National Health Expenditures, 1981[1]

by Robert M. Gibson and Daniel R. Waldo

The United States spent an estimated $287 billion for health care in 1981 (Figure 1), an amount equal to 9.8 percent of the Gross National Product (GNP). Highlights of the figures that underly this estimate include the following:

- *Health care expenditures continued to grow at a rapid rate in 1981, at a time when the economy as a whole exhibited sluggish growth. The 9.8 percent share of the GNP was a dramatic increase from the 8.9 percent share seen just two years earlier.*
- *Health care expenditures amounted to $1,225 per person in 1981 (Table 1). Of that amount, $524, or 42.7 percent, came from public funds.*
- *Hospital care accounted for 41.2 percent of total health care spending in 1981 (Table 2). These expenditures increased 17.5 percent from 1980, to a level of $118 billion.*
- *Spending for the services of physicians increased 16.9 percent to $55 billion—19.1 percent of all health care spending.*
- *Public sources provided 42.7 percent of the money spent on health in 1981, including Federal payments of $84 billion and $39 billion in State and local government funds (Table 3).*
- *All third parties combined—private health insurers, governments, private charities, and industry—financed 67.9 percent of the $255 billion in personal health care in 1981 (Table 4), covering 89.2 percent of hospital care services, 62.1 percent of physicians' services, and 41.3 percent of the remainder (Table 5).*
- *Direct patient payments for health care reached $82 billion in 1981, accounting for 32.1 percent of all personal health care expenses (Table 6). Consumers and their employers paid another $73 billion in premiums to private health insurers, $67 billion of which was returned in the form of benefits.*
- *Outlays for health care benefits by the Medicare and Medicaid programs totaled $73 billion, including $42 billion for hospital care. The two programs combined paid for 28.6 percent of all personal health care in the nation (Table 7).*

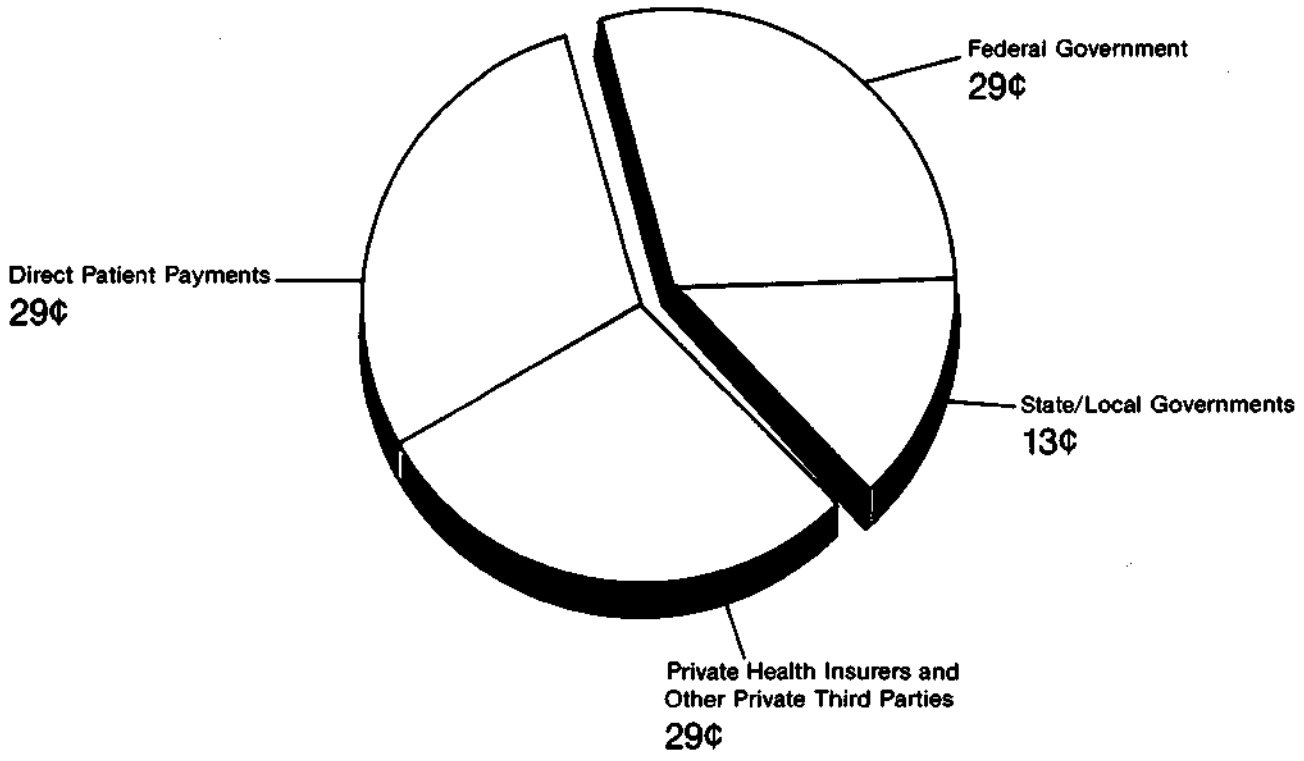
Health Care Expenditures in 1981

The most notable aspect of health care spending in 1981 was its rapid, sustained rate of growth. The 15.1 percent increase in overall health expenditures, along with the 15.8 percent growth in 1980, are the highest in the last 15 years, and are substantially above the 13.9 percent average growth rate between 1976 and 1981. The 1981 increase occurred at a time when the overall economy grew by 11.4 percent. Thus, the share of the GNP occupied by health care spending jumped from 8.9 percent in 1979 to 9.8 percent in 1981 (see Figure 2).

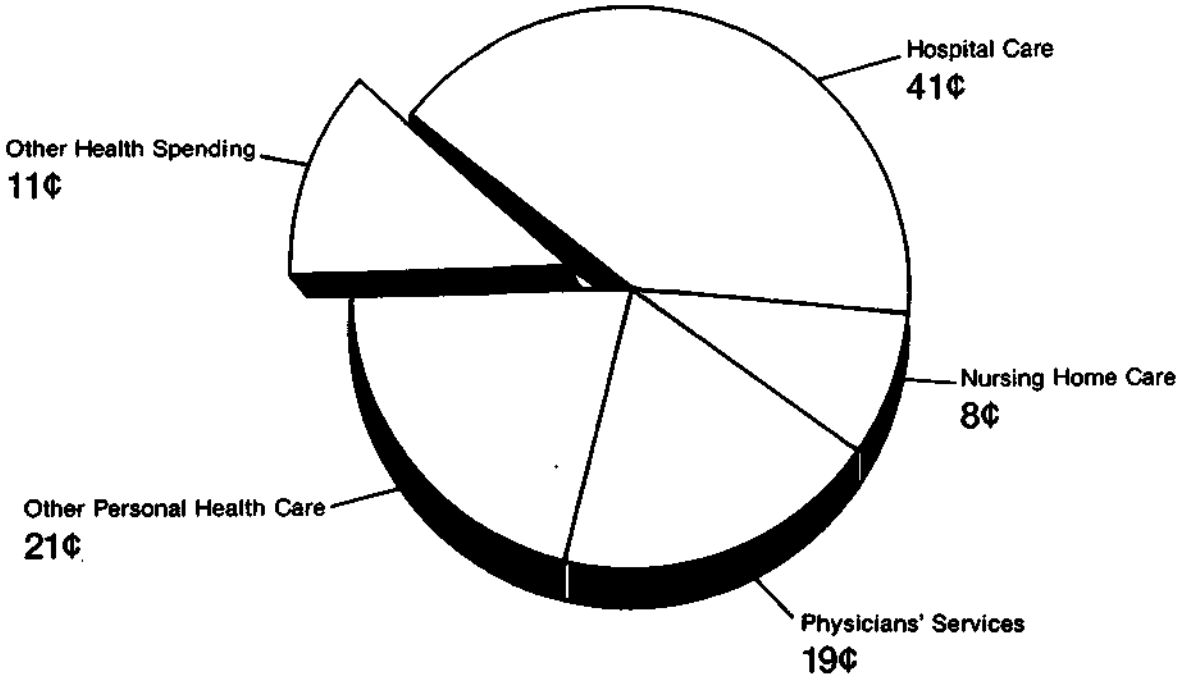
[1]This article continues a series of reports begun in the Department of Health, Education, and Welfare in 1964 (Rice and Reed). The series, now the responsibility of the Health Care Financing Administration, presents the National Health Accounts of the United States.

FIGURE 1
The Nation's Health Dollar in 1981

where it comes from...



...and where it goes



Recent Developments in Health Care Spending

Over the last five years, there has been little change in the patterns of health care spending or financing. There was a slight trend toward more expenditures for hospital, nursing home, and physician care, and a related increase in the share of expenses borne by the Federal government. However, these shifts have been of the order of two percentage points or less.

