

Age Differences in Health Care Spending, Fiscal Year 1977

by Robert M. Gibson and Charles R. Fisher*

This report of health care spending in fiscal year 1977 reveals that of the \$142.6 billion spent by the Nation for personal health care in fiscal year 1977, 29 percent was spent for those aged 65 or older, 59 percent for those aged 19–64, and 13 percent for those below age 19. The average health bill reached \$1,745 for the aged, \$661 for the intermediate age group, and \$253 for the young. Public funds financed 67 percent of the health expenses of the aged, with Medicare and Medicaid together accounting for 61 percent. More than two-thirds of the health expenses of the young and 71 percent of the expenses of those aged 19–64 were paid by private sources. Third-party payments met 68 percent of the health expenditures of all those under age 65.

Expenditures for medical care differ markedly with age. The differences apply to the type of medical care required, the amount of care required, and who pays for it. This article examines these differences for three broad age groups—the young (under age 19), the intermediate group (aged 19–64), and the aged (65 and older). Data are presented for the fiscal year 1977 (from October 1, 1976, through September 30, 1977, for the Federal Government) and for several earlier periods. Summary highlights reveal that:

- Of the 142.6 billion spent for personal health care in fiscal year 1977, 13 percent was spent for the young, 59 percent for persons aged 19–64, and 29 percent for the oldest group.
- The average medical care bill for the aged reached \$1,745, compared with \$661 for the intermediate group and \$253 for the young.
- About half of the public spending for personal health care was for the aged—contrasted with 16 percent of private spending.
- Medicare payments covered 44 percent of the personal health care expenditures of the aged, and Medicaid covered an additional 17 percent. The two programs financed 78 percent of the outlays for hospital care and 59 percent for the physicians' services for this age group.
- As the population grows older, a decreasing share of health care expenditures is for the young. Spending

for medical care for those under age 19 has dropped from 15 percent of the total in 1970 to less than 13 percent in 1977.

- Direct payments amounted to 39 percent of personal health care spending for the young, 30 percent for the intermediate age group, and 27 percent for those aged 65 and older.
- In 1977, third parties—government programs and private health insurance—financed 74 percent of health care for the aged. In 1966 the figure was 47 percent. The government share increased from 30 percent to 67 percent over that period.
- Medicare hospital insurance deductibles and coinsurance payments for the aged have increased from 5 percent of hospital expenditures in 1968 to 6 percent—while supplementary medical insurance deductibles and coinsurance have declined from 32 percent to 26 percent of physicians' expenditures.

Concepts and Definitions

All estimates in this report relate to personal health care expenditures—that portion of the total national health care expense representing health services and supplies received directly by individuals. They make up total national expenditures for health, together with spending for research and medical facilities construction, identifiable administrative costs of government programs, government public health activities, expenses incurred by philanthropic organizations in raising funds

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for health care, and the net cost of private health insurance (the difference between premiums and benefit payments).

All expenditures for health care that are channeled through any program established by public law are treated as public expenditures in these estimates. Expenditures under workers' compensation programs, for example, are included with government expenditures although they involve benefits paid by private insurers from premiums collected from private sources.

Funds disbursed by public programs are reported as program expenditures even, for example, when they include significant private contributions made by enrollees as in the supplemental medical insurance (SMI) program under Medicare. The benefit expenditures reported in this series are not adjusted to eliminate the duplication that exists because payments are made by State governments into the Medicare trust fund in the form of SMI premiums for public assistance and supplemental security income (SSI) recipients and are reported as Medicaid expenditures. The amount paid by Medicaid as premiums in 1977 was \$259 million for all enrollees; that portion not retained in the trust fund is duplicated as a Medicare expense. The amount does not noticeably affect the relationships that are reported.

Health expenditures made by State and local governments that involve funds received from the Federal Government under revenue sharing are reported as State and local expenditures, not as Federal expenditures. These funds amounted to \$232 million in the first half of fiscal year 1976, the latest period for which data are available.¹ No information is available on the use of such funds by specific programs.

Responsibility for compiling estimates of national health care spending now resides with the Health Care Financing Administration (HCFA) within the Department of Health, Education, and Welfare. Definitions of the various types of health care and descriptions of the public programs are contained in the various articles in the series carrying estimates for expenditures.²

It should be noted that hospital care includes all expenditures for care in hospitals—both inpatient and outpatient. The data cover all services and supplies (such as medications) provided.

Population estimates used here are selected to correspond to the population covered by expenditure estimates. Since national health expenditures cover all spending for or by United States citizens and residents, population estimates include the institutionalized popu-

lation, the Armed Forces (both in the United States and overseas), Federal civilian employees overseas, and the civilian population of outlying areas.

Care must be exercised when comparing these estimates with other sources of information on health care utilization and expenditures. Many interview surveys (such as the Health Interview Survey conducted by the National Center for Health Statistics) are confined to the noninstitutionalized portion of the population. This difference in scope is especially important in a comparison of data for persons aged 65 and older.

The group under age 19 presents some problems in connection with the available demographic information on utilization and expenditures. Extensive interpolation is often required to estimate certain types of expenditures for this group. Because of the nature of some data sources, expenses for certain persons under age 19 who are part of the labor force are not separable from those aged 19–64 and expenses of dependent children over age 18 are included with those of the younger group.

Expenditures in Fiscal Year 1977

From October 1, 1976, through September 30, 1977, the Nation spent \$142.6 billion for personal health care. Of this amount, \$41.3 was spent to meet the health care needs of the 23.6 million persons in the population who were aged 65 or older (table 1). Spending for the younger members of the population—those under age 19—accounted for \$17.9 billion. The remaining \$83.4 billion represented spending for persons aged 19–64.

Per capita spending reflected substantial differences by age. For persons younger than 19, \$253 per person was spent; more than two and one-half times that amount (\$661) was spent for each person aged 19–64. Expenditures for each aged person were \$1,745—two and one-half times above the amount for the intermediate age group. These variations in per capita spending levels result in a distribution of total spending different from that of the population as the following figures show.

Age	Population		Personal health care expenditures	
	Number (in millions)	Percentage distribution	Amount (in billions)	Percentage distribution
All ages ..	220.7	100.0	\$142.6	100.0
Under 19	70.8	31.6	17.9	12.6
19–64	126.2	57.6	83.4	58.5
65 and over ..	23.6	10.8	41.3	28.9

¹ Fifth Annual Report of the Office of Revenue Sharing, March 1, 1978, Department of the Treasury, Washington, D.C.

² See Robert M. Gibson and Charles R. Fisher, "National Health Expenditures, Fiscal Year 1977," Social Security Bulletin, July 1978. For a detailed description of public programs see Barbara S. Cooper and Nancy L. Worthington, Personal Health Care Expenditures by State, Volume I, Public Funds 1966 and 1969, Office of Research and Statistics, Social Security Administration, 1973.

The group under age 19—nearly one-third of the total population—accounted for only 13 percent of all personal health expenditures, but persons aged 65 and older—who comprise slightly more than a tenth of the population—spent more than twice that share. The re-

maining 59 percent of the outlays was spent on care for those aged 19–64 (table 2).

Private spending financed 33 percent of medical care spending for the elderly. The Federal Government funds paid 57 percent, and the remaining 10 percent came from State and local funds (chart 1).

For the intermediate and youngest age groups, private financing paid 71 percent and 69 percent of personal health care expenditures, respectively. For both of these groups, State and local governments paid 13 percent of

the total. The Federal Government financed 16 percent for those aged 19–64 and 18 percent for those under age 19, respectively.

