estimate the total outlays for each type of medical service or expenditure and then to deduct the amounts paid to public and private hospitals, physicians in private practice, etc., under the public programs reported in the social welfare expenditure series. The fiscal-year figures for each public program are allocated by type of expenditure on the basis of published and unpublished reports for each program. In general, the consumer expenditures are residual amounts, derived

by deducting philanthropic and government expenditures from the total spent for each type of service.

Hospital Care

The estimates of expenditures for hospital care are derived chiefly from American Hospital Association data on hospital finances, increased slightly to allow for osteopathic hospitals. Expenditures for the education and training of physicians and other health personnel are included only where they are not separable from the costs of hospital operations.

Expenditures by the Veterans Administration and the Department of Defense for physicians' services (except under contract medical care programs) are included as part of hospital care expenditures. Services of salaried physicians in psychiatric, tuberculosis, and general hospitals—whether public or private—are part of hospital care, but self-employed physicians' services in hospitals are not counted as hospital expenditures. The costs of drugs used in hospitals are also included with hospital care. Anesthesia and X-ray services are sometimes classified as hospital care

⁹ See "Special Analysis J—Federal Health Programs," *Special Analyses, Budget of the United States Government, Fiscal Year 1975*, Office of Management and Budget, 1974.

expenditures and sometimes as expenditures for physicians' services, depending on billing practices.

Federal expenditures for hospital care represent total expenses for care in Federal hospitals (less any patient payments) plus vendor payments under government programs to non-Fed-

eral hospitals. Similarly, State and local expenditures include net expenses for care in State and locally owned hospitals as well as vendor payments to nongovernment hospitals. Consumer payments for hospital care represent total hospital revenues less all government payments and estimated receipts from philanthropy.

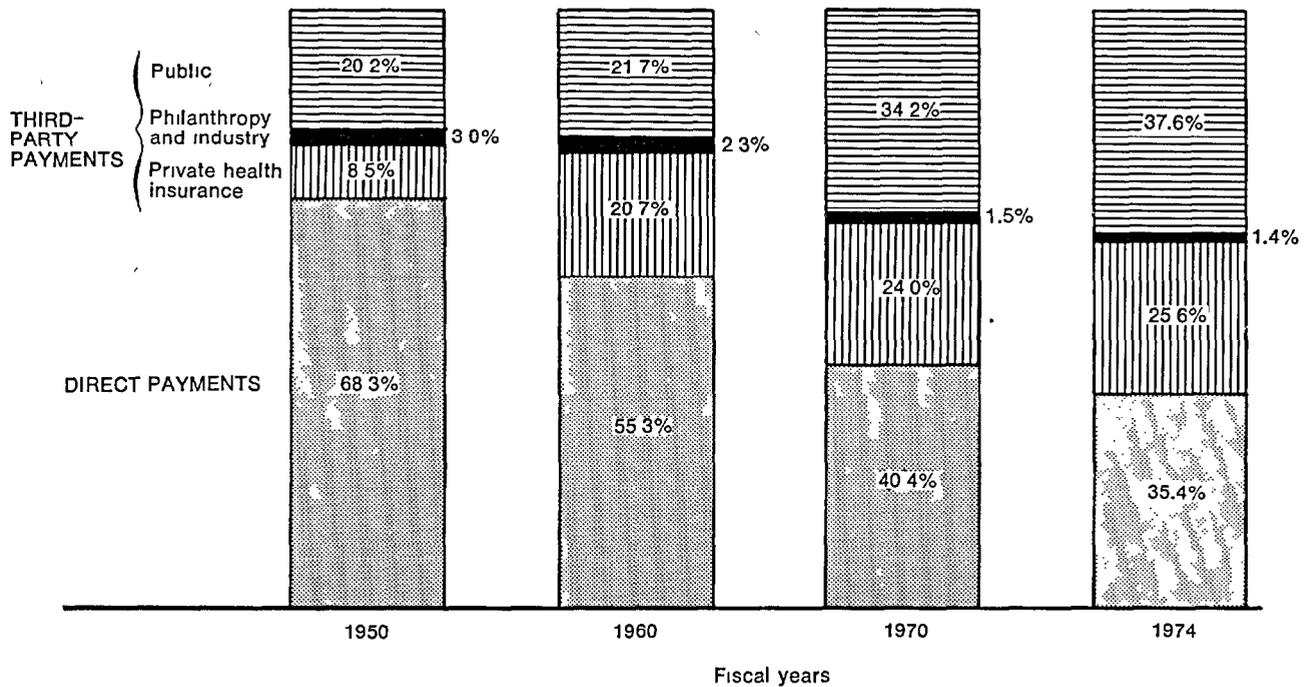
TABLE 6.—Amount and percentage distribution of personal health care expenditures,¹ by source of funds, selected fiscal years, 1929-74