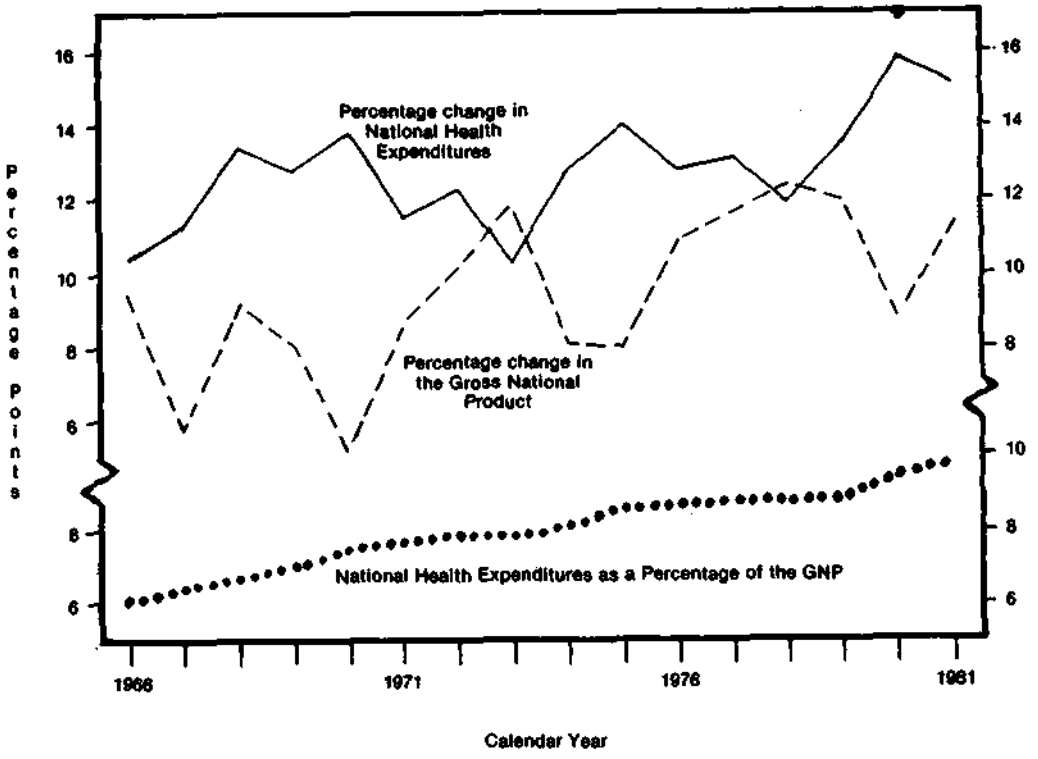
The issue raising the broadest debate concerning health care is that of the future of government financing. Widespread concern that the Medicare program may be unable to absorb both a greater patient load (with an aged population growing more rapidly than the workforce from which a large portion of program funds come) and higher costs (due to price inflation in excess of the general rate of price growth) have prompted a number of proposals to alter benefits, reimbursement practices, or both. Medicaid, the other large government program, faces similar problems as States are confronted with increasing numbers of unemployed—potential recipients of benefits—at the same time that unemployment erodes the tax base from which program funds are drawn.

The solvency of government programs is not the only issue facing health care financing. Private insurers—Blue Cross/Blue Shield and commercial carriers in particular—maintain that government reimbursement practices encourage cost inflation and, at the same time, shift some of the burden of that inflation to private insurers.

In short, heightened concern for the future of the health care financing system seems to be the most significant recent development.

FIGURE 2

National Health Expenditures and Gross National Product: Growth and Relative Sizes, 1966-1981



Trends in Health Care Spending Since 1965

Since 1965, health care expenditures have grown at an average annual rate of 12.8 percent. Spending patterns have changed considerably (Figure 3), as relatively more has been spent on hospital and nursing home care and a smaller percentage on drugs and construction of medical facilities. This phenomenon results from changes in the health care system. The introduction of major public financing programs, including Medicare and Medicaid, and increases in the scope of private health insurance coverage have encouraged use of acute-care and long-term care facilities by making their services affordable to large segments of the population previously shut out of the market by price considerations. Drug prices remained relatively stable between 1965 and 1979, so that increases in the quantity of drugs consumed did not translate into expenditure growth to the same extent as did increases in consumption of other health-care goods and services. The relative decline of construction of medical facilities as a part of health-care spending can be attributed to the emergence of excess beds in many parts of the U. S., to the end of government construction grants, and to the increasing cost of borrowing.

Even more dramatic than shifts in utilization patterns has been the shift in sources of funds for health care spending (Figure 4). The Medicare and Medicaid programs transferred much of the burden of hospital costs and a significant portion of the burden of nursing home care from private payers to the government. Private health insurance greatly expanded coverage of drug purchases and of dental care, with corresponding decreases in the shares borne by consumers.

FIGURE 3

National Health Expenditures, by Type of Expenditure
Selected Calendar Years, 1965-1981

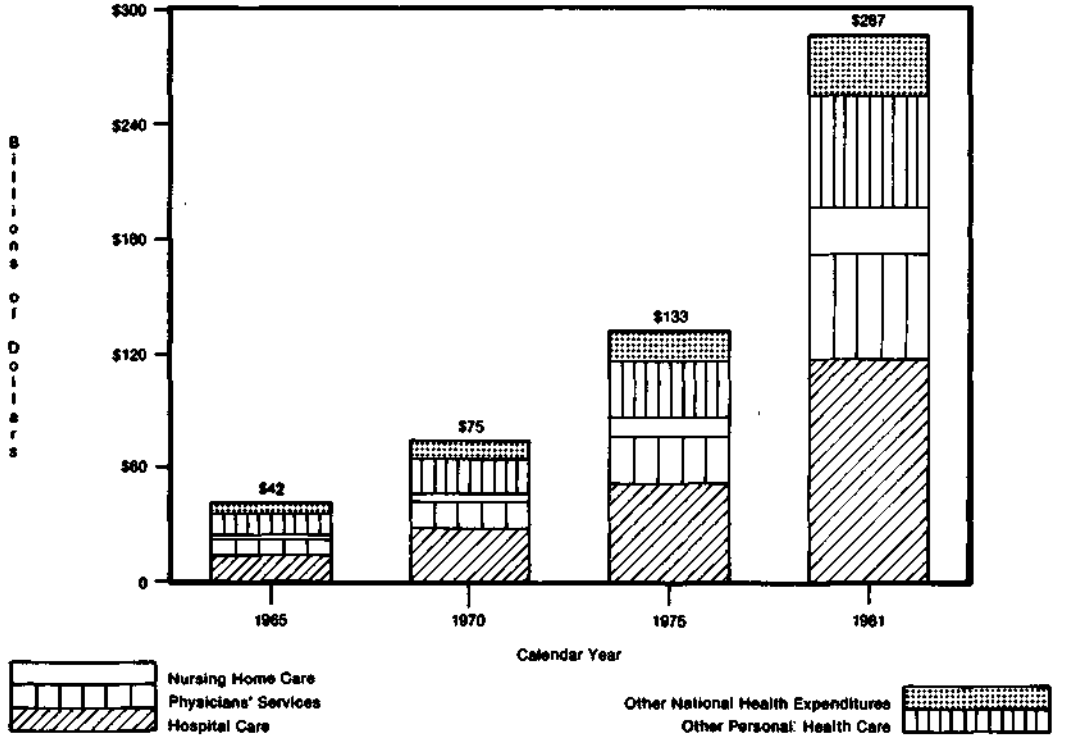
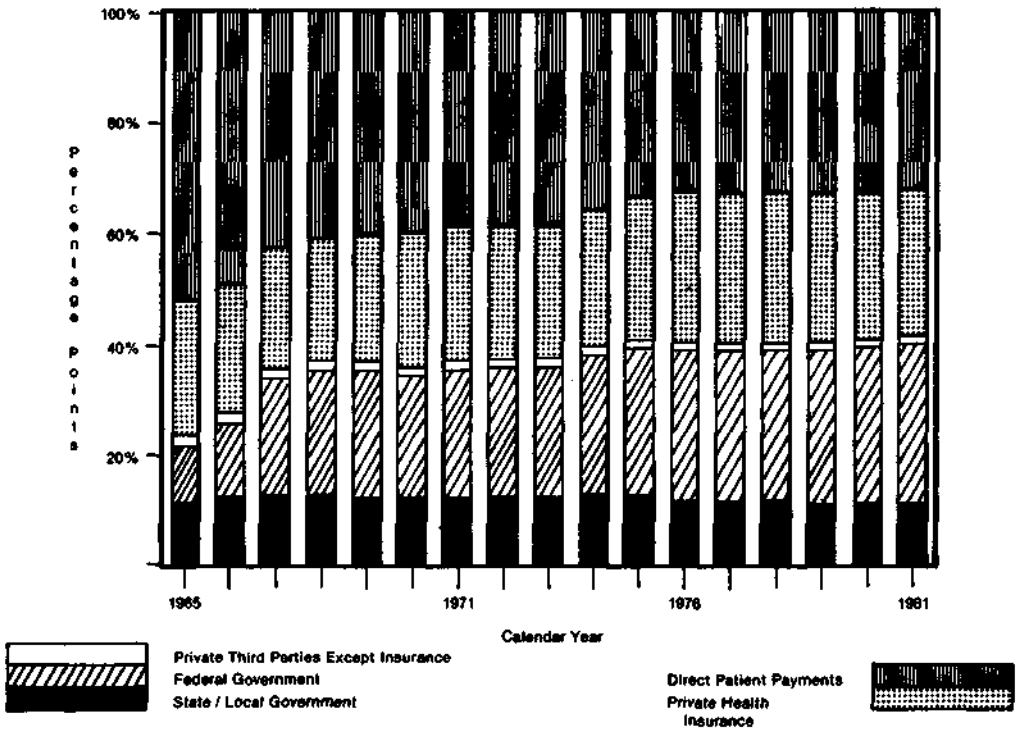


FIGURE 4

Percentage Shares of Expenditures for Personal Health Care 1965-1981



Price Inflation in the Health Care Market

With a few exceptions, the last 16 years have been characterized by inflation of medical-care prices substantially greater than the general rate of inflation. Between 1965 and 1981, medical-care prices as a whole rose at an annual rate of 7.7 percent, while the Consumer Price Index for all items rose 6.8 percent per year and the GNP fixed-weight price index grew 6.3 percent per year. A "basket" of medical-care goods and services that would have cost $100 in 1965 would have cost $329 in 1981.

Patterns of price inflation vary by goods or services involved. For example, the CPI for physicians' services grew 7.9 percent per year, on average, between 1965 and 1981, while the CPI for prescription drugs rose 3.3 percent annually. The National Hospital Input Price Index (Freeland *et al.*, 1979), a measure of prices faced by hospitals, rose 8.2 percent per year.

In recent years, the inflation of health-care prices proved rather insensitive to swings in general inflation (Table A). While the CPI for all items accelerated and then decelerated between 1979 and 1981, medical-care prices rose steadily.