Expenditures for Persons Under Age 19

Expenditures for the young amounted to \$17.9 billion in fiscal year 1977—13 percent of all spending for personal health care in the country. This spending, for a group that represents 32 percent of the population, aver-

Table 1.—Personal health care expenditures for three age groups: Aggregate and per capita amount and percentage distribution, by type of expenditure and source of funds, years ending September 1975–77

Type of expenditure	All ages			Under 19			19–64			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public
Aggregate amount (in millions)												
Total	\$142,586	\$85,465	\$57,121	\$17,909	\$12,392	\$5,517	\$83,422	\$59,449	\$23,973	\$41,256	\$13,624	\$27,631
Hospital care	65,637	29,427	36,199	6,333	3,448	2,885	41,109	23,840	17,269	18,185	2,140	16,045
Physicians' services	32,184	24,360	7,824	4,924	4,180	744	20,115	17,291	2,824	7,145	2,889	4,255
Dentists' services	10,020	9,520	500	2,144	1,925	220	6,854	6,620	234	1,022	976	46
Other professional services	3,212	2,288	924	305	169	136	2,091	1,794	298	816	325	490
Drugs and drug sundries	12,516	11,373	1,143	2,319	2,161	158	7,338	6,790	549	2,859	2,423	436
Eyeglasses and appliances	2,086	1,956	130	270	248	21	1,505	1,405	100	312	303	9
Nursing-home care	12,618	5,434	7,184	341	162	178	1,741	737	1,004	10,536	4,535	6,001
Other health services	4,322	1,105	3,217	1,272	98	1,174	2,669	973	1,695	381	33	348
Per capita amount												
Total	\$646.11	\$387.27	\$258.84	\$252.96	\$175.03	\$77.92	\$660.78	\$470.89	\$189.89	\$1,745.17	\$576.33	\$1,168.84
Hospital care	297.38	133.35	164.03	89.45	48.70	40.76	325.62	188.83	136.78	769.25	90.52	678.73
Physicians' services	145.84	110.39	35.45	69.55	59.05	10.51	159.33	136.96	22.37	302.23	122.23	180.01
Dentists' services	45.41	43.14	2.27	30.29	27.19	3.10	54.29	52.43	1.86	43.24	41.28	1.96
Other professional services	14.56	10.37	4.19	4.31	2.39	1.92	16.56	14.21	2.36	34.51	13.77	20.75
Drugs and drug sundries	56.72	51.54	5.18	32.76	30.52	2.23	58.13	53.78	4.35	120.94	102.48	18.46
Eyeglasses and appliances	9.45	8.86	.59	3.81	3.51	.30	11.92	11.13	.79	13.20	12.83	.37
Nursing-home care	57.18	24.62	32.55	4.81	2.29	2.52	13.79	5.84	7.95	445.68	191.82	253.86
Other health services	19.59	5.01	14.58	17.97	1.39	16.58	21.14	7.71	13.43	16.12	1.41	14.71
Percentage distribution												
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Hospital care	46.0	34.4	63.4	35.4	27.8	52.3	49.3	40.1	72.0	44.1	15.7	58.1
Physicians' services	22.6	28.5	13.7	27.5	33.7	13.5	24.1	29.1	11.8	17.3	21.2	15.4
Dentists' services	7.0	11.1	.9	12.0	15.5	4.0	8.2	11.1	1.0	2.5	7.2	.2
Other professional services	2.3	2.7	1.6	1.7	1.4	2.5	2.5	3.0	1.2	2.0	2.4	1.8
Drugs and drug sundries	8.8	13.3	2.0	12.9	17.4	2.9	8.8	11.4	2.3	6.9	17.8	1.6
Eyeglasses and appliances	1.5	2.3	.2	1.5	2.0	.4	1.8	2.4	.4	.8	2.2	0.
Nursing-home care	8.8	6.4	12.6	1.9	1.3	3.2	2.1	1.2	4.2	25.5	33.3	21.7
Other health services	3.0	1.3	5.6	7.1	.8	21.3	3.2	1.6	7.1	.9	.2	1.3
Aggregate amount (in millions)												
Total	\$126,217	\$75,740	\$50,477	\$16,104	\$10,987	\$5,117	\$74,443	\$52,951	\$21,492	\$35,670	\$11,802	\$23,868
Hospital care	57,497	25,470	32,028	5,646	3,067	2,580	36,074	20,526	15,548	15,777	1,877	13,900
Physicians' services	28,504	21,628	6,876	4,460	3,741	719	17,935	15,418	2,517	6,108	2,469	3,640
Dentists' services	8,987	8,519	468	1,956	1,749	207	6,129	5,911	218	902	859	43
Other professional services	2,849	2,136	713	278	158	120	1,850	1,601	248	722	377	344
Drugs and drug sundries	11,472	10,396	1,076	1,964	1,814	150	7,184	6,670	513	2,325	1,912	413
Eyeglasses and appliances	1,986	1,864	121	269	249	21	1,452	1,360	92	265	256	9
Nursing-home care	10,834	4,718	6,115	252	120	132	1,370	577	794	9,212	4,022	5,190
Other health services	4,088	1,007	3,081	1,279	90	1,190	2,448	887	1,561	360	30	330
Per capita amount												
Total	\$576.77	\$346.10	\$230.66	\$225.01	\$153.52	\$71.50	\$599.32	\$426.29	\$173.03	\$1,547.24	\$511.93	\$1,035.31
Hospital care	262.74	116.39	146.35	78.89	42.85	36.05	290.42	165.25	125.17	684.35	81.42	602.93
Physicians' services	130.25	98.83	31.42	62.32	52.27	10.05	144.39	124.13	20.26	264.94	107.10	157.89
Dentists' services	41.07	38.93	2.14	27.33	24.44	2.89	49.34	47.59	1.76	39.13	37.26	1.87
Other professional services	13.02	9.76	3.26	3.88	2.21	1.68	14.89	12.89	2.00	31.32	16.35	14.92
Drugs and drug sundries	52.42	47.51	4.92	27.44	25.35	2.10	57.84	53.70	4.13	100.85	82.94	17.91
Eyeglasses and appliances	9.07	8.52	.56	3.76	3.48	.29	11.69	10.95	.74	11.49	11.10	.39
Nursing-home care	49.51	21.56	27.94	3.52	1.68	1.84	11.03	4.65	6.39	399.58	174.46	225.12
Other health services	18.68	4.60	14.08	17.87	1.26	16.63	19.71	7.14	12.57	15.62	1.30	14.31

See footnotes at end of table.

Table 1.—Personal health care expenditures for three age groups: Aggregate and per capita amount and percentage distribution, by type of expenditure and source of funds, years ending September 1975–77—Continued