Fiscal year	Total	Source of funds						
		Private				Public		
		Total	Direct payments	Insurance benefits	Other	Total	Federal	State and local
Aggregate amount (in millions)								
1929.....	\$3,165	\$2,882	\$2,800	-----	\$83	\$282	\$85	\$197
1935.....	2,685	2,204	2,134	-----	70	382	89	293
1940.....	3,413	2,891	2,799	-----	92	523	133	389
1950.....	10,400	8,298	7,107	\$879	312	2,102	979	1,124
1955.....	16,231	11,762	8,992	2,358	412	3,469	1,583	1,886
1960.....	22,729	17,799	12,576	4,698	525	4,930	2,102	2,823
1965.....	33,498	26,540	17,577	8,280	683	6,958	2,840	4,118
1966.....	36,216	28,324	18,668	8,936	720	7,892	3,349	4,542
1967.....	41,343	28,883	18,786	9,344	753	12,461	7,471	4,991
1968.....	46,621	30,322	19,098	10,444	780	16,200	10,401	5,797
1969.....	52,690	33,987	20,957	12,206	824	18,705	12,283	6,421
1970.....	60,113	39,568	24,272	14,406	890	20,545	13,403	7,142
1971.....	67,228	43,999	26,307	16,728	964	23,229	15,401	7,827
1972.....	74,688	47,738	28,083	18,620	1,035	26,949	18,130	8,819
1973.....	81,859	51,886	30,193	20,568	1,125	29,972	20,182	9,789
1974.....	90,281	56,329	31,970	23,139	1,220	33,953	23,059	10,895
Per capita amount								
1929.....	\$25.72	\$23.42	\$22.75	-----	\$0.67	\$2.29	\$0.69	\$1.60
1935.....	20.02	17.07	16.53	-----	.54	2.96	.69	2.27
1940.....	25.47	21.57	20.89	-----	.89	3.90	.99	2.90
1950.....	67.75	54.05	46.30	\$5.73	2.03	13.69	6.38	7.32
1955.....	91.19	70.42	63.84	14.12	2.47	20.77	9.48	11.29
1960.....	124.50	97.50	88.89	25.73	2.88	27.00	11.51	15.49
1965.....	170.32	134.95	89.37	42.10	3.47	35.38	14.44	20.94
1966.....	181.96	142.30	93.79	44.90	3.62	39.65	16.83	22.82
1967.....	205.45	143.53	93.35	46.43	3.74	61.92	37.13	24.80
1968.....	228.75	149.10	93.91	51.35	3.84	79.66	51.14	28.50
1969.....	256.59	165.51	102.06	59.44	4.01	91.09	59.82	31.27
1970.....	289.76	190.73	117.00	69.44	4.29	99.03	64.61	34.43
1971.....	320.84	209.98	125.55	79.83	4.60	110.88	73.50	37.35
1972.....	353.00	225.62	132.73	88.00	4.89	127.37	85.69	41.68
1973.....	383.89	243.33	141.60	96.46	5.28	140.56	94.65	45.91
1974.....	420.38	262.28	148.86	107.74	5.68	158.09	107.37	50.73
Percentage distribution								
1929.....	100.0	91.1	88.5	-----	2.6	8.9	2.7	6.2
1935.....	100.0	85.3	82.6	-----	2.7	14.8	3.4	11.3
1940.....	100.0	84.7	82.0	-----	2.7	15.3	3.9	11.4
1950.....	100.0	79.8	68.3	8.5	3.0	20.2	9.4	10.8
1955.....	100.0	77.2	59.0	15.5	2.7	22.8	10.4	12.4
1960.....	100.0	78.3	55.3	20.7	2.8	21.7	9.2	12.4
1965.....	100.0	79.2	52.5	24.7	2.0	20.8	8.5	12.3
1966.....	100.0	78.2	51.5	24.7	2.0	21.8	9.2	12.5
1967.....	100.0	69.9	45.4	22.6	1.8	30.1	18.1	12.1
1968.....	100.0	65.2	41.1	22.5	1.7	34.8	22.4	12.5
1969.....	100.0	64.5	39.8	23.2	1.6	35.5	23.3	12.2
1970.....	100.0	65.8	40.4	24.0	1.5	34.2	22.3	11.9
1971.....	100.0	65.4	39.1	24.9	1.4	34.6	22.9	11.6
1972.....	100.0	63.9	37.6	24.9	1.4	36.1	24.3	11.8
1973.....	100.0	63.4	36.9	25.1	1.4	36.6	24.7	12.0
1974.....	100.0	62.4	35.4	25.6	1.4	37.6	25.5	12.1