TABLE A

Year-to-Year Percentage Change in Average Consumer Price Indexes

	1965-1981	1979-1980	1980-1981
All Items	6.8	13.5	10.4
Medical Care	7.7	10.9	10.8
Physicians' Services	7.9	10.6	11.0
Hospital, etc.	n.a.	13.5	14.2
Prescription Drugs	3.3	9.2	11.4
Addendum: National Hospital Input Price Index	8.2	11.9	12.1

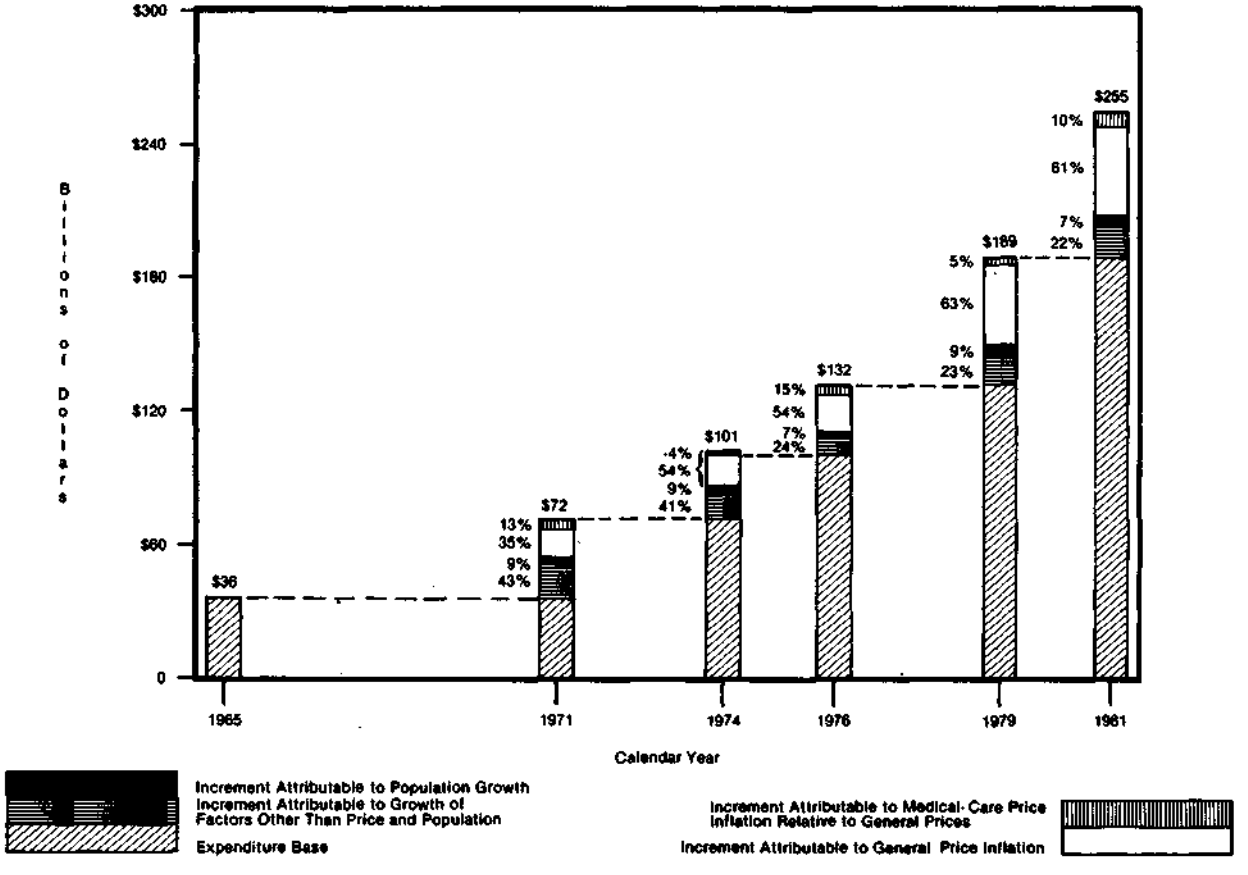
Based on data from the Bureau of Labor Statistics, U.S. Department of Labor, and from the Health Care Financing Administration.

Price inflation has been a major factor in the increase of health care spending. The best example of this is seen in the growth of personal health care expenditures, which averaged 13.1 percent between 1965 and 1981. During that same time, underlying inflation (measured by the GNP fixed-weight price index) was 6.3 percent per year, with an additional 1.1 percent growth per year in medical care prices over and above general inflation. Population increased 1.1 per cent per year. The residual grew at an annual rate of 4.1 percent per year. This residual captures changes in the mix of health goods and services purchased, in the frequency with which people consumed those goods and services, and in the "intensity" of care—the number and kinds of procedures performed during a visit to the physician, for example. Using percentage growth as an indication of the relative contribution to change in expenditures, price growth accounted for 59 percent, population for 9 percent, and other factors for 32 percent of the 13.1 percent average annual growth in personal health care between 1965 and 1981.

The effect of price inflation upon expenditures has not been constant. As shown in Figure 5, when the 1965-1981 period was divided into subintervals, the effect of inflation increased steadily. Part of this was due to continually rising general inflation and part to the continually declining growth of other factors.

FIGURE 5

Factors in the Increase of Personal Health Care Expenditures Selected Intervals, 1965-1981



Classification of Health Care Goods and Services

"National health expenditures" comprise all spending for health care of individuals, plus the administrative costs of non-profit and government health programs, the net cost to enrollees of private health insurance, government expenditures designed to promote health in general, non-profit health research, and construction of medical facilities. The expenditures exclude spending for environmental improvement, a category which is typically categorized with health in Federal budget documents. (For further information, see the section on definitions, concepts, and sources later in this article.)

For the sake of this discussion, we have divided health expenditures in the U. S. into three broad categories: personal health care, other services related to current health care, and expenditures for research and construction. Within each broad category, further distinctions are made among types of goods and services provided.

Personal Health Care

A total of $255 billion was spent for personal health care in 1981—up 16.2 percent from spending in 1980. Personal health care expenditures accounted for nine-tenths of all national health expenditures. On a *per capita* basis, $1,090 was spent in 1981—an increase of 15.1 percent from the 1980 level.

Personal health care is subdivided into a number of different goods and services.

Physicians' Services

Physicians are the most influential group in determining the size and shape of the health care sector. They affect health spending levels to a much greater extent than is indicated by the 19 percent share of spending devoted to their services.[2] It has been estimated that physicians influence 70 to 80 percent of health care spending (Blumberg, 1979; Somers and Somers, 1977). They play the dominant role in determining who will be hospitalized and what type and quantity of services the patient will receive while in the hospital. Expenditures for prescription drugs are influenced similarly.

Expenditure for physicians' services reached $55 billion in 1981—an increase of 16.9 percent from the previous year. This spending accounted for 21.5 percent of personal health care expenditures and for 19.1 percent of all national health expenditures. Price inflation and increased intensity of services were responsible for most of the growth in expenditures. Public funds—mostly Medicare and Medicaid—paid for over one-quarter of spending for physicians' services; private health insurance and direct patient payments split the remainder almost evenly.

Price inflation was a significant contributor to the growth of expenditures for physicians' services. Measured by the Consumer Price Index (CPI), physicians' fees rose 11.0 percent in 1981.

The number of office visits has not had much effect upon the growth of spending for physicians' services, because the total volume and *per capita* number of physician office visits have changed very little in recent years. For example, the National Center for Health Statistics (NCHS) Health Interview Survey indicates that visits to physicians by the noninstitutionalized population remained relatively constant between 1971 and 1980, at around one billion per year.

Although the number of visits to physicians has not changed, the number and types of services provided during the visits—the intensity of care—appear to be increasing. In the last 10 years, the number of surgical operations grew from 7 operations per hundred persons to about 8-½—an average annual increase of 1.7 percent. By one estimate (Bailey, 1979), the volume of tests in independent clinical labs has been increasing at a 15 percent annual rate in recent years. Rising surgical rates and increased out-of-hospital laboratory testing have contributed to the increase in intensity of care per physician visit, and thus to rising expenditures for physician care.

Hospital Care

Expenditures for hospital care in 1981 were $118 billion—an increase of 17.5 percent from 1980.[3] Hospital care accounted for 46.3 percent of total personal health care expenditures and for 41.2 percent of national health expenditures. As was true for all of the categories of health care services, price inflation was responsible for the major part of the increase in spending between 1980 and 1981. Growth of the use of hospital services slowed significantly in 1981, after a substantial increase between 1979 and 1980. Higher use of inpatient hospital services by the elderly in 1980, a year of outbreaks of influenza and abnormally high temperatures in the summer, contributed to increased expenditures in that year.

The Federal government funded 41.3 percent of spending for hospital care in 1981; private health insurance paid for 33.4 percent and State and local governments paid for 13.1 percent. Thus, patients paid slightly over one-tenth of the cost of hospital care directly.

[2] In the National Health Accounts, expenditures for physicians' services encompass the cost of all services and supplies provided in physicians' offices, expenditures for services of private practitioners in hospitals and other institutions, and physician-ordered diagnostic work performed in independent clinical laboratories.

[3] In the National Health Accounts, hospital care includes all inpatient and outpatient care in public and private hospitals and all services and supplies provided by hospitals. Except for the services of hospital staff physicians, expenditures for physician care provided in hospitals are included in the physician category described above.

The hospital sector has undergone a substantial change in structure in the last 16 years. As shown in Table B, expenditures for care in community hospitals (which primarily provide acute care) rose from 70 percent of total hospital spending to 76 percent between 1965 and 1971, and reached 84 percent in 1981. The share of expenditures accounted for by State and local government-operated psychiatric hospitals declined from 11 percent to less than 5 percent in 1981. Relative expenditures in Federal hospitals—operated mainly by the Veterans Administration and by the Department of Defense—also declined, but to a lesser extent: from 13 percent of total hospital expenditures to 8 percent.