Type of expenditure	All ages			Under 19			19–64			65 and over		
	Total	Private	Public	Total	Private	Public	Total	Private	Public	Total	Private	Public
1976²—Continued												
Percentage distribution												
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Hospital care	45.6	33.6	63.4	35.1	27.9	50.4	48.5	38.8	72.3	44.2	15.9	58.2
Physicians' services	22.6	28.6	13.6	27.7	34.0	14.1	24.1	29.1	11.7	17.1	20.9	15.2
Dentists' services	7.1	11.2	.9	12.1	15.9	4.0	8.2	11.2	1.0	2.5	7.3	.2
Other professional services	2.3	2.8	1.4	1.7	1.4	2.3	2.5	3.0	1.2	2.0	3.2	1.4
Drugs and drug sundries	9.1	13.7	2.1	12.2	16.5	2.9	9.6	12.6	2.4	6.5	16.2	1.7
Eyeglasses and appliances	1.6	2.5	.2	1.7	2.3	.4	2.0	2.6	.4	.7	2.2	0
Nursing-home care	8.6	6.2	12.1	1.6	1.1	2.6	1.8	1.1	3.7	25.8	34.1	21.7
Other health services	3.2	1.3	6.1	7.9	.8	23.2	3.3	1.7	7.3	1.0	.3	1.4
1975²												
Aggregate amount (in millions)												
Total	\$110,665	\$65,630	\$45,035	\$14,393	\$9,681	\$4,711	\$65,006	\$45,617	\$19,389	\$31,266	\$10,331	\$20,935
Hospital care	49,973	21,348	28,626	5,007	2,635	2,372	31,238	17,091	14,147	13,728	1,621	12,107
Physicians' services	24,553	18,382	6,171	3,928	3,201	727	15,523	13,237	2,286	5,103	1,944	3,159
Dentists' services	8,034	7,587	447	1,788	1,590	198	5,455	5,246	209	792	751	41
Other professional services	2,463	1,913	550	248	149	100	1,595	1,394	201	621	371	250
Drugs and drug sundries	10,582	9,609	973	1,843	1,708	136	6,619	6,156	463	2,119	1,745	374
Eyeglasses and appliances	1,822	1,710	112	247	228	19	1,308	1,224	85	267	259	8
Nursing-home care	9,620	4,185	5,436	190	91	99	1,131	479	652	8,299	3,614	4,685
Other health services	3,616	896	2,720	1,141	80	1,061	2,136	789	1,347	339	27	312
Per capita amount												
Total	\$509.90	\$302.40	\$207.50	\$196.10	\$131.90	\$64.18	\$536.54	\$376.51	\$160.03	\$1,391.08	\$459.65	\$931.44
Hospital care	230.25	98.36	131.90	68.22	35.90	32.32	257.83	141.06	116.77	610.78	72.12	538.65
Physicians' services	113.13	84.70	28.43	53.52	43.61	9.90	128.12	109.25	18.87	227.02	86.47	140.55
Dentists' services	37.02	34.95	2.06	24.36	21.66	2.70	45.02	43.30	1.73	35.23	33.41	1.82
Other professional services	11.35	8.81	2.54	3.38	2.03	1.36	13.16	11.51	1.66	27.61	16.49	11.11
Drugs and drug sundries	48.76	44.28	4.48	25.11	23.27	1.85	54.63	50.81	3.82	94.28	77.64	16.65
Eyeglasses and appliances	8.40	7.88	.52	3.37	3.11	.26	10.80	10.10	.70	11.88	11.52	.37
Nursing home care	44.33	19.28	25.05	2.59	1.24	1.35	9.33	3.95	5.38	369.23	160.79	208.43
Other health services	16.66	4.13	12.53	15.55	1.09	14.46	17.63	6.51	11.12	15.06	1.20	13.86
Percentage distribution												
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Hospital care	45.2	32.5	63.6	34.8	27.2	50.3	48.1	37.5	73.0	43.9	15.7	57.8
Physicians' services	22.2	28.0	13.7	27.3	33.1	15.4	23.9	29.0	11.8	16.3	18.8	15.1
Dentists' services	7.3	11.6	1.0	12.4	16.4	4.2	8.4	11.5	1.1	2.5	7.3	.2
Other professional services	2.2	2.9	1.2	1.7	1.5	2.1	2.5	3.1	1.0	2.0	3.6	1.2
Drugs and drug sundries	9.6	14.6	2.2	12.8	17.6	2.9	10.2	13.5	2.4	6.8	16.9	1.8
Eyeglasses and appliances	1.6	2.6	.2	1.7	2.4	.4	2.0	2.7	.4	.9	2.5	0
Nursing-home care	8.7	6.4	12.1	1.3	.9	2.1	1.7	1.1	3.4	26.5	35.0	22.4
Other health services	3.3	1.4	6.0	7.9	.8	22.5	3.3	1.7	6.9	1.1	.3	1.5

¹Preliminary estimates.

²Revised estimates.

aged \$253 per person compared with \$646 for the Nation as a whole.

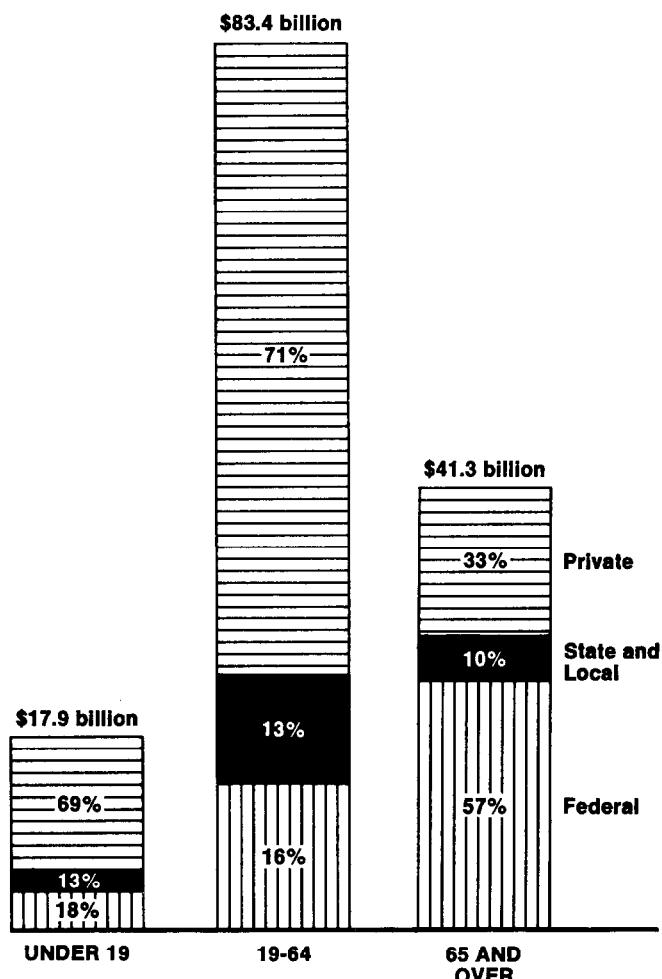
Expenditures for hospital care were 35 percent of total health care spending for this group; physicians' services amounted to another 28 percent of the total. The hospital care figures include both inpatient and outpatient care. Younger persons tend to be subject to acute conditions that can be treated in an ambulatory setting with a lower attendant cost. Thus, less hospitalization is required and a smaller proportion of physicians' expenditures are for services such as surgery, performed in the hospital. Combined spending for physicians' services and for drug and drug sundries accounted for more than 40 percent of spending. Dental expenditures were 21 percent of all spending for dentists' services in the country, 12 percent of expenditures for this group.

Slightly less than 10 percent of all public funds spent for personal health care went to the young, and such funds provided 31 percent of all health care spending for the group (table 3). This publicly funded care (\$5.5 billion) is targeted at certain population groups—the poor, the disabled, and dependents of the military.

More than half (52 percent) of all public spending for the young came from the \$2.9 billion in Medicaid payments for the health care of about 10 million children in families receiving public assistance (table 4). One child in 7 receives medical care funded by Medicaid.

The program to provide maternal and child health services under title V of the Social Security Act spent an additional \$535 million, and the Department of Defense spent \$845 million for minor dependents of active and retired military personnel. Other programs in the cate-

Chart 1.—Percentage distribution of expenditures for personal health care, by source of funds and age group, fiscal year 1977



gory of "general hospital and medical care" provided \$1.1 billion, including spending by the Indian Health Service, Public Health Service hospitals, and public school districts for school health programs. These funds amount to less than 10 percent of public spending—a proportion significantly lower than the 15 percent of private spending for care of children.

Private health insurance benefits financed almost the same percentage of care for those under age 19 as government programs did (table 5). That ratio was 30 percent compared with 31 percent.

In July 1973—in addition to certain disabled beneficiaries under the social security program—persons suffering from end-stage renal disease became eligible for coverage under Medicare. The extension of coverage was made because of the catastrophically high medical expenses associated with the disabling conditions of these individuals. In fiscal year 1977, Medicare paid approximately \$29 million in benefits for persons under age 19. These benefits were paid on behalf of approxi-

mately 1,600 enrollees, nearly all of whom had end-stage renal disease.

Seventy percent of all health care spending for those under age 19 was financed privately, with 30 percent of the total from private health insurance benefits. Since private insurance is most comprehensive in coverage of hospital care, these benefits covered 49 percent of hospital bills, but only 38 percent of bills for physicians' services and less than 5 percent for other services.

Declining birth rates since the last World War, along with increased longevity, have resulted in a decline in the number and the proportion of the population under age 19. By 1970, those under age 19 represented 36 percent of the population; in 1977 the proportion had dropped to 32 percent. The share of personal health-care expenditures for this age group declined from 15 percent to 13 percent over this period.

Public programs financed 26 percent of care for the youngest in 1970. With increased Medicaid spending, 31 percent was funded in fiscal year 1977. Benefits from private health insurance rose from 25 percent to 30 percent of the total bill. As a result, direct payments were reduced from 49 percent in fiscal year 1970 to 39 percent 7 years later.

The remaining 39 percent of spending for the young consisted of direct payments—money that was paid directly by those responsible for the care of the children. Relatively little (6 percent) in the way of these funds were required for their hospital care, but direct payments met 47 percent of the expense of the physicians' services and 65 percent of other services.

Expenditures for Persons Aged 19–64

Expenditures for personal health care for the 126 million Americans aged 19–64 reached \$83.4 billion in fiscal year 1977. Per capita spending amounted to \$661—slightly above the \$646 average for the Nation as a whole.