¹ Includes all expenditures for health services and supplies other than (a) expenses for prepayment and administration; (b) government public health activities, and (c) expenditures of private voluntary agencies for other health

services
² Includes any insurance benefits and expenses for prepayment (insurance premiums less insurance benefits)

CHART 3.—Distribution of personal health care expenditures, by source of funds, selected fiscal years, 1950–74



Services of Physicians and Other Health Professionals

Estimated expenditures for the services of physicians and dentists in private practice are based on the gross incomes from self-employment practice reported by physicians and dentists to the Internal Revenue Service (and shown in its report, *Statistics of Income—Business Income Tax Returns*). Gross receipts are totaled for practitioners in sole proprietorships and partnerships. The total also includes the estimated gross income of corporate offices, that portion of gross receipts of medical laboratories estimated to represent patient payments, and the estimated expenses of group-practice prepayment plans in providing physicians' services (to the extent that these are not included in physicians' income from self-employment), as well as those of group-practice dental clinics. Estimated receipts of physicians for life insurance examinations are deducted.

The gross receipts of physicians and dentists represent total expenditures for these services. Consumer payments are estimated by deducting vendor payments under government programs and estimated payments to physicians and dentists from philanthropic agencies.

The salaries of physicians and dentists on the staffs of hospitals and hospital outpatient facilities are considered a component of hospital care. The salaries of physicians and dentists serving in field services of the Armed Forces are included in "other health services." Where they can be separated, expenditures for the education and training of medical personnel are considered as expenditures for education and are excluded from health expenditures.

The Internal Revenue Service also provides data on the income of other health professionals in private practice. Estimated salaries of visiting nurses are added to the private income of other health professionals. Deductions and exclusions are made in the same manner as for expenditures for physicians' and dentists' services.

Drugs, Drug Sundries, Eyeglasses, and Appliances

Expenditures in these categories include only the spending for outpatient drugs and appliances and exclude those provided to inpatients. The basic source of the estimates for drugs and drug sundries and for eyeglasses and appliances is the report of personal consumption expenditures

in the Department of Commerce national income accounts in the *Survey of Current Business*. To estimate the consumer portion, workmen's compensation payments are subtracted. The Department of Commerce counts this expenditure as a consumer expenditure, but the Office of Research and Statistics considers it an expenditure of government. Total expenditures for drugs and appliances represent the sum of these consumer expenditure estimates and the expenditures under all public programs for these products.

Nursing-Home Care

Expenditures for nursing-home care encompass spending by both private and public sources in all facilities providing some level of nursing care. Included are all nursing homes certified by Medicare and/or Medicaid as skilled-nursing facilities and those certified by Medicaid as intermediate-care facilities and all other homes providing some level of nursing care even though they are not certified under either program.

Expenditure estimates are based on periodic surveys of nursing homes conducted by the National Center for Health Statistics of the Department of Health, Education, and Welfare. The estimates for total expenditures are derived from survey data on utilization and charges for a total universe of nursing-care homes and personal-care homes with nursing, as defined by the Center.¹⁰ Estimates for intervening years (for which no data are available) are based on available economic and other indicators.

Consumer expenditures in nursing homes represent the difference between total nursing-home expenditures and expenditures from philanthropic and government sources for services in skilled-nursing facilities and intermediate-care facilities.

Expenses for Prepayment and Administration

Prepayment expenses represent the difference between the earned premiums or subscription income of health insurance organizations and their claims or benefit expenditures (or expendi-

¹⁰ For a complete definition, see *Monthly Vital Statistics Report*, vol. 23, No. 6, Supplement, National Center for Health Statistics, 1974, pages 11-12.

tures for providing such services in the case of organizations that directly provide services). In other words, it is the amount retained by health insurance organizations for operating expenses, additions to reserves, and profits. It is considered a consumer expenditure.