TABLE B

Percentage of Hospital Expenditures

	1965	1971	1981
Total	100.0%	100.0%	100.0%
Community	69.6	76.1	83.9
State and Local Psychiatric	11.1	8.7	4.5
Federal	12.8	9.8	8.0
Other	6.5	5.4	3.6

As mentioned earlier, price inflation was responsible for a major portion of the accelerated increase in hospital expenditures in 1981. Using the National Hospital Input Price Index to approximate the prices faced by hospitals, over 70 percent of the growth in expenditures can be attributed to input price inflation.

Increased use of hospital facilities accounted for only 12 percent of the increased spending for hospital care between 1979 and 1981. Inpatient days in community hospitals were 1.2 percent greater than in 1980, and the 3.4 percent growth between 1979 and 1980 was the highest annual increase since the start of Medicare and Medicaid in 1966. This rapid rise primarily reflects use by persons age 65 and older, who accounted for 80 percent of the increase in community hospital days between 1979 and 1981. Higher rates of hospital use by the aged are related to influenza epidemics in the winters of 1979-1980 and 1980-1981 (the largest such epidemic since 1968) and to a severe heat wave in the summer of 1980, all of which increased both the morbidity and mortality rates of older persons.

As a result of the rapid increase in days of care and a relatively slower rate of increase in available hospital beds, average occupancy rates, which had declined from nearly 79 percent in 1969 to 74 percent in 1978, rose to about 76 percent in 1980 and remained at that level in 1981.

Nursing Home Care

Nursing home care cost $24 billion in 1981—an increase of 17.4 percent from 1980.[4] This expenditure accounted for 9.5 percent of personal health care expenditures and 8.4 percent of total national health expenditures. Major factors in the growth of nursing home spending include rapid expansion of Medicaid-funded intermediate care facilities for the mentally retarded (ICF-MR), as well as growth of prices and days of care in other types of settings. Public programs pay for a little more than half of the total, and patients finance most of the rest directly.

Increasing longevity, changing social patterns in family responsibility for the elderly, and the availability of funding from public programs (primarily Medicaid) provide greater incentives for institutionalization and underlie much of the growth in nursing home care. Also, deinstitutionalization of the chronically mentally ill, which began in the mid-1950's, has resulted in an increased demand for regular nursing home care.

Excluding the special Medicaid ICF-MR category mentioned earlier, spending for other nursing home care doubled between 1976 and 1981, growing from $11 billion to $22 billion. During that 5-year period, prices paid by nursing homes for the goods and services needed to provide care increased at an average annual rate of 9.0 percent. We estimate that nursing home days of care increased in excess of 3 percent annually, while the U. S. population age 65 and over grew 2.4 percent per year. Input prices increased 10.0 percent in 1981, a rate which was higher than the average between 1976 and 1981, while growth in the number of days of care provided was lower than the 5-year average. The net effect of these changes is that spending for nursing home care other than ICF-MR grew at a rapid rate but showed signs of slowing.

Drugs and Medical Sundries

This category accounted for 7.5 percent of health spending ($21 billion) in 1981, and includes spending for prescription drugs, over-the-counter drugs, and medical sundries dispensed through retail channels. Expenditures for drugs purchased or dispensed by hospitals, nursing homes and other institutions, physicians, and dentists are counted elsewhere.

Drug therapy constitutes a significant factor in the treatment of illness. Approximately 58 percent of the noninstitutionalized population received at least one prescription for medication in 1977 (Kasper, 1982).

[4] In the National Health Accounts, nursing home services are those provided in skilled nursing facilities (SNFs), in intermediate care facilities (ICFs), and in personal care homes which provide nursing care. In addition, care for mentally retarded Medicaid recipients provided in what are designated "Intermediate Care Facilities for the Mentally Retarded" (ICF-MR) is included as nursing home care. The relatively small amount of nursing-type care provided in hospitals (including ICF-MR care) is included with expenditures for hospital care.

About 57 percent of all dollars for drugs and medical sundries are estimated to be spent for prescription drugs alone, and 31 percent are spent for over-the-counter drug products.

From 1965 to 1981, spending for retail drugs and sundries increased about 9.3 percent annually, a rate significantly below that for other major health care services. Consequently, its share of health care spending has declined from over 12 percent in 1965 to 7.5 percent in 1981. However, drug spending, impelled by more rapid price inflation, grew at rates significantly above the long-run trend after 1978.

Other Personal Health Care Goods and Services

Expenditures for all other types of personal health care goods and services were $36.6 billion in 1981—an increase of 13.7 percent. That spending amounted to about 14 percent of all personal health care expenditures and to 13 percent of national health expenditures. About 23 percent of the expenditures in this group of services was financed through government programs in 1981, and consumers paid for 57 percent directly. Health insurance covered 16 percent of expenditures in this category. The principal expenditure in this category was for dentists' services, but the category also includes spending for services of other health professionals (including most home health agencies), for eyeglasses and orthopedic appliances, and for providing care in industrial settings.

Growth of this composite component was influenced significantly by the growth of spending for dentists' services, and, to some extent, by the growth of spending for other professional services.

Spending for dentists' services, which reached $17 billion in 1981, increased not only because of rapid price inflation, but also because of recent increases in the extent of third-party dental coverage. Traditionally, use of dental services fluctuated with the business cycle. However, despite a 12-percent increase in the CPI for dental care in 1980 and a slump in the general economy, "price-deflated" expenditures *per capita* for dental services increased in 1980 and again in 1981. This departure from tradition is probably due to the increased extent of third-party dental coverage, especially to the expansion of the private health insurance share of total expenditure for dentists' services—from 12 to 25 percent between 1975 and 1981. Not only have more people become covered by some form of dental insurance; the extent of insurance has increased as well.

Other Expenditures for Health Services and Supplies

The cost of operating third-party programs in 1981 rose 4.5 percent, to $11.2 billion. This estimate includes $4.3 billion in administrative expenses for those public programs which identified administrative expenses. It also includes a small amount estimated to be the fund-raising and administrative expenses of philanthropic organizations. The largest part of the component is the net cost of private health insurance. "Net cost" is the difference between earned premiums and incurred claims. Estimated at $6.4 billion in 1981, net cost reflects administrative expenses, additions to loss reserves, and profits or losses of private health insurers: Blue Cross/Blue Shield plans, mutual and stock carriers, and prepaid and self-insured plans.

Public health activities of various levels of government amounted to $7.3 billion in 1981. Public health activities are those functions carried out by the Federal, State, and local governments to support community health, in contrast to care delivered to individuals. Federal expenditures of $1.3 billion included the services of the Center for Disease Control and the Food and Drug Administration, as well as grants to States.

Other National Health Expenditures

National health expenditures devoted to non-profit research and to construction of medical facilities were $13 billion in 1981, an amount equal to 4.6 percent of total health care spending.

Expenditures for health care research and development were $5.7 billion in 1981. The Federal government financed by far the largest amount for research, with funds totaling $5.3 billion, most of which was spent by the National Institutes of Health. Expenditures of State and local governments, exclusive of Federal grants, were $500 million, and private philanthropy funded an even smaller amount.

The $5.7 billion in spending for research in the National Health Accounts excludes research performed by drug companies and by other manufacturers and suppliers of health care goods and services (an estimated $2.7 billion in 1981 for pharmaceuticals alone). This exclusion is based on the assumption that this research, being funded from sales of the goods or services, is already considered in total expenditure estimates.

Of the $7.5 billion spent on construction of medical facilities in 1981, 36 percent was funded from public sources. Grants from philanthropic organizations funded 5 percent, and the remainder came from internal funds or from the private capital market. This estimate does not include spending for capital equipment, because there is no source of data to yield a reliable, consistent time series of data on spending for equipment.

The Health Care Market

The health care market itself is atypical of the perfect market for goods and services envisioned by standard economic theory. More than any other market, it is dominated by third-party payers, that is, by persons or organizations who purchase care on behalf of those who consume it. In 1981, two-thirds of personal health care expenditures were made by the government or by private health insurance. To that extent, consumers of health care are isolated from the true price of health care, and tend to consume more care than they would were they to pay directly the full price of the goods and services they receive. The predominance of third-party-payers affects not only aggregate demand in the health care market. Providers of care who are paid under cost-based reimbursement or fee-for-service mechanisms have less incentive to provide "cost-effective" care, because of a general lack of price competition. One theory is that this market structure has contributed to excessive growth of health care expenditures.

A second sense in which the health care market diverges from the perfect market of economic theory is that, unlike most other markets, the consumers of health care lack full information when decisions are made to purchase health care. For example, hospital admission is usually made upon the decision of a seller of health care (a physician) rather than by the consumer of hospital services (the patient), or by the purchaser of the service (the government, private health insurers, or the patient). Whether the patient would choose the same types and quantities of care if complete information were available is an issue yet to be answered empirically. To the extent that the patient would not make the same choices, the industry plays a role in determining its "sales."

A corollary to these theories is that the absence of the "usual" market forces limiting health care expenditures may generate political (nonmarket) bargaining between payers and providers; where the government is the payer, this takes the form of regulations or rate-setting (Feder and Spitz, 1980). In practice, those parts of the health care sector for which government pays the highest proportion of costs (hospitals, for example) are also parts of the sector with the greatest degree of cost regulation.

Financing Health Care

Unlike other goods or services for which the consumer pays the provider directly, health care payments often are handled by a financial agent—a "third party." In 1981, 68 percent of the funds spent for personal health care was supplied by third parties, principally by private health insurers and by public agencies acting as insurers. The details of the payment method may vary: the consumer may pay the provider and apply for reimbursement from the third party, or the provider may bill the third party directly, or the provider may be employed by the third party (as in the case of Defense Department hospitals, for example). In the case of Medicare, institutional providers bill "financial intermediaries," private health insurers acting as agents for the Federal government, and physicians may bill either the financial intermediary or the patient.