With increasing age, a person's needs for health care change. Chronic conditions become more frequent among the older members of the intermediate age group, and the need for treatment in a hospital setting, as well as for other medical services, increases. The following tabulation shows that the proportion of persons hos-

Age	Total number hospitalized (in thousands)	Percent hospitalized			Mean rate per hospital user per year	
		Total	Men	Women	Inpatient days of care	Hospital stays
20–64	13,637	12.8	10.1	15.3	10	1.20
20–34	6,181	14.8	8.1	20.7	7	1.14
35–44	2,377	10.8	10.6	11.1	9	1.16
45–54	2,698	11.4	10.9	12.0	12	1.29
55–64	2,381	12.5	13.1	12.0	15	1.31
65 and over	4,245	20.5	21.8	19.5	18	1.41

Source: Data for aged 20–64 group from Social Security Administration 1972 Survey of the Disabled. Data for age 65 and over from health insurance program statistics, Health Care Financing Administration.

Table 2.—Estimated personal health care expenditures under public programs, by type of expenditure and source of funds, for three age groups, years ending September 1975-77

[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
1977 ¹												
Total	\$57,121	\$39,823	\$17,299	\$5,517	\$3,186	\$2,331	\$23,973	\$13,244	\$10,729	\$27,631	\$23,393	\$4,239
Hospital care	36,199	25,715	10,484	2,885	1,777	1,108	17,269	9,172	8,096	16,045	14,766	1,280
Physicians' services	7,824	5,808	2,016	744	440	304	2,824	1,249	1,575	4,255	4,119	137
Dentists' services	500	310	190	220	124	96	234	154	80	46	32	15
Other professional services	924	683	241	136	84	52	298	139	158	490	460	31
Drugs and drug sundries	1,143	614	529	158	91	67	549	283	266	436	240	197
Eyeglasses and appliances	130	66	64	21	15	7	100	44	56	9	7	2
Nursing-home care	7,184	4,204	2,980	178	98	81	1,004	592	412	6,001	3,514	2,487
Other health services	3,217	2,424	793	1,174	558	616	1,695	1,610	85	348	256	91
1976 ²												
Total	\$50,477	\$34,990	\$15,488	\$5,117	\$3,008	\$2,109	\$21,492	\$11,849	\$9,643	\$23,868	\$20,133	\$3,735
Hospital care	32,028	22,538	9,490	2,580	1,608	972	15,548	8,203	7,345	13,900	12,727	1,173
Physicians' services	6,876	5,059	1,817	719	428	292	2,517	1,119	1,398	3,640	3,512	128
Dentists' services	468	290	177	207	118	89	218	143	75	43	29	14
Other professional services	713	508	204	120	75	45	248	115	134	344	318	26
Drugs and drug sundries	1,076	585	491	150	87	62	513	269	244	413	229	184
Eyeglasses and appliances	121	65	56	21	14	6	92	44	48	9	7	1
Nursing-home care	6,115	3,615	2,500	132	73	58	794	474	319	5,190	3,068	2,122
Other health services	3,081	2,329	752	1,190	605	585	1,561	1,481	80	330	243	87
1975 ²												
Total	\$45,035	\$30,290	\$14,745	\$4,711	\$2,708	\$2,003	\$19,389	\$10,238	\$9,151	\$20,935	\$17,345	\$3,590
Hospital care	28,626	19,534	9,092	2,372	1,456	916	14,147	7,113	7,034	12,107	10,965	1,141
Physicians' services	6,171	4,427	1,745	727	416	310	2,286	983	1,303	3,159	3,028	131
Dentists' services	447	270	177	198	109	89	209	134	75	41	27	14
Other professional services	550	378	172	100	62	38	201	88	113	250	228	21
Drugs and drug sundries	973	510	463	136	76	59	463	234	229	374	199	175
Eyeglasses and appliances	112	63	49	19	13	6	85	43	42	8	7	1
Nursing-home care	5,436	3,100	2,336	99	53	46	652	377	275	4,685	2,670	2,015
Other health services	2,720	2,009	711	1,061	523	538	1,347	1,266	81	312	220	92

¹Preliminary estimates.

²Revised estimates.

pitalized at each age interval group within the intermediate age group increased with age (except for women of childbearing age) and that the number of hospital days of care per hospital user and the number of hospital stays per user both rose with age. As might be expected, persons approaching age 65 utilized hospital services at rates approaching those of the group aged 65 and older.

Forty-nine percent of health care spending for persons aged 19-64 was for hospital care and the per capita expense of \$326 was nearly four times that of persons under age 19. Spending of \$159 per person for physicians' services and spending of \$58 per person for prescription drugs, over-the-counter drugs, and medical sundries accounted for 33 percent. Dental spending for this age group consumed an additional 8 percent during the fiscal year.

Private health insurance was the most significant factor in the financing of health care for those aged 19-64. Thirty-eight percent of their personal health care was reimbursed by private health insurance organizations. With the traditional emphasis of health insurance

on hospital care and physicians' services, benefits covered 48 percent and 44 percent of these services, respectively, and only 13 percent of all other personal health care services.

Direct payments—those that had to be supplied by the consumer—constituted 30 percent of health care spending of the intermediate group. These “out-of-pocket” costs did not include the amounts of money that were paid for individual policies or as the employee share of premiums for employment-related group policies. Since these amounts are typically deducted from an employee's gross wages and are, in effect, “hidden,” they have been traditionally excluded from the figures that are quoted for “out-of-pocket” spending.

Funds from the public sector paid 29 percent of the medical expenses for the intermediate age group in fiscal year 1977. The Medicaid program paid \$6.5 billion in benefits for eligible persons in this group—almost 8 percent of all spending and 27 percent of all public funds for personal health care for the group. Expenditures classified under “general hospital and medical

Table 3.—Personal health care expenditures for three age groups: Percentage distribution of public and private spending by type of expenditure, fiscal year 1977

Type of expenditure	Percentage distribution by age			
	All ages	Under 19	19-64	65 and over
Total				
Hospital care	100.0	12.6	58.5	28.9
Physicians' services	100.0	9.6	62.6	27.7
Dentists' services	100.0	15.3	62.5	22.2
Other professional services	100.0	21.4	68.4	10.2
Drugs and drug sundries	100.0	9.5	65.1	25.4
Eyeglasses and appliances	100.0	18.5	58.6	22.8
Nursing-home care	100.0	12.9	72.1	15.0
Other health services	100.0	2.7	13.8	83.5
	100.0	29.4	61.7	8.8
Total				
Hospital care	100.0	14.5	69.6	15.9
Physicians' services	100.0	11.7	81.0	7.3
Dentists' services	100.0	17.1	71.0	11.9
Other professional services	100.0	20.2	69.5	10.3
Drugs and drug sundries	100.0	7.4	78.4	14.2
Eyeglasses and appliances	100.0	19.0	59.7	21.3
Nursing-home care	100.0	12.6	71.8	15.5
Other health services	100.0	3.0	13.6	83.4
	100.0	8.9	88.1	3.0
Total				
Hospital care	100.0	9.6	42.0	48.4
Physicians' services	100.0	8.0	47.7	44.3
Dentists' services	100.0	9.5	36.1	54.4
Other professional services	100.0	44.0	46.8	9.2
Drugs and drug sundries	100.0	14.7	32.3	53.0
Eyeglasses and appliances	100.0	13.8	48.0	38.1
Nursing-home care	100.0	16.2	76.9	6.9
Other health services	100.0	2.5	14.0	83.5
	100.0	36.5	52.7	10.8

care" supplied 26 percent, with spending in State and local mental hospitals the single most important part.

The Veterans Administration's various medical programs, provided 14 percent of government spending for the intermediate group, and the Department of Defense provided 10 percent. Medicare expenditures of \$2.5 billion accounted for 10 percent of public funds; the two HCFA-administered programs—Medicare and Medicaid—thus paid for 10 percent of the medical care expenditures for those aged 19-64.