Data on the financial experience of health insurance organizations are reported annually by the Office of Research and Statistics in an article on private health insurance also appearing in the February BULLETIN.

The administration component represents the

TABLE 7.—Amount and percentage distribution of personal health care expenditures, by type of expenditure and source of funds, selected fiscal years, 1950-74

Type of expenditure and fiscal year	Total	Source of funds				Public
		Private			Other	
		Total	Direct payments	In-insurance benefits		
Aggregate amount (in millions)						
Hospital care						
1950.....	\$3,698	\$2,008	\$1,265	\$610	\$133	\$1,690
1955.....	5,689	3,075	1,344	1,560	171	2,614
1960.....	8,499	4,931	1,583	3,124	224	3,568
1965.....	13,152	8,222	2,434	5,488	300	4,930
1966.....	14,245	8,840	2,628	5,892	320	5,405
1967.....	16,921	8,484	2,084	6,063	337	8,437
1968.....	19,384	9,080	2,009	6,731	340	10,304
1969.....	22,356	10,503	2,313	7,842	348	11,853
1970.....	25,879	12,727	3,174	9,182	371	13,152
1971.....	29,133	14,006	2,962	10,644	400	15,127
1972.....	32,720	15,142	2,955	11,760	427	17,578
1973.....	36,174	17,274	4,013	12,790	471	18,900
1974.....	40,900	19,272	4,274	14,485	513	21,628
Per capita amount						
Hospital care						
1950.....	\$24 09	\$13 08	\$8 24	\$3 97	\$0 87	\$11 01
1955.....	34 06	18 41	8 05	9 84	1 02	15 65
1960.....	46 56	27 01	8 67	17 11	1 23	19 54
1965.....	66 89	41 82	12 38	27 90	1 53	25 08
1966.....	71 59	44 43	13 20	29 60	1 61	27 17
1967.....	84 09	42 16	10 36	30 13	1 67	41 93
1968.....	95 31	44 65	9 88	33 10	1 67	50 67
1969.....	108 87	51.15	11 26	38 19	1 69	57 72
1970.....	124 74	61 35	15 30	44 26	1 79	63 40
1971.....	139 03	66 84	14 14	50 80	1 91	72 19
1972.....	154 64	71 56	13 97	55 88	2 02	83 08
1973.....	169 65	81 01	18 82	59 98	2 21	88 64
1974.....	190 44	89 74	19 90	67 44	2 39	100 71
Percentage distribution						
Hospital care						
1950.....	100 0	54 3	34 2	16 5	3 6	45 7
1955.....	100 0	54 1	23 6	27 4	3 0	45 9
1960.....	100 0	58 0	18 6	36 8	2 6	42 0
1965.....	100 0	62 5	18 5	41 7	2 3	37 5
1966.....	100 0	62 1	18 4	41 4	2 2	37 9
1967.....	100 0	50 1	12 3	35 8	2 0	49 9
1968.....	100 0	46 8	10 4	34 7	1 8	53 2
1969.....	100 0	47.0	10 4	35 1	1 6	53 0
1970.....	100 0	49 2	12 3	35 5	1 4	50 8
1971.....	100 0	48 1	10 2	36 5	1 4	51 9
1972.....	100 0	46 3	9 0	35 9	1 3	53 7
1973.....	100 0	47 8	11 1	35 4	1 3	52 2
1974.....	100 0	47 2	10 4	35 4	1 3	52 9

administrative expenses (where they are reported) of federally financed health programs. Such data were available for Medicare and Medicaid and for the Veterans Administration and Department of Defense contract medical care programs.

Government Public Health Activities

The category "government public health activities" is the same as the "other public health ac-

TABLE 7.—Amount and percentage distribution of personal health care expenditures, by type of expenditure and source of funds, selected fiscal years, 1950-74—Continued