The existing third-party coverage of health care may have contributed to a healthier population, but it has exacted a price as well. Insurance has increased access to care, resulting in treatment of patients who had been shut out of the orthodox medical market by price considerations. However, the structure of insurance benefits encourages use of inpatient, rather than outpatient, facilities, and encourages overuse of tests and procedures rather than underuse, to the extent that patients and providers alike have become less cost-conscious. The financial incentives embedded in the prevailing reimbursement structures may encourage effective medical care, but they do not encourage efficient care.

Private Health Insurance

Blue Cross and Blue Shield plans, commercial insurance companies, and prepaid and self-insured plans paid an estimated $67 billion in 1981 in the form of medical benefits, an amount equal to 26.2 percent of personal health care expenditures. They earned an estimated $73 billion in premiums, 47 percent of all consumer spending for health, resulting in a net cost to enrollees of insurance equal to $6.4 billion.

The size of the private health insurance industry has been growing, reflecting the perceived desire for its services. By 1981, 44 percent of private expenditures for personal health care—the amount not covered by public programs—was reimbursed by private insurance. In 1980 (the latest year for which such data are available), 78 percent of the U. S. population was covered by private health insurance for hospital care, compared to 47 percent in 1950. As noted by an early author, only a handful of the population has the financial resources to pay directly and fully for the medical care associated with a major illness (Falk *et al.*, 1933). The relatively rapid rate of growth of insurance premiums—14 percent per year since 1950, compared to an increase of 11 percent in total personal health care expenditures—reflects the desire for the prepayment

and risk-sharing offered by private health insurance.

The advent of Medicare and Medicaid slowed the growth of the health insurance share of personal health care expenditures, by introducing new consumers to the market rather than by shifting privately-insured people to public programs. The insurance share of spending doubled between 1950 and 1965, reaching 24 percent. In the ensuing years, the insurance share of spending stabilized at about 27 percent.

Private health insurance coverage varies by type of care. Hospital care was the first type of service to be covered extensively by insurance. In 1960, private insurance covered 36 percent of hospital care expenditures. That share reached 42 percent by 1965. When Medicare and Medicaid were established in 1966, hospital care spending increased dramatically, and the portion held by private insurance dropped to less than 34 percent by 1967. It has remained between 33 and 36 percent since that time.

Extension of coverage beyond surgical procedures in recent years has led to a higher share of physicians' services being reimbursed by private insurance. This share rose from 32 percent in 1965 to 35 percent in 1981. For other health care services, insurance coverage has been extremely limited. Dental care is one area in which coverage is growing. Enrollment for dental benefits rose over 50 percent between 1976 and 1979 to a total of 60.3 million persons. Insurance paid for about 25 percent of all dental expenditures in 1981.

Public Expenditures

Government programs spent $103 billion and provided 40.4 percent of personal health care spending in 1981. Federal funds provided $75 billion—more than two-thirds of the public outlay. State and local governments provided the remaining $28 billion.

The two largest Government programs financing health care are Medicare and Medicaid, the administrations of which were consolidated in 1977 under Health Care Financing Administration (HCFA) in what is now the Department of Health and Human Services. Together, the two programs paid $73 billion in benefits in 1981,[5] financing 28.6 percent of all personal health care expenditures and accounting for two-thirds of all public spending for personal health care. About 48 million people—one-fifth of the U. S. population—were covered by Medicare and/or Medicaid in 1981.

[5]This figure does not include the $334 million paid by the Medicaid program to purchase Medicare Part B coverage for eligible Medicaid recipients. This "buy-in" amount is reported both as Medicaid expenditures and as Medicare expenditure, but is counted only once in the combined figure.

Medicare and Medicaid have dramatically altered the nature of public spending since 1965. At that time, the Federal government and State and local governments shared almost equally in spending for personal health care—with 10.1 and 11.4 percent, respectively. By 1981 the Federal portion had increased to 29.3 percent, while the State and local share remained nearly unchanged at 11.1 percent.

Because of the orientation of Medicare and Medicaid toward hospital care, public spending for hospital care jumped from 38.9 to 54.3 percent of the total between 1965 and 1967. Since 1967, that share has changed very little. The public share of spending for physicians' services has more than tripled since 1965, reaching 27.3 percent in 1981—due in part to the coverage by Medicare of the aged, some disabled workers, and persons with end-stage renal disease.

Federal Government Expenditures for Health Care

Medicare

Nearly 29 million persons, 90 percent of whom are age 65 or older, are enrolled in the Medicare program. In 1981, program expenditures totaled $44.8 billion, of which $43.5 billion represented benefit payments. About $2,400 per person was paid in 1981 for the 18.2 million persons receiving benefits. Medicare spending for personal health care increased 21.5 percent in 1981, compared to an increase of 16.2 percent in total personal health care expenditures. The primary reason for this increase is the rapid escalation of outlays for hospital care.

In 1981, Medicare spent an amount equal to 42.2 percent of the public share of personal health care expenditures, and 17.0 percent of total spending for personal health care. Almost three-quarters of Medicare benefits are for hospital care; another fifth pays for physicians' services.

Medicare (Title XVIII of the Social Security Act) was implemented July 1, 1966, as a Federal insurance program to protect the elderly from the high cost of health care. Rather than providing health care directly, Medicare reimburses for care received from private sector providers. In July 1973, coverage was extended to permanently disabled workers and their dependents eligible for Old Age, Survivors and Disability Insurance (OASDI) benefits and to persons with end-stage renal disease.

Unlike other Federal health programs, Medicare is not financed solely by general revenues. Ninety-three percent of the funding for the Hospital Insurance (HI or Part A) program comes from a payroll tax on employers and employees. The Supplementary Medical Insurance program (SMI or Part B) is financed by premium payments and by general revenues (appropriations from general tax receipts). The general revenue share of Part B funding has grown significantly, from about 50 percent in 1971 to 68 percent in 1981. By

law, SMI premiums may not increase more than the increase in monthly cash retirement and survivor benefits under the Social Security programs. SMI benefit payments have grown faster than premium receipts, requiring a proportionately greater amount of general tax revenues to maintain the trust fund. As shown in Table C, $10 billion of general tax revenues was used in fiscal year 1981 to finance the Medicare program.

TABLE C

Payments into Medicare Trust Funds

	1971		1981	
	Amount in Billions	Percent	Amount in Billions	Percent
Total	$8.5	100.0%	$45.3	100.0%
Payroll Taxes	5.0	58.1	30.7	67.8
General Revenues	2.1	24.8	9.6	21.2
Premiums	1.3	14.7	3.3	7.4
Interest	.2	2.3	1.7	3.7

Nearly all Medicare HI hospital benefits are for care in community hospitals. Because days of care provided to persons age 65 and over increased faster than days of care provided to persons under age 65, and because almost all persons 65 and older are enrolled in the Medicare HI program, total Medicare hospital outlays grew faster than community hospital expenses.

Medicare outlays for physicians' services also increased as a share of total expenditures for physicians' services in 1981, related in part to increased hospitalization rates for Medicare beneficiaries (especially aged beneficiaries). Allowed charges for physicians' services in hospitals (which include Medicare reimbursements, deductibles, and coinsurance) account for an increasing percent of all allowed physicians' charges under Medicare's Part B program. Between 1971 and 1977, charges for physicians' services to aged beneficiaries on an inpatient basis increased gradually from 57 to 61 percent of all allowed physicians' charges—a trend which probably continued through 1981.

Medicare payments for skilled nursing facility (SNF) care as a percent of total nursing home revenues have declined in recent years. In 1968, Medicare provided over one-tenth of total nursing home revenues. By 1981, that share had dropped to 2 percent. Most of the decrease occurred between 1969 and 1971, following a reinterpretation of Medicare nursing care coverage.

Medicare reimbursement for home health agency services has grown significantly. Home health care reimbursements in fiscal 1981 were $867 million, compared to $404 million for SNF care. In contrast, Medicare spent $60 million for home health care in fiscal year 1968, compared to $344 million for SNF care. Nine-tenths of Medicare payments for home health agency care are included in "other professional services." The remainder, which is for care provided by hospital-based agencies, is reported under "hospital care."

Health Care for Veterans

The Veterans' Administration (VA) provides compensation and pensions for veterans of the nations' military campaigns and their survivors, as well as medical care for veterans. Nearly 30 million persons are potentially eligible to receive some medical care from the VA. In fiscal year 1981, hospital and other medical care for veterans accounted for 30 percent of the $22.9 billion in outlays of the VA. In the 1981 National Health Accounts, VA expenditures for personal health care are estimated at $6.6 billion. Of that amount, $5.5 billion, or 80 percent, was spent to provide care in the 172 VA medical centers (and other hospitals). VA medical centers provided care for 1.4 million inpatients and paid for 17.9 million outpatient visits.

Health Care for the Military and Dependents

The Department of Defense (DOD) assumes responsibility for the health care needs of the nations' active and retired military forces and their dependents and survivors. Of the approximately $50.1 billion in expenditures for salaries and benefits, approximately $5 billion (9.7 percent) was spent for health care, including care for over 2 million active personnel. The DOD health care system includes 165 hospitals which provided 5.5 million inpatient days of care in 1981. CHAMPUS, the program which finances care required outside the DOD facilities (primarily for dependents and retirees) financed another 2.6 million inpatient days.

Indian Health Service

The Indian Health Service provides personal health care and public health services to approximately 883,000 Indians and Alaska natives. Care is provided through a network of hospitals and clinics. In 1981, approximately $452 million was spent by the Indian Health Service.

Other Federal Programs

In 1981, $2.1 billion was spent by other Federal programs, including the Alcohol, Drug Abuse and Mental Health Administration, and Federal Workers' Compensation.