The most important developments in recent years in public spending for the intermediate age group involve those persons who are permanently and totally disabled. Two events figured prominently here: In July 1973, certain disabled workers (and their dependents) eligible for OASDI benefits and persons suffering from end-stage renal disease became eligible for Medicare benefits. In January 1974, the public assistance program for the permanently disabled was abolished and the new Federal supplemental security income (SSI) program for the aged, blind, and disabled began operations. In 35 States, these persons are also eligible for Medicaid; the remaining States make separate determinations on their eligibility for Medicaid.

The population affected by these programs has been growing dramatically in recent years. The number of disabled-worker beneficiaries increased 62 percent from December 1971 to December 1976, and the number of disabled persons receiving SSI benefits rose 57 percent from January 1974 to December 1976. Consequently, the number of OASDHI disabled beneficiaries enrolled under Medicare increased 25 percent from July 1973 to July 1976, reaching 2.2 million persons. The average number of disabled SSI recipients receiving Medicaid benefits increased from 2.3 million in fiscal year 1974 to 3.0 million in fiscal year 1977—a 31-percent growth. The combined expenditures of the Medicare and Medicaid programs rose from \$5.3 billion in fiscal year 1974 to \$9.0 billion in fiscal year 1977, reflecting these changes.

The public share of health expenditures for the intermediate age group rose in the period 1970-77 from 24 percent to 29 percent—largely because of the increase in Medicare and Medicaid payments. During the same period, private health insurance benefits as a percentage of the total increased from 32 to 38 percent. Moderate increases in gross enrollment for hospital and physicians' coverage have occurred in this period (averaging

Table 4.—Estimated personal health care expenditures under public programs, by program and source of funds, for three age groups, years ending September 1975–77

[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
1977 ¹												
Total	\$57,121	\$39,823	\$17,299	\$5,517	\$3,186	\$2,331	\$23,973	\$13,244	\$10,729	\$27,631	\$23,393	\$4,239
Medicare (health insurance for the aged and disabled) ²	20,770	20,770	.....	29	29	.....	2,459	2,459	.....	18,282	18,282	.....
Temporary disability insurance (medical benefits) ³	103	.....	103	.....	.....	.....	103	.....	103	.....	.....	.....
Workers' compensation (medical benefits) ³	2,609	69	2,540	.....	.....	.....	2,530	67	2,463	79	2	77
Medicaid ⁴	16,257	9,181	7,076	2,852	1,610	1,241	6,515	3,679	2,836	6,890	3,891	2,999
Other public assistance medical vendor payments	517	.....	517	91	.....	91	207	.....	207	219	.....	219
General hospital and medical care	8,296	1,605	6,691	1,108	388	721	6,150	1,122	5,028	1,038	95	943
Defense Department hospital and medical care ⁵	3,361	3,361	.....	845	845	.....	2,421	2,421	.....	95	95	.....
Maternal and child health services	632	317	315	535	269	267	97	49	48	.....	.....	.....
Veterans' hospital and medical care	4,293	4,293	.....	.....	.....	.....	3,271	3,271	.....	1,022	1,022	.....
Medical vocational rehabilitation	283	227	57	57	45	11	221	177	44	6	5	1
1976 ⁶												
Total	\$50,477	\$34,990	\$15,488	\$5,117	\$3,008	\$2,109	\$21,492	\$11,849	\$9,643	\$23,868	\$20,133	\$3,735
Medicare (health insurance for the aged and disabled) ²	17,643	17,643	.....	24	24	.....	2,027	2,027	.....	15,591	15,591	.....
Temporary disability insurance (medical benefits) ³	90	.....	90	.....	.....	.....	90	.....	90	.....	.....	.....
Workers' compensation (medical benefits) ³	2,233	68	2,165	.....	.....	.....	2,166	66	2,100	67	2	65
Medicaid ⁴	14,000	8,142	5,859	2,481	1,443	1,038	5,602	3,259	2,343	5,917	3,439	2,478
Other public assistance medical vendor payments	717	.....	717	127	.....	127	287	.....	287	303	.....	303
General hospital and medical care	7,845	1,536	6,309	1,123	437	686	5,745	1,010	4,735	977	89	888
Defense Department hospital and medical care ⁵	3,178	3,178	.....	799	799	.....	2,289	2,289	.....	90	90	.....
Maternal and child health services	599	307	292	507	260	247	92	47	45	.....	.....	.....
Veterans' hospital and medical care	3,894	3,894	.....	56	44	.....	2,977	2,977	.....	917	917	.....
Medical vocational rehabilitation	278	222	56	56	44	11	217	174	43	6	4	1
1975 ⁶												
Total	\$45,035	\$30,290	\$14,745	\$4,711	\$2,708	\$2,003	\$19,389	\$10,238	\$9,151	\$20,935	\$17,345	\$3,590
Medicare (health insurance for the aged and disabled) ²	14,880	14,880	.....	18	18	.....	1,489	1,489	.....	13,373	13,373	.....
Temporary disability insurance (medical benefits) ³	75	.....	75	.....	.....	.....	75	.....	75	.....	.....	.....
Workers' compensation (medical benefits) ³	1,926	54	1,872	.....	.....	.....	1,868	52	1,815	58	2	57
Medicaid ⁴	12,663	7,084	5,580	2,259	1,264	995	5,031	2,815	2,217	5,373	3,005	2,368
Other public assistance medical vendor payments	670	.....	670	119	.....	119	266	.....	266	285	.....	285
General hospital and medical care	7,503	1,281	6,222	1,011	364	647	5,537	842	4,695	954	74	880
Defense Department hospital and medical care ⁵	3,110	3,110	.....	782	782	.....	2,240	2,240	.....	88	88	.....
Maternal and child health services	554	281	273	469	238	231	85	43	42	.....	.....	.....
Veterans' hospital and medical care	3,389	3,389	.....	53	42	11	2,591	2,591	.....	798	798	.....
Medical vocational rehabilitation	265	212	53	53	42	11	207	166	41	5	4	1

¹ Preliminary estimates.

² Represents total expenditures from trust funds for benefits and administrative costs. Trust fund income includes premium payments paid by or on behalf of enrollees.

³ Includes medical benefits paid under public law by private insurance carriers and self-insurers.

⁴ Includes funds paid into Medicare trust funds by States under "buy-in"

agreements to cover premiums for public assistance recipients and medically indigent persons.

⁵ Includes care for retirees and military dependents. Payments for services other than hospital care and other health services represent only those made under contract medical programs.

⁶ Revised estimates.

Table 5.—Personal health care expenditures for three age groups: Aggregate amount and percentage distribution, by source of funds, selected fiscal years, 1970–77