Type of expenditure and fiscal year	Total	Source of funds				Public
		Private				
		Total	Direct payments	In-surance benefits	Other	
Aggregate amount (in millions)						
All other services ¹						
1950.....	\$2,689	\$2,556	\$2,279	\$270	\$7	\$133
1955.....	3,632	3,392	2,587	797	8	240
1960.....	5,580	5,218	3,685	1,524	9	362
1965.....	8,405	7,878	5,315	2,554	9	527
1966.....	8,865	8,267	5,502	2,760	9	598
1967.....	9,738	8,323	5,415	2,898	10	1,415
1968.....	10,734	8,378	5,148	3,220	10	2,356
1969.....	11,842	9,170	5,407	3,753	10	2,672
1970.....	13,443	10,512	6,034	4,468	10	2,931
1971.....	15,098	11,800	6,620	5,169	11	3,298
1972.....	16,431	12,793	7,023	5,759	11	3,638
1973.....	17,518	13,635	7,091	6,432	12	3,983
1974.....	19,000	14,476	7,381	7,081	14	4,524
Per capita amount						
Physicians' services						
1950.....	\$17 52	\$16 65	\$14 85	\$1 76	\$0 05	\$0 87
1955.....	21 75	20 31	15 49	4 77	05	1 44
1960.....	30 57	28 58	20 18	8 35	05	1 98
1965.....	42 75	40 06	27 02	12 99	05	2 68
1966.....	44 56	41 55	27 64	13 85	05	3 01
1967.....	48 39	41 36	26 91	14 40	05	7 03
1968.....	52 78	41 20	25 31	15 83	05	11 58
1969.....	57 67	44 66	26 33	18 28	05	13 01
1970.....	64 80	50 67	29 08	21 54	05	14 13
1971.....	72 05	56 31	31 59	24 67	05	15 74
1972.....	77 66	60 46	33 19	27 22	05	17 19
1973.....	82 15	63 48	33 25	30 16	06	18 68
1974.....	88 47	67 40	34 37	32 97	06	21 06
Percentage distribution						
Physicians' services						
1950.....	100 0	95 1	84 8	10 0	0 3	4 9
1955.....	100 0	93 4	71 2	21 9	2	6 6
1960.....	100 0	93 5	66 0	27 3	2	6 5
1965.....	100 0	93 7	63 2	30 4	1	6 3
1966.....	100 0	93 3	62 1	31 1	1	6 7
1967.....	100 0	85 5	55 6	29 8	1	14 5
1968.....	100 0	78 1	48 0	30 0	1	21 9
1969.....	100 0	77 4	45 7	31 7	1	22 6
1970.....	100 0	78 2	44 9	33 2	1	21 8
1971.....	100 0	78 2	43 8	34 2	1	21 8
1972.....	100 0	77 9	42 7	35 0	1	22 1
1973.....	100 0	77 3	40 5	36 7	1	22 7
1974.....	100 0	76 2	38 8	37 3	1	23 8

TABLE 7.—Amount and percentage distribution of personal health care expenditures, by type of expenditure and source of funds, selected fiscal years, 1950-74—Continued

Type of expenditure and fiscal year	Total	Source of funds				Public
		Private				
		Total	Direct payments	In-surance benefits	Other	
Aggregate amount (in millions)						
All other services ¹						
1950.....	\$4,013	\$3,734	\$3,562	(²)	\$172	\$279
1955.....	5,910	5,295	5,062	(²)	233	615
1960.....	8,650	7,650	7,308	\$50	373	1,000
1965.....	11,941	10,440	9,828	298	294	1,501
1966.....	13,106	11,217	10,538	288	291	1,889
1967.....	14,684	12,076	11,178	492	406	2,609
1968.....	16,403	12,864	11,823	611	430	3,540
1969.....	18,492	14,314	13,092	756	466	4,180
1970.....	20,791	16,329	14,904	916	509	4,462
1971.....	22,997	18,193	16,544	1,096	553	4,804
1972.....	25,537	19,803	18,106	1,100	597	5,733
1973.....	28,167	21,077	19,089	1,346	642	7,089
1974.....	30,381	22,581	20,315	1,573	693	7,801
Per capita amount						
All other services ¹						
1950.....	\$26 14	\$24 32	\$23 20	-----	\$1 12	\$1 82
1955.....	35 38	31 70	30 31	-----	1 40	3 68
1960.....	47 38	41 90	40 08	\$0 27	1 60	5 48
1965.....	60 72	53 08	49 97	1 21	1 90	7 63
1966.....	65 85	56 36	52 94	1 45	1 96	9 49
1967.....	72 97	60 01	55 55	2 44	2 02	12 96
1968.....	80 66	63 25	58 14	3 00	2 11	17 41
1969.....	90 05	69 71	63 76	3 68	2 27	20 36
1970.....	100 22	78 71	71 84	4 42	2 45	21 51
1971.....	109 75	86 82	78 95	5 23	2 64	22 93
1972.....	120 69	93 59	85 57	5 20	2 82	27 10
1973.....	132 10	98 84	89 52	6 31	3 01	33 25
1974.....	141 46	105 14	94 59	7 32	3 23	36 32
Percentage distribution						
All other services ¹						
1950.....	100 0	93 0	88 8	-----	4 3	7 0
1955.....	100 0	89 6	85 7	-----	3 9	10 4
1960.....	100 0	88 4	84 5	0 6	3 4	11 6
1965.....	100 0	87 4	82 3	2 0	3 1	12 6
1966.....	100 0	85 6	80 4	2 2	3 0	14 4
1967.....	100 0	82 2	76 1	3 4	2 8	17 8
1968.....	100 0	78 4	72 1	3 7	2 6	21 6
1969.....	100 0	77 4	70 8	4 1	2 5	22 6
1970.....	100 0	78 5	71 7	4 4	2 4	21 5
1971.....	100 0	79 1	71 9	4 8	2 4	20 9
1972.....	100 0	77 5	70 9	4 3	2 3	22 4
1973.....	100 0	74 8	67 8	4 8	2 3	25 2
1974.....	100 0	74 3	66 9	5 2	2 3	25 7