Expenditures by State and Local Governments

Medicaid

In 1981, Medicaid cost $31.3 billion in combined Federal and State funds, which provided benefits equal to 11.7 percent of personal health care spending. Medicaid expenditures were 16.7 percent higher than in 1980, and averaged about $1,300 for each of its 22.5 million recipients. Hospital care and nursing home care each account for more than a third of program benefit expenditures.

Medicaid was established in 1966 by Title XIX of the Social Security Act, as a joint Federal-State program to provide medical assistance to certain categories of low-income people. These include aged, blind, and disabled people, and members of families with dependent children. The program is State-administered and provides Federal matching grants for a portion of the cost of providing medical benefits to the categorically eligible. In addition, if the State chooses, Federal matching funds are available for medical benefits for the "medically needy"—persons in one of the qualifying categories who have incomes too high for cash assistance but not adequate to pay their medical bills.

The Federal share of Medicaid payments in a given State is derived from a formula based on the State's *per capita* income. The Federal contribution ranges from 50 to 77 percent currently, averaging 55.2 percent nationwide.

The Medicaid program finances more long-term, non-acute, institutional care than does the Medicare program. Long-term care encompasses care from nursing facilities, mental hospitals, and home health agencies. Long-term care benefit expenditures amounted to almost half of all 1981 Medicaid program spending. Nursing-facility expenditures include spending in SNFs, intermediate care facilities for the mentally retarded (ICF-MR), and all other ICFs. By far the fastest-growing segment is ICF-MR, which accounted for 16.6 percent of Medicaid nursing facility expenditures in 1981. Spending for ICF-MR increased 39.5 percent per year between fiscal years 1976 and 1981, reaching a level of $3.2 billion, some of which was hospital-based and reported as such. Excluding ICF-MR payments, Medicaid nursing home payments comprised 45 percent of regular nursing home care spending in recent years.

Workers' Compensation

The workers' compensation programs (except for the program for Federal workers) are independent State-administered income maintenance programs that provide benefits for work-related disability and death. Approximately 29 percent of the benefits paid by these programs was for medical services for workers, and the remaining 71 percent was for income-loss payments for workers and survivors. Health and medical benefits amounted to $4.3 billion in 1981. Since workers' compensation programs are mandated by statute, they are treated as public programs in the National Health Accounts. In some States, workers' compensation is run by private insurance under State oversight; others use State-operated insurance funds, or a combination of both (Price 1979, 1980).

State and Local Hospitals

State and local governments traditionally have operated hospitals in order to provide health care to their citizens. In 1981, the cost of providing that care was $7.7 billion after deduction of receipts from Medicare, Medicaid, other government programs, and patient payments.

Medicare and Medicaid have altered significantly the financing patterns of these hospitals, providing reimbursement for services that would have been provided previously as charity care. Thus, the net cost of care in State and local hospitals declined from 61 percent of total operating expenses in 1965 to 28 percent in 1977, and has remained at about that level since then.

Community Hospitals

Approximately 1,778 community hospitals, accounting for 21 percent of all community hospital beds, are operated by State and local—primarily local—governments. Expenditures for services in these hospitals amounted to $19.2 billion in 1981. These expenditures have increased at an annual rate of 15.0 percent since 1965.

Psychiatric Hospitals

State governments and some large local governments have cared for the mentally ill in psychiatric hospitals. Expenditures in 1981 amounted to $5.3 billion. Care for the chronically mentally ill has undergone substantial change since 1955. A shift toward community-oriented care reduced the resources devoted to psychiatric hospitals. From 1965 to 1981, spending in these hospitals increased at an 8.1 percent annual rate—substantially below the 14.3 percent annual rate for hospitals as a whole. In 1955, the 275 State and county mental hospitals had 558,922 resident patients. That number fell to 337,619 in 1970, and to 215,573 in 1974 (National Institute of Mental Health).

Operation of these hospitals is financed mostly from State and local governments' own funds, with relatively little patient revenue.

Maternal and Child Health

Maternal and child health programs promote the health of medically underserved mothers and children and crippled children. State and local governments spent $861 million for a variety of physician and other clinical services and for infant intensive care. With Federal grants of $395 million, these governmental units had to provide $466 million from their own funds.

Other State and Local Government Programs

State spending for medical care for the poor who are not eligible for Medicaid, and State spending which is not eligible for Federal matching funds, are classified as "other public assistance payments for medical care." In 1981, this spending amounted to $1.8 billion. Another $1.2 billion was spent in 1981 through temporary disability insurance, school health, and vocational rehabilitation programs.

Philanthropy and Industrial Inplant

Some health care is provided to industrial employees through in-plant health services. Expenditures for these services, classified as "other health services," are estimated at $1.5 billion for 1981. Private philanthropic organizations' funds for personal health care are classified by type of care, and totaled over $2.0 billion in 1981. Administrative and fund-raising expenses of private charities and philanthropic support of research and construction are included with the respective expenditure categories.

Direct Patient Payments

The portion of personal health care expenditures not paid by third parties is known as "direct patient payments" or "out-of-pocket" costs. This amount excludes premium payments for Medicare and/or private health insurance, but does include deductible and coinsurance amounts. In 1981, direct patient payments amounted to $82 billion—$349 per person. There has been a relative decline in out-of-pocket payments for health care, from a little over one-half of personal health care spending in 1965 to less than one-third in 1981, because of the rapid growth in third-party payments.

The share of expenditures borne directly by the patient varies enormously by type of service (see Table 6). In 1981, patients paid 10.8 percent of hospital expenditures directly, and they paid 37.9 percent of expenditures for physicians' services. For dentists, however, the direct share was 70.9 percent, and for drugs and drug sundries it was 80.1 percent. As shown in Table 5, the direct payment share for hospital and physicians' services has been cut nearly in half since 1965. For all other services, however, private health insurance and public programs have not assumed as great a share of the burden.

Definitions, Concepts, and Sources of Data

The National Health Accounts

This report is the latest update of the National Health Expenditure (NHE) estimates from the National Health Accounts. Provisional estimates of spending for health care in the nation are presented for calendar year 1981, with revised estimates for recent years and selected historical data extending back to 1929.

The National Health Accounts provide a framework to help understand the nature of spending for health care. Going beyond a simple collection of numbers, the accounts employ a classification matrix with a consistent set of definitions to categorize health care goods and services and the manner in which their purchase is financed.

The framework of the National Health Accounts provides a more definitive picture of health care spending than do other systems, such as the National Income and Product Accounts (source of the GNP). However, care is taken to assure that the classifications used, and the estimates of levels generated, are consistent with those underlying the GNP. (For a more detailed discussion of that relationship, see Cooper *et al.*, (1980.)

Constructing the National Health Accounts is an evolving project. Currently, the accounts yield estimates equivalent to the final demand components of the GNP. Future plans involve expansion in two directions. On the input side of the accounts, we plan to examine the ways in which expenditures for health flow as income to other sectors of the economy. On the output side, we plan to incorporate measures of health status and compare those measures with expenditures for health.

Different aspects of the National Health Accounts are explored in other work performed in HCFA (Fisher, 1980; Freeland and Schendler, 1981; Cooper and Worthington, 1972).

Revisions

Some estimates published in the 1980 report have been revised in this current report. Portions of some time series back to 1978 have been revised to reflect changes in some basic data sources, the interpretation made of them, and improvements in methodology.

To estimate the expenditures in the National Health Accounts, we analyze a multitude of data sources which reflect spending for health care and use of health care services. Revisions to these estimates are of two types. Estimates for the most recent two years are revised routinely, as they incorporate provisional forcasts of the levels of the principal data sources described in the final section of this report. In addition,

information from each of the data sources must be reconciled with other related sources before being incorporated into the accounts. As a result of this process, or with the availability of new or more reliable information, historical series are revised.

Hospital Care

The estimates of expenditures for hospital care are compiled chiefly from data on hospital finances collected by the American Hospital Association (AHA) as part of the Annual Survey of Hospitals and the monthly National Hospital Panel Survey. The data from the monthly survey are used to estimate levels of community hospital expenditures for periods more recent than the latest annual survey and to adjust the annual survey data to correspond to the various time periods for which estimates are made.

The composite estimate represents all spending for hospital services in the nation for both inpatient and outpatient care, including all services by hospital staff (including physicians salaried by the hospital), and spending for drugs and other supplies. Services of self-employed physicians in hospitals (surgeons, for example) are not counted as hospital expenditures. Anesthesia and X-ray services are sometimes classified as hospital care expenditures and sometimes as expenditures for physicians' services, depending on billing practices.

This category measures outlays for hospital services rather than the cost of providing service. Total revenue data are used for community hospitals; for other types of hospitals, where revenue data are not available, total expenses are used. Certain adjustments are made in the AHA data: additions are made to allow for a small number of hospitals not included in the national totals; and for Federal hospitals, estimates are based on figures obtained from the responsible agencies.

Nursing Home Care

Expenditures for nursing home care encompass spending in all facilities or parts of facilities providing some level of nursing care. Included are all nursing homes certified by Medicare and/or Medicaid as skilled-nursing facilities, those certified by Medicaid as intermediate-care facilities for regular patients as well as solely for the mentally retarded, and all other homes providing some level of nursing care, even though they are not certified under either program.

The estimates for total nursing home expenditures other than those intermediate care facilities serving the mentally retarded are derived from data on facilities, utilization, and costs. Sources for these data are the National Nursing Home Survey conducted by NCHS and the Internal Revenue Service statistical reports. Estimates for years for which no data are available are based on estimates of utilization and of indexes of prices paid by nursing homes for labor and nonlabor resources. The nonhospital portion of Medicaid expenditures for intermediate care facilities for the mentally retarded is added to regular nursing home expenditures.

Services of Physicians, Dentists, and Other Health Professionals

Expenditures for the services of these practitioners are based primarily on statistics compiled by the Internal Revenue Service from business income tax returns and published in *Statistics of Income—Business Income Tax Returns.*

The business receipts of sole proprietorships, partnerships, and incorporated practices are summed to form the core of the physician component. These receipts exclude nonpractice income. To that sum is added a portion of spending for outpatient independent laboratory services that is assumed to be billed directly to patients and not included with physicians' business receipts.