Total	Total amount (in millions)	Percentage distribution									
		Total	Private				Public				
			Total	Direct payments	Health insurance	Other	Total	Medi- care	Medi- caid	Other	
All ages											
1977											
Total	\$142,586	100.0	59.9	30.3	27.6	2.0	40.1	14.6	11.4	6.9	7.2
Hospital care	65,627	100.0	44.8	5.9	36.6	2.3	55.2	23.5	9.1	10.4	12.0
Physicians' services	32,184	100.0	75.7	38.8	36.7	.1	24.3	13.8	5.7	1.1	3.8
All other services	44,776	100.0	70.7	60.1	7.7	2.9	29.3	1.8	18.9	6.0	2.5
1975											
Total	107,383	100.0	59.5	31.2	26.2	2.2	40.5	13.8	11.8	6.6	8.3
Hospital care	48,376	100.0	42.6	4.5	35.4	2.6	57.4	22.1	8.6	11.8	14.9
Physicians' services	23,839	100.0	75.3	38.9	36.3	.1	24.7	12.5	7.1	1.1	3.9
All other services	35,168	100.0	72.1	62.6	6.6	3.0	27.9	3.2	19.2	3.1	2.2
1970											
Total	60,172	100.0	66.3	40.7	23.9	1.6	33.7	11.2	7.9	6.8	7.7
Hospital care	25,601	100.0	49.0	11.6	35.8	1.6	51.0	18.6	7.3	10.8	14.3
Physicians' services	13,443	100.0	78.6	45.3	33.2	.1	21.4	11.9	4.2	1.9	3.4
All other services	21,128	100.0	79.2	73.0	3.6	2.6	20.8	1.9	11.2	5.3	2.4
Under 19											
1977											
Total	\$17,909	100.0	69.2	38.9	29.7	0.5	30.8	0.2	15.9	8.6	6.1
Hospital care	6,333	100.0	54.4	5.5	49.0	0	45.6	.4	25.3	13.3	6.4
Physicians' services	4,924	100.0	84.9	47.0	37.9	0	15.1	.1	12.3	1.9	.8
All other services	6,652	100.0	71.6	64.9	5.3	1.5	28.4	0	9.6	9.1	9.6
1975											
Total	14,011	100.0	67.6	38.2	28.9	.6	32.4	.1	15.3	9.9	7.1
Hospital care	4,834	100.0	52.4	3.5	48.9	0	47.6	.3	23.2	16.1	8.2
Physicians' services	3,838	100.0	82.0	44.8	37.2	0	18.0	.1	14.7	2.1	1.2
All other services	5,339	100.0	71.1	64.9	4.7	1.5	28.9	0	8.5	10.0	10.4
1970											
Total	8,995	100.0	74.2	49.1	24.8	.3	25.8	.....	9.0	10.3	6.5
Hospital care	2,791	100.0	62.1	13.2	49.0	0	37.9	.....	13.8	17.5	6.6
Physicians' services	2,326	100.0	87.9	55.8	32.1	0	12.1	.....	7.4	4.2	.5
All other services	3,878	100.0	74.7	71.0	2.9	.8	25.3	.....	6.5	8.7	10.1
19–64											
1977											
Total	\$83,422	100.0	71.3	30.4	37.9	3.0	28.7	2.9	7.8	8.5	9.5
Hospital care	41,109	100.0	58.0	6.4	48.4	3.2	42.0	4.8	9.0	12.4	15.8
Physicians' services	20,115	100.0	86.0	41.5	44.2	.2	14.0	2.3	5.0	1.2	5.7
All other services	22,198	100.0	82.5	64.7	12.7	5.2	17.5	.2	8.0	7.9	1.2
1975											
Total	63,056	100.0	70.2	31.5	35.5	3.2	29.8	2.1	7.5	9.1	11.0
Hospital care	30,239	100.0	54.3	4.4	46.3	3.6	45.7	3.7	8.6	14.0	19.4
Physicians' services	15,090	100.0	85.6	42.2	43.2	.2	14.4	1.4	6.1	1.2	5.6
All other services	17,727	100.0	84.2	68.5	10.6	5.2	15.8	.1	7.0	7.4	1.3
1970											
Total	34,850	100.0	75.8	41.2	32.5	2.0	24.2	.....	5.9	8.1	10.2
Hospital care	16,205	100.0	62.3	14.3	45.9	2.1	37.7	.....	6.8	12.4	18.6
Physicians' services	8,308	100.0	89.6	49.4	40.0	.1	10.4	.....	3.6	1.8	5.1
All other services	10,336	100.0	85.8	77.0	5.5	3.3	14.2	.....	6.6	6.5	1.1

Table 5.—Personal health care expenditures for three age groups: Aggregate amount and percentage distribution, by source of funds, selected fiscal years, 1970–77—Continued

Total	Total (in millions)	Percentage distribution										
		Total	Private				Public					
			Total	Direct payments	Health insurance	Other	Total	Medicare	Medicaid	Other		
			Federal	State and local								
65 and over												
1977												
Total	\$41,256	100.0	33.0	26.5	5.8	0.7	67.0	44.3	16.7	3.0	3.0	
Hospital care	18,185	100.0	11.8	4.8	5.7	1.3	88.2	74.4	3.5	4.8	5.5	
Physicians' services	7,145	100.0	40.4	25.6	14.7	.1	59.6	55.6	3.1	.3	.6	
All other services	15,926	100.0	54.0	51.7	1.9	.4	46.0	4.9	37.9	2.1	1.2	
1975												
Total	30,316	100.0	33.7	27.3	5.5	.8	66.3	42.1	17.1	3.1	4.0	
Hospital care	13,304	100.0	12.6	5.2	5.9	1.4	87.4	71.8	3.4	5.1	7.1	
Physicians' services	4,911	100.0	38.6	24.6	14.3	.1	61.4	56.3	4.2	.3	.7	
All other services	12,101	100.0	54.8	52.8	1.6	.4	45.2	3.7	37.5	2.0	2.0	
1970												
Total	16,168	100.0	40.9	35.3	5.2	.5	59.1	41.8	11.9	2.3	3.1	
Hospital care	6,605	100.0	10.9	4.5	5.6	.9	89.1	72.0	5.8	4.0	7.3	
Physicians' services	2,810	100.0	38.6	24.6	14.0	.1	61.4	57.0	3.4	.4	.5	
All other services	6,754	100.0	71.3	69.8	1.2	.3	28.7	5.8	21.4	1.5	0	

a little more than 1 percent per year).³ The growth in benefits for hospital care from a 46-percent to a 48-percent share and in physicians' services from 40 percent to 44 percent result from more liberal benefit provisions, including a substantial increase in coverage under supplementary major medical and comprehensive policies. The insurance share of coverage for all other health services rose dramatically from 6 percent to 13 percent, largely due to substantial increases in coverage for dental services, and, to a lesser extent, in recent years for prescription drugs.

Total personal health care spending for those aged 19–64 increased 240 percent between 1970 and 1977. As a result of the changes in the third-party share, however, direct payments went up only 75 percent. Consequently, some part of the increase was not readily noticeable to the consuming public.

Expenditures for the Aged

In fiscal year 1977, \$41.3 billion—or \$1,745 per person was spent for the health care services for the 23.6 million aged persons in the Nation. These totals reflect the \$769 spent per person for hospital care and \$446 per person for nursing-home care for a total of \$1,215 per person for institutional services (chart 2). The per capita bill for physicians' services was \$302; for drugs and

medical sundries, it was \$121; and for the services of other health professionals, it was \$35.

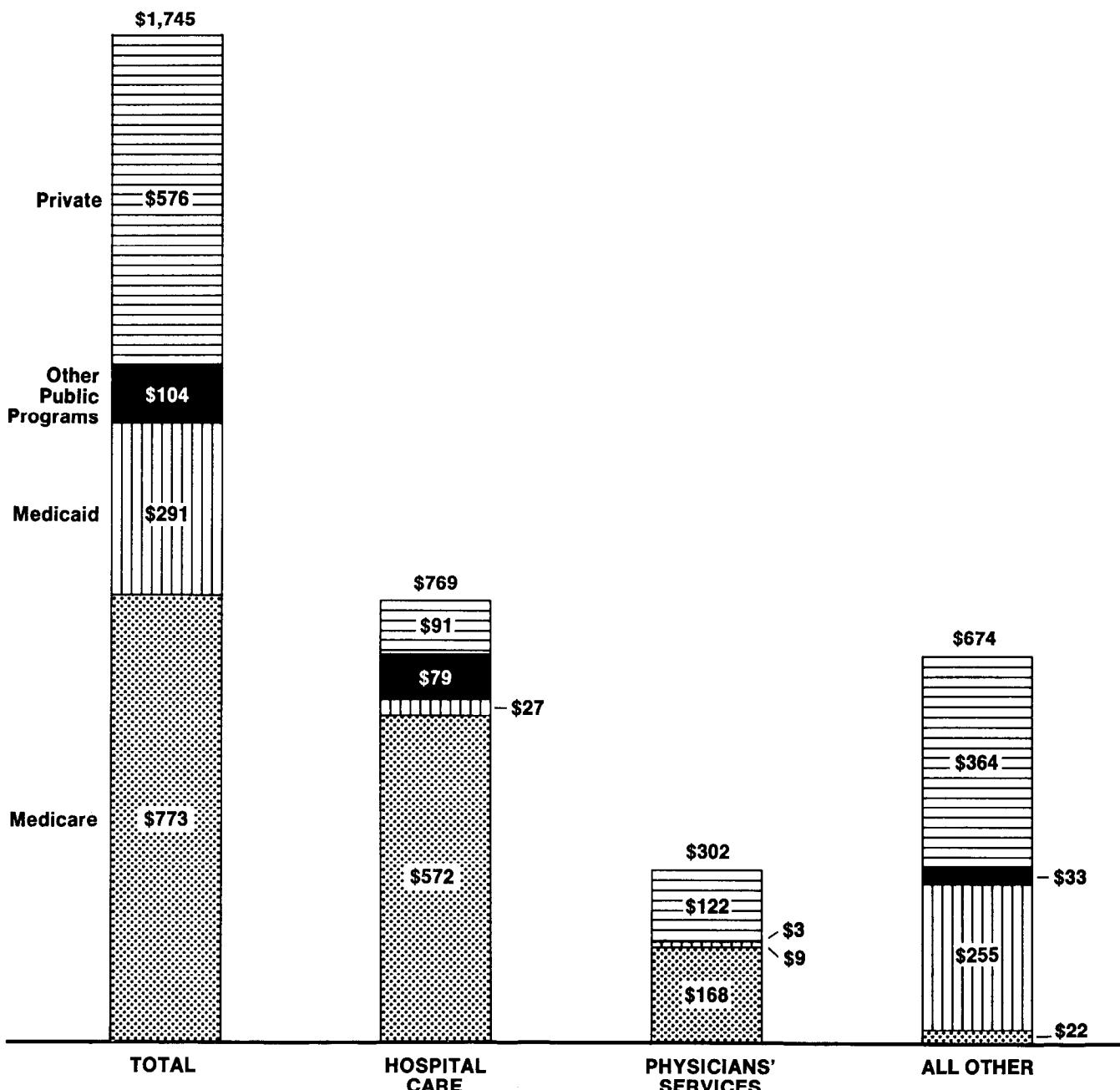
Total per capita spending was more than two and one-half times that for persons aged 19–64 and nearly seven times that for those under age 19. Thus, expenditures for the aged, comprising 11 percent of the population, totaled 29 percent of personal health care spending.