¹ Includes dentists' services, other professional services, drugs and drug sundries, eyeglasses and appliances, nursing-home care, and other health services.

² Included in physicians' services, data not available separately.

activities" category in the social welfare series of the Office of Research and Statistics. The Federal portion consists of outlays for the organization and delivery of health services, the prevention and control of health problems, and similar health activities administered by various Federal agencies, chiefly the Department of Health, Education, and Welfare. The data for these programs are

taken from the Special Analyses of the Budget.

The State and local portion represents expenditures of all State and local health departments and intergovernment payments to the States and localities for public health activities. It excludes expenditures of other State and local government departments for air-pollution and water-pollution control, sanitation, water supplies, and sewage treatment. The source of these data is *Government Finances* (annual publication of the Bureau of the Census).

Other Health Services

Items of expenditure that could not be elsewhere classified are brought together in the category "other health services." It includes, for each public program, the residual amount of expenditures not classified as a specific type of medical service. In addition, it includes the following: (1) Industrial in-plant services, (2) school health services, before 1974, (3) medical activities in Federal units other than hospitals, and (4) a portion of private voluntary health agency expenses.

Industrial in-plant services consist of amounts spent for maintaining in-plant health services and are based on estimates made by the National Institute for Occupational Safety and Health of the Public Health Service.

Until 1974, expenditures for school health were estimated by the Office of Education and reported as a separate item in the social welfare expenditure series. As of 1974, separate estimates for this item were no longer available and, although expenditures for this purpose continue to be included in the social welfare expenditure series as part of total expenditures for education, school health is no longer included as a health expenditure.

Medical activities in Federal units other than hospitals are residual amounts that represent primarily the cost of maintaining outpatient facilities (separately from hospitals) and field and shipboard medical stations.

Expenditures for private voluntary health

agencies, included in the "other" private outlays, are the expenditures that remain after amounts for hospital care, physicians' services, etc., have been distributed. They represent the amounts spent for health education, lobbying, fundraising, etc.

Medical Research

Expenditures for medical research include all such spending by agencies whose primary object is the advancement of human health. Also included are those research expenditures directly related to health that are made by other agencies, such as those of the Department of Defense or the National Aeronautics and Space Administration. Research expenditures of drug and medical supply companies are excluded, since they are included in the cost of the product. The Federal amounts represent those reported as medical research in the Special Analyses of the Budget. The amounts shown for State and local governments and private expenditures are based on published estimates that have been prepared by the National Institutes of Health—primarily in the annual publication, *Basic Data Relating to the National Institutes of Health*.

Construction of Medical Facilities

Expenditures for construction represent "value put in place" for the hospitals, nursing homes, medical clinics, and medical research facilities but not for private office buildings providing office space for private practitioners. Excluded are amounts spent for construction of water-treatment or sewage-treatment plants and Federal grants for these purposes.

The data for value put in place for construction of publicly and privately owned medical facilities in each year are taken from the Department of Commerce report, *Construction Review*. Amounts spent by Federal and State and local governments for construction are subtracted from the total. The residual represents the amount coming from private funds.