An estimate is constructed for the expenses of non-profit group-practice prepayment plans in providing physicians' services, to the extent that these expenses are not reported by member physicians as income from self-employment. (Physician group practices that are non-profit corporations are included with this category or, where services are provided under contract to hospitals, with hospital expenditures.)

Finally, an estimate of fees paid to physicians for life insurance examinations is deducted.

Expenditures for non-profit group-practice dental clinics are added to the IRS total estimate of dentists' business receipts. No separate adjustment is necessary for dental laboratories, since all billings are assumed to be made through dentists' offices.

Salaried physicians, dentists, and other practitioners are not represented in this estimate but are included with the expenditures of the employing provider, for example, hospitals or hospital outpatient facilities. If they are serving in field services of the Armed Forces, their salaries are included in "other health services." Whenever possible, expenditures for the education and training of medical personnel are considered as expenditures for education and excluded from health expenditures.

The Internal Revenue Service statistics provide estimates of the income of other health professionals in private practice. These include private-duty nurses, chiropractors, optometrists, and other health professionals. Estimates for home health agencies that are not hospital-based are added to the private income of other unspecified health professionals. The portions of optometrists' receipts that represent the cost of eyeglasses are deducted, since they are included under spending for eyeglasses and appliances. Expenditures for home health agencies that are hospital-based are included.

Drugs and Medical Sundries, Eyeglasses, and Orthopedic Appliances

Expenditures in these categories include only spending for outpatient drugs and appliances purchased from retail trade outlets by consumers. The category excludes spending for goods provided to patients in hospitals and in nursing homes, and for those dispensed through physicians' offices. The basic source of the estimates for drugs and drug sundries and for eyeglasses and appliances is the estimates of personal consumption expenditures compiled by the Bureau of Economic Analysis of the Department of Commerce as part of the Gross National Product. The two series that are used are "drug preparations and sundries," representing non-durable medical goods and "ophthalmic products and orthopedic appliances," which are durable medical goods. Payments by workers' compensation programs are deducted from the GNP series, because they are treated as a private consumer payment in the Commerce series, but as a public expenditure in the national health accounts. The resulting private spending figure for drugs and for appliances is combined with expenditures by public programs for these products to arrive at the total amount of expenditures for the nation.

Other Personal Health Care

Personal health care expenditures that do not clearly fit into a category of spending, or that are for unknown purposes, are aggregated here. For example, ambulance and other transportation services reimbursed by the Medicare programs are called "other personal health care."

The only private expenditures in this category are for the operation of industrial on-site health services.

Public expenditures aggregated here include school health services, identified but unclassified expenses such as the ambulance services noted above, and public spending for which no service category can be identified. A substantial portion of the total is for care provided in Federal units other than hospitals, a residual amount that reflects the cost of running field and ship-board medical stations and military outpatient facilities separate from hospitals.

Government Public Health Activities

The Federal portion of government public health activities 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 within the Department of Health and Human Services.

The State and local portion represents expenditures of all State and local health departments, excluding 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 *Governmental Finances*, an annual statistical series of the Bureau of the Census, and the periodic Census of Governments.

Program Administration and the Net Cost of Insurance

The net cost of insurance is the difference between the earned premiums or subscription income of private health insurance organizations and claims or benefit expenditures incurred (in the case of organizations that provide services directly, the expenditures for providing such services). In other words, it is the amount retained by health insurance organizations for operating expenses, additions to reserves, and profits.

Administration expenses in the national health accounts include nonpersonal health expenditures of private charities for health education, lobbying, fundraising, etc. In addition, it includes administrative expenses of the Medicare, Medicaid, Veterans Administration, Department of Defense, Workers' Compensation, Indian Health Service, and Maternal and Child Health programs.

Medical Research

Expenditures for medical research include all spending for biomedical research and research in the delivery of health services by private organizations and public agencies whose primary object is the advancement of human health. Also included are those research expenditures made by other Federal agencies. Research expenditures by drug and medical supply companies are excluded because they are included in the producer price of the product.

The Federal amounts are derived from agency reports. The amounts shown for State and local governments and private expenditures are based on published estimates 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 are the "value put in place" for hospitals, nursing homes, medical clinics, and medical research facilities—but not for private office buildings providing office and laboratory facilities for private practitioners. Also 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 Department of Commerce reports.

Government Program Expenditures

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

In order to be included, the primary focus of a program must be on the provision of care or the treatment of disease: nutrition and antipollution programs are not included. For example, a Department of Agriculture grant program, the Women, Infants and Children (WIC) program, provided $900 million to supplement the diets of certain low-income beneficiaries in fiscal year 1981. WIC (along with "Meals on Wheels" and similar programs) is not included in the National Health Accounts, because it is a nutrition program rather than a health service program.

Premiums paid by enrollees in the Medicare Supplementary Medical Insurance ("Part B") program, $3.4 billion in 1981, are reported as program outlays. In 1981, an additional $334 million was spent by the Medicaid program to purchase Medicare Part B coverage for eligible Medicaid recipients. This "buy-in" amount is reported both as Medicaid expenditure and as Medicare expenditure.

Federal Expenditures

Federal program expenditures are based in part on data reported to the Office of Management and Budget by the various Federal agencies as part of the Federal budget process.

Several significant differences exist in spending reported in the Federal budget, however, because of the conceptual framework on which the national health expenditure series is based. Expenditures for education and training of health professionals are excluded from national health expenditures. The majority of these expenditures comprise direct support of health professional schools and student assistance through loans and scholarships. Payments by agencies for health insurance for employees are included with other private health insurance expenditures, rather than as government expenditure.

Outlays of Federal programs by the type of health care provided are based on information obtained from the agency that administers a specific program.

State and Local Expenditure

In general, all spending by State and local government units for health care that is not reimbursed by the Federal government through benefit payments or grants-in-aid, nor by patients or their agents, is treated as State and local expenditures: State and local spending is net of Federal reimbursements and grants-in-aid for various programs. The amounts received from the Federal government as revenue sharing funds and used for health programs are not deducted from State spending because there is not adequate information to make this adjustment. During the fiscal year 1978, States used $759 million in revenue sharing funds for health care purposes, much of which is reflected in "government public health activities."

As with Federal expenditures, payments for employee health insurance by State and local governments as employers are included under private health insurance expenditures.

Private Health Insurance

Estimates of the amount of health care expenditures financed by private health insurance are derived from the data series on the financial experience of private health insurance organizations compiled and analyzed by the Health Care Financing Administration (Carroll and Arnett, 1981).

Price Indexes for Personal Health Care Expenditures

We mentioned earlier that a large part of the increase in health expenditures is attributable to price inflation. To quantify that statement, it is necessary to construct a measure of inflation of medical prices.

We call the measure used in this article the "personal health care expenditure fixed-weight price index," an accurate—if wordy—title. The index is a market-basket, or Laspeyres, index with 1977 as its base year. To a price index for each commodity or service is attached a weight proportionate to purchases of the commodity or service in 1977. The price proxies used and the weights attached to each are shown in Table D.

We consider this index to be a better measure of inflation than are its two main substitutes. The medical-care component of the CPI places less weight on institutional care than is warranted by expenditures, because of its emphasis on consumer payments as the criterion of importance. Similarly, the medical-care component of the personal consumption expenditures fixed-weight price index (itself a component of the GNP fixed-weight price index) fails to include spending by Medicaid and other public programs when the price weights are determined, and includes a piece for the net cost of health insurance.

Although the purpose of the index is for use as a measure of output prices, we have used input-price indexes to approximate inflation of institutional-care prices. The choice was dictated by the lack of alternatives: no single CPI component has measured hospital prices fully, consistently, and over an extended period of time; and no index of nursing home output prices exists. To the extent that an institution uses an across-the-board markup and passes price increases through to patients, input-price index movement will equal that of the unobtainable output-price index.

We have not yet calculated a price index for all of national health expenditures because of the conceptual difficulty posed by the net cost of health insurance. No good mechanism exists for deflating profits; the best technique, deflating benefits and deriving "real" premiums through application of the base-year loss ratio, is tremendously sensitive to the choice of base year. Pending a satisfactory solution to the problem of deflating the profit part of net cost, we have deferred calculation of a price index for national health expenditures.

TABLE D

Derivation of the Personal Health Care Expenditure Fixed-Weight Price Index

Commodity/Service	Price Proxy	Weight[2]
All Personal Health Care	—	100.0
Hospital Care	National Hospital Input Price Index	45.6
Physicians' Services	CPI[1], Physicians' Services	21.4
Dentists' Services	CPI[1], Dental Services	7.1
Other Professional Services	CPI[1], Professional Services	2.4
Drugs and Medical Sundries	CPI[1], Medical Care Commodities	9.5
Eyeglasses and Appliances	Weighted Average of CPI[1], Other Professional Services and CPI[1], Eyeglasses	2.5
Nursing Home Care	National Nursing Home Input Price Index	8.9
Other Care	CPI[1], Medical Care	2.7

[1]Consumer Price Index for all urban consumers, Bureau of Labor Statistics (U.S. Labor Department). Indexes are scaled so that the 1977 value is 100.0.
[2]Rounded.