To reduce the financial burden of the high medical bills of the elderly, the Medicare program was established in 1966. In fiscal year 1977, the program paid 44 percent of the medical bills of the aged—more than \$18 billion (table 6).

The Medicare program does not attempt to provide total coverage for all medical care costs for the aged. It is patterned after private health insurance coverage with emphasis on coverage of hospital care and physicians' services. Thus 74 percent of hospital care expenses and 56 percent of the expenses of physicians' services are paid by Medicare. In other areas, benefit coverage is severely limited or nonexistent. Nursing-home care is covered only if it is required for convalescence after a hospital stay and only if skilled-nursing care is provided. In 1977, about 3 percent of nursing-home care expenditures for the aged was financed by the program. Coverage for routine physical examinations, dental care, and vision care are excluded. The use of home health care as an alternative to institutional care has been encouraged in recent years, with the result that some 52 percent of other professional services was offset by Medicare.

³ Marjorie Smith Carroll, "Private Health Insurance Plans in 1976: An Evaluation", *Social Security Bulletin*, September 1978.

Chart 2.—Per capita personal health care expenditures for the aged, by source of funds and type of care, fiscal year 1977



To receive hospital insurance benefits for covered hospital care, the elderly must first pay a deductible and may have to pay a coinsurance amount after being hospitalized for a number of days specified by law. Medicare enrollees are also required to pay a portion of the cost of the SMI program in the form of premiums. In addition, all services covered by SMI are subject to an annual deductible and to coinsurance payments.

These deductible and coinsurance amounts were excluded from the 44-percent share that Medicare benefits covered. If amounts paid in SMI premiums were de-

ducted, the Medicare benefit share would be reduced to 41 percent.

A large number of the aged have income low enough to qualify them for SSI payments. Others have medical bills so large in relation to their income that they are considered "medically indigent." An estimated 3.6 million aged persons received \$6.9 billion in Medicaid benefits in 1976—or 17 percent of all health care expenditures for the aged. The States paid SMI premiums under Medicare for 2.3 million low income persons under the "buy-in" provisions of that program. It is es-

Table 6.—Estimated amount and percentage distribution of personal health care expenditures for persons aged 65 and over, by type of expenditure and source of funds, years ending September 1975–77

Type of expenditure	Amount (in millions)							Percentage distribution				
	Total	Private	Public			Total	Private	Public			Total	Medi-care
			Total	Medi-care	Medi-caid			Total	Medi-care	Medi-caid		Other
1977 ¹												
Total	\$41,256	\$13,624	\$27,631	\$18,282	\$6,890	\$2,459	100.0	33.0	67.0	44.3	16.7	6.0
Hospital care	18,185	2,140	16,045	13,533	638	1,874	100.0	11.8	88.2	74.4	3.5	10.3
Physicians' services	7,145	2,889	4,255	3,975	221	60	100.0	40.4	59.6	55.6	3.1	.8
Dentists' services	1,022	976	46	.....	31	15	100.0	95.5	4.5	.....	3.1	1.4
Other professional services	816	325	490	425	61	4	100.0	39.9	60.1	52.1	7.5	.5
Drugs and drug sundries	2,859	2,423	436	.....	418	18	100.0	84.7	15.3	.....	14.6	.6
Eyeglasses and appliances	312	303	9	.....	.....	9	100.0	97.2	2.8	.....	.....	2.8
Nursing-home care	10,536	4,535	6,001	349	5,325	328	100.0	43.0	57.0	3.3	50.5	3.1
Other health services	381	33	348	.....	196	152	100.0	8.8	91.2	.....	51.3	39.9
1976 ²												
Total	\$35,670	\$11,802	\$23,868	\$15,591	\$5,917	\$2,360	100.0	33.1	66.9	43.7	16.6	6.6
Hospital care	15,777	1,877	13,900	11,614	538	1,748	100.0	11.9	88.1	73.6	3.4	11.1
Physicians' services	6,108	2,469	3,640	3,374	211	55	100.0	40.4	59.6	55.2	3.4	.9
Dentists' services	902	859	43	.....	29	14	100.0	95.2	4.8	.....	3.2	1.5
Other professional services	722	377	344	288	51	5	100.0	52.3	47.7	39.9	7.1	.7
Drugs and drug sundries	2,325	1,912	413	.....	389	24	100.0	82.2	17.8	.....	16.7	1.0
Eyeglasses and appliances	265	256	9	.....	.....	9	100.0	96.8	3.2	.....	.....	3.2
Nursing-home care	9,212	4,022	5,190	315	4,515	360	100.0	43.7	56.3	3.4	49.0	3.9
Other health services	360	30	330	.....	184	146	100.0	8.4	91.6	.....	51.1	40.5
1975 ²												
Total	\$31,266	\$10,331	\$20,935	\$13,373	\$5,373	\$2,189	100.0	33.0	67.0	42.8	17.2	7.0
Hospital care	13,728	1,621	12,107	9,998	471	1,638	100.0	11.8	88.2	72.8	3.4	11.9
Physicians' services	5,103	1,944	3,159	2,894	216	50	100.0	38.1	61.9	56.7	4.2	1.0
Dentists' services	792	751	41	.....	28	13	100.0	94.8	5.2	.....	3.5	1.7
Other professional services	621	371	250	206	40	4	100.0	59.7	40.3	33.2	6.4	.6
Drugs and drug sundries	2,119	1,745	374	.....	352	22	100.0	82.3	17.7	.....	16.6	1.0
Eyeglasses and appliances	267	259	8	.....	.....	8	100.0	96.9	3.1	.....	.....	3.1
Nursing-home care	8,299	3,614	4,685	276	4,080	329	100.0	43.5	56.5	3.3	49.2	4.0
Other health services	339	27	312	.....	186	125	100.0	8.0	92.0	.....	55.0	37.0

¹ Preliminary estimates.

² Revised estimates.

timated that approximately \$2.1 billion in Medicare benefits were received by that group.

Health care expenditures of the aged that were not covered by Medicare or Medicaid were paid from a number of other sources. For a small number of the aged—those eligible for care provided to veterans and their dependents by the Veterans Administration or by the Department of Defense to retired military persons and dependents—\$1.1 billion was spent from these Federal sources. Others received care in mental hospitals financed by State funds. Together, these sources accounted for 8 percent of the expenditures for the aged. When these public program expenditures are combined they amount to 67 percent of the medical care bills of the aged or 48 percent of all public spending for personal health care.

For the remaining 33 percent of health care expenditures for the elderly, private health insurance played a small role—less than 6 percent of spending. Most insurance offered to the elderly serves as complementary coverage to Medicare; it pays for the deductibles and coinsurance associated with covered services but pro-

vides little help with bills for those services or charges not covered by that program. The remaining 27 percent of health care spending, \$463 per person (plus the Medicare SMI premium) must be paid from the resources of the individual—from own income or family aid.