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TABLE 1
Aggregate and *per Capita* National Health Expenditures by Source of Funds and Percent of Gross National Product
Selected Calendar Years, 1929-1981

	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
National Health Expenditures (billions)	$286.6	$249.0	$215.0	$189.3	$169.2	$149.7	$132.7	$116.4	$103.2	$93.5	$83.3
As a Percentage of the GNP	9.8	9.5	8.9	8.8	8.8	8.7	8.6	8.1	7.8	7.9	7.7
Sources of Funds:											
Private Expenditures	164.1	143.6	124.4	109.8	99.1	86.7	76.5	69.3	63.9	58.1	51.6
Public Expenditures	122.5	105.4	90.6	79.5	70.1	62.9	56.2	47.1	39.3	35.4	31.7
Federal Expenditures	83.9	71.1	61.0	53.9	47.4	42.6	37.1	30.4	25.2	22.9	20.3
State/Local Expenditures	38.6	34.3	29.5	25.7	22.7	20.4	19.1	16.7	14.1	12.5	11.3
Per Capita Expenditures[1]	1225	1075	938	836	755	674	604	535	478	436	394
Sources of Funds:											
Private Expenditures	701	620	543	485	442	391	348	318	296	272	244
Public Expenditures	524	455	395	351	313	284	255	216	182	166	150
Federal Expenditures	359	307	266	238	211	192	169	140	117	107	96
State/Local Expenditures	165	148	129	113	101	92	87	77	65	59	54
Percentage Distribution of Funds	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Private Funds	57.3	57.7	57.9	58.0	58.6	57.9	57.7	59.5	61.9	62.1	62.0
Public Funds	42.7	42.3	42.1	42.0	41.4	42.1	42.3	40.5	38.1	37.9	38.0
Federal Funds	29.2	28.5	28.4	28.4	28.0	28.5	27.9	26.2	24.4	24.5	24.4
State/Local Funds	13.5	13.8	13.7	13.6	13.4	13.6	14.4	14.3	13.7	13.4	13.6
Addenda:											
Gross National Product (billions)	2925.5	2626.1	2413.9	2156.1	1918.0	1718.0	1549.2	1434.2	1326.4	1185.9	1077.6
Population (millions)	234.0	231.7	229.1	226.6	224.2	222.0	219.9	217.7	215.7	213.6	211.3
Annualized Percentage Changes											
National Health Expenditures	15.1	15.8	13.5	11.9	13.1	12.8	14.0	12.8	10.3	12.3	11.5
Private Expenditures	14.3	15.4	13.3	10.7	14.3	13.3	10.5	8.4	10.0	12.5	10.1
Public Expenditures	16.2	16.4	13.9	13.4	11.4	12.0	19.2	19.9	10.9	11.9	13.9
Federal Expenditures	18.0	16.5	13.3	13.6	11.4	14.8	21.8	20.9	10.0	12.6	15.0
State/Local Expenditures	12.5	16.2	15.0	13.1	11.5	6.6	14.6	18.2	12.4	10.6	12.0
Gross National Product	11.4	8.8	12.0	12.4	11.6	10.9	8.0	8.1	11.8	10.1	8.6
Population	1.0	1.1	1.1	1.1	1.0	1.0	1.0	.9	1.0	1.1	1.3

See footnotes at end of table.

(continued)

TABLE 1 (continued)

Aggregate and *per Capita* National Health Expenditures by Source of Funds and Percent of Gross National Product
Selected Calendar Years 1929-1981

	1970	1969	1968	1967	1966	1965	1960	1955	1950	1940	1929
National Health Expenditures (billions)	$74.7	$65.6	$58.2	$51.3	$46.1	$41.7	$26.9	$17.7	$12.7	$4.0	$3.6
As a Percentage of the GNP	7.5	7.0	6.7	6.4	6.1	6.0	5.3	4.4	4.4	4.0	3.5
Sources of funds:											
Private Expenditures	46.9	40.7	36.1	32.3	32.5	31.0	20.3	13.2	9.2	3.2	3.2
Public Expenditures	27.8	24.9	22.1	19.0	13.6	10.8	6.6	4.6	3.4	.8	.5
Federal Expenditures	17.7	16.1	14.1	11.9	7.4	5.5	3.0	2.0	1.6	n/a	n/a
State/Local Expenditures	10.1	8.8	8.0	7.1	6.1	5.3	3.6	2.6	1.8	n/a	n/a
Per Capita Expenditures[1]	358	318	285	254	230	211	146	105	82	30	29
Sources of Funds:											
Private Expenditures	225	197	176	160	163	156	110	78	60	24	25
Public Expenditures	133	121	108	94	68	55	36	27	22	6	4
Federal Expenditures	85	78	69	59	37	28	16	12	10	0	0
State/Local Expenditures	49	43	39	35	31	27	20	15	12	6	4
Percentage Distribution of Funds	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Private Funds	62.8	62.0	62.0	63.0	70.6	74.1	75.3	74.3	72.8	79.7	86.4
Public Funds	37.2	38.0	38.0	37.0	29.4	25.9	24.7	25.7	27.2	20.3	13.6
Federal Funds	23.6	24.6	24.3	23.3	16.1	13.3	11.2	11.3	12.8	n/a	n/a
State/Local Funds	13.6	13.4	13.7	13.7	13.3	12.6	13.5	14.4	14.4	n/a	n/a
Addenda:											
Gross National Product (billions)	992.7	944.0	873.4	799.6	756.0	691.0	506.5	400.0	286.5	100.0	103.4
Population (millions)	208.6	206.4	204.4	202.3	200.1	197.9	183.8	168.4	154.7	134.6	123.7
Annualized Percentage Changes											
National Health Expenditures	13.8	12.8	13.4	11.3	10.4	9.2	8.7	7.0	12.2	.8	n/a
Private Expenditures	15.1	12.9	11.5	−.6	5.1	8.8	9.0	7.4	11.2	.1	n/a
Public Expenditures	11.6	12.7	16.5	39.7	25.7	10.2	7.8	5.8	15.5	4.6	n/a
Federal Expenditures	9.8	14.0	18.4	60.1	34.5	12.9	8.5	4.3	n/a	n/a	n/a
State/Local Expenditures	14.7	10.5	13.3	15.0	16.5	7.8	7.2	7.0	n/a	n/a	n/a
Gross National Product	5.2	8.1	9.2	5.8	9.4	6.4	4.8	6.9	11.1	−.3	n/a
Population	1.1	1.0	1.0	1.1	1.1	1.5	1.8	1.7	1.4	.8	n/a

[1]Based on mid-year population estimates including outlying territories, armed forces, and Federal employees overseas and their dependents.
n/a Data not available.

TABLE 2
National Health Expenditures by Type of Expenditure, Selected Years 1929-1981
(amounts in billions of dollars)

	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
Total	286.6	249.0	215.0	189.3	169.2	149.7	132.7	116.4	103.2	93.5	83.3
Health Services and Supplies	273.5	237.1	204.5	179.5	160.1	140.6	124.3	108.9	96.3	86.9	77.2
Personal Health Care	255.0	219.4	188.9	166.7	148.7	131.8	116.8	101.0	88.7	80.2	72.0
Hospital Care	118.0	100.4	86.1	75.7	67.8	59.9	52.1	44.8	38.7	34.9	30.8
Physicians' Services	54.8	46.8	40.2	35.8	31.9	27.6	24.9	21.2	19.1	17.2	15.9
Dentists' Services	17.3	15.4	13.3	11.8	10.5	9.4	8.2	7.4	6.5	5.6	5.1
Other Professional Services	6.4	5.6	4.7	4.1	3.6	3.2	2.6	2.2	2.0	1.8	1.6
Drugs and Medical Sundries	21.4	19.3	17.2	15.4	14.1	13.0	11.9	11.0	10.1	9.3	8.6
Eyeglasses and Appliances	5.7	5.1	4.6	4.1	3.7	3.4	3.2	2.8	2.5	2.3	2.0
Nursing-Home Care	24.2	20.6	17.6	15.2	13.2	11.4	10.1	8.5	7.1	6.5	5.6
Other Health Services	7.2	6.0	5.1	4.5	4.1	3.8	3.7	3.1	2.7	2.6	2.3
Program Administration and Net Cost of Insurance	11.2	10.7	9.3	7.5	7.1	5.0	4.4	5.2	5.4	4.7	3.4
Government Public Health Activities	7.3	7.0	6.2	5.3	4.3	3.8	3.2	2.7	2.2	2.0	1.8
Research and Construction of Medical Facilities	13.1	11.8	10.5	9.8	9.2	9.0	8.4	7.5	6.8	6.6	6.1
Research[1]	5.7	5.3	4.8	4.4	3.9	3.7	3.3	2.8	2.5	2.4	2.1
Construction	7.5	6.5	5.7	5.3	5.3	5.3	5.1	4.7	4.3	4.2	4.0

	1970	1969	1968	1967	1966	1965	1960	1955	1950	1940	1929
Total	74.7	65.6	58.2	51.3	46.1	41.7	26.9	17.7	12.7	4.0	3.6
							25.2	16.9	11.7	3.9	3.4
Health Services and Supplies	69.3	60.8	54.0	47.5	42.4	38.2	23.7	15.7	10.9	3.5	3.2
Personal Health Care	65.1	56.9	50.2	44.4	39.6	35.8	9.1	5.9	3.9	1.0	.7
Hospital Care	27.8	24.1	21.0	18.3	15.7	13.9	5.7	3.7	2.7	1.0	1.0
Physicians' Services	14.3	12.6	11.1	10.1	9.2	8.5	2.0	1.5	1.0	.4	.5
Dentists' Services	4.7	4.2	3.7	3.4	3.0	2.8	.9	.6	.4	.2	.3
Other Professional Services	1.6	1.5	1.4	1.3	1.2	1.0	3.7	2.4	1.7	.6	.6
Drugs and Medical Sundries	8.0	7.1	6.4	5.8	5.5	5.2	.8	.6	.5	.2	.1
Eyeglasses and Appliances	1.9	1.7	1.5	1.3	1.3	1.2	.5	.3	.2	—	—
Nursing-Home Care	4.7	3.8	3.4	2.8	2.4	2.1	1.1	.7	.5	.1	.1
Other Health Services	2.1	1.9	1.7	1.6	1.5	1.1					
Program Administration and Net Cost of Insurance	2.7	2.7	2.8	2.2	2.0	1.7	1.1	.8	.5	.2	.1
Government Public Health Activities	1.4	1.2	1.0	.9	.8	.8	.4	.4	.4	.2	.1
Research and Construction of