In the period from fiscal year 1966 to fiscal year 1977, personal health care spending for persons aged 65 and older increased at a 15-percent annual rate, while expenditures for those younger increased at an 11-percent rate (table 7). In this period the proportion of health care spending for the aged climbed from 23 percent to 29 percent.

Part of this increase is attributable to the increase in the aged population, which has been growing by about 2.2 percent per year while the proportion under age 65 has been increasing by only 0.8 percent per year. Declining death rates have been observed for the aged population. Deaths of persons aged 65 and older in 1965 numbered 6,008 per 100,000, compared with 5,432 in 1975—an 11-percent decrease.

Not only is the number of persons aged 65 and older

Table 7.—Personal health care expenditures for two age groups: Total and per capita amount and percentage distribution of expenditures met by third parties, fiscal years 1966 and 1977

Source of payment	Total amount (in millions)		Per capita amount		Percentage distribution	
	1966	1977	1966	1977	1966	1977
All ages						
Total	\$36,216	\$142,586	\$181.96	\$646.11	100.0	100.0
Direct payments	18,668	43,274	93.79	196.09	51.5	30.3
Third-party payments	17,548	99,312	88.17	450.02	48.5	69.7
Private health insurance	8,936	39,299	44.90	178.08	24.7	27.6
Government	7,892	57,121	39.65	258.84	21.8	40.1
Other	720	2,891	3.62	13.10	2.0	2.0
Under 65						
Total	\$27,974	\$101,330	\$154.96	\$514.25	100.0	100.0
Direct payments	14,286	32,332	79.13	164.08	51.1	31.9
Third-party payments	13,688	68,999	75.82	350.17	48.9	68.1
Private health insurance	7,627	36,919	42.25	187.36	27.3	36.4
Government	5,432	29,490	30.09	149.66	19.4	29.1
Other	629	2,590	3.48	13.14	2.2	2.6
65 and over						
Total	\$8,242	\$41,256	\$445.25	\$1,745.17	100.0	100.0
Direct payments	4,382	10,943	236.72	462.89	52.5	26.5
Third-party payments	3,860	30,313	208.52	1,282.28	46.8	73.5
Private health insurance	1,309	2,380	70.71	100.70	15.9	5.8
Government	2,460	27,631	132.89	1,168.84	29.8	67.0
Other	91	301	4.92	12.75	1.1	.7

increasing but the average age of the older group as well. Within the group aged 65 and older, the proportion of persons aged 75 or older is growing. Since older persons tend to suffer chronic conditions—about half of all persons aged 65 and over are limited in activity because of one or more chronic conditions—and since illness and injury have greater impact on the elderly, they are hospitalized more frequently and for longer periods.

People aged 65–69 require about 3,000 days of short-stay hospital care per 1,000 persons per year. The same rate for persons in their late 70's is 4,700 days per year and for persons aged 85 and older, about 8,300 days.⁴ The same rate for persons of all ages is about 1,200 days.

Use of nursing-home services also increases with age. About 16,000 days of nursing-home care per year are required for every 1,000 persons aged 65 and older. This rate rises to about 86,400 days per 1,000 persons aged 85 and older—more than 10 times the rate for hospital days for this age group.

Per capita spending for the aged increased at a 13 percent annual rate from 1966 to 1977. Principally as a result of the increase in the share of the health care bill financed by public funds—from 30 percent to 67 percent—direct payments by the elderly during this period increased by a rate of 6 percent per year, less than half the rate for all spending. As pointed out ear-

lier, this direct payment figure does not capture all “out-of-pocket” spending because it excludes insurance premiums. The tabulation below shows the additional

Out-of-pocket expense	Amount, fiscal year	
	1966	1977
Total	\$300	\$613
Direct payments	237	463
Premiums:		
Private health insurance	63	75
Medicare SMI	(¹)	75

¹ Data not available.

components of a true, “out-of-pocket” spending figure for persons aged 65 and older. This amount increased from \$300 per person in fiscal year 1966 to \$613 per person in 1977, a 6.6-percent annual rise. In the same period, per capita income of the aged went up 10 percent per year. Out-of-pocket health spending as a percent of average income declined from 15 to 11 percent for this period.

Medicare was designed mainly to pay hospital expenses for community (short-stay) hospital care. In fiscal year 1977, that program paid 88 percent of all community hospital expenses of the elderly but only 7 percent of noncommunity hospital expenses. Community hospital care costs have been rising more rapidly than costs for other types of care. As a result, the percentage of total hospital expenditures in noncommunity hospitals has declined from 23 percent in 1968 to 17 percent in

⁴ Mary Grace Kovar, National Center for Health Statistics, Testimony before the Select Committee on Aging, Statement Paper, May 24, 1978, pages 2–6.

Table 8.—Hospital care expenditures for the aged: Amounts covered and not covered by Medicare, fiscal years 1968–77

Hospital care covered and not covered by Medicare	[In millions]									
	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Total	\$4,860	\$6,048	\$6,605	\$7,599	\$8,812	\$9,625	\$10,829	\$13,289	\$15,249	\$18,185
Community hospital care	3,735	4,766	5,166	6,026	6,909	7,549	8,505	10,649	12,445	15,117
Covered:										
Medicare reimbursements:										
Inpatient care	3,306	4,224	4,478	5,238	5,926	6,449	7,273	9,080	10,577	12,742
Outpatient care	44	65	95	135	188	205	233	320	436	587
Beneficiary payments for:										
Deductibles and coinsurance:										
Inpatient care	234	271	341	341	405	455	498	624	684	860
Outpatient care	25	45	66	94	131	142	163	178	205	252
Noncovered community hospital care	126	161	186	218	259	298	338	447	543	676
Noncommunity hospital care	1,125	1,282	1,439	1,573	1,903	2,076	2,324	2,640	2,804	3,068
Medicare reimbursements	54	69	71	83	94	103	116	145	169	202
Noncovered care ¹	1,071	1,213	1,368	1,490	1,809	1,973	2,208	2,495	2,635	2,866

¹Includes small amounts of deductible and coinsurance payments for Medicare covered services.

1977 (table 8). Medicare reimbursements for hospital care have increased from 70 percent of spending for the aged in 1970 to 74 percent in 1977. Outpatient care for the elderly has been growing under Medicare. The share of community hospital expenditures for outpatient care deriving from Medicare increased from 1 percent in 1968 to 4 percent in 1977.

The percentage of total physicians' expenditures paid by Medicare has tended to decline because of the growing obligations of Medicare beneficiaries for physicians' charges on "unassigned" claims that have been sub-

mitted by the physicians but disallowed (table 9). These charges increased from 2 percent of the total physician bill for the aged in fiscal year 1968 to 10 percent in fiscal year 1977. The Medicare deductibles for physicians' services have, however, represented a steadily diminishing share of the physician bill—from 16 percent of total physicians' expenditures for the aged in 1973 to 12 percent in 1977. Deductibles for SMI have remained fixed at \$60 per year since 1973 despite rapidly increasing allowed charges under Medicare during the same period.

Table 9.—Expenditures for physicians' services for the aged: Amounts covered and not covered by Medicare, fiscal years 1968–77

Physicians' services covered and not covered by Medicare	[In millions]									
	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Total	\$2,307	\$2,595	\$2,803	\$3,039	\$3,323	\$3,594	\$3,931	\$4,905	\$5,862	\$7,146
Covered physicians' services	2,068	2,326	2,477	2,655	2,898	3,102	3,336	4,071	4,799	5,834
Medicare reimbursements	1,322	1,496	1,619	1,734	1,910	2,022	2,209	2,726	3,243	3,977
Beneficiary payments for:										
Deductibles	421	462	460	494	518	584	587	678	764	884
Coinsurance	325	368	398	427	470	496	540	667	792	973
Noncovered physicians' services	239	269	326	384	425	492	595	834	1,063	1,312
Reasonable charge reductions for unassigned claims	50	81	126	166	182	214	269	415	562	699
Services not covered	116	131	142	153	168	198	242	315	374	448
Services to those not enrolled	73	57	58	65	75	80	84	104	127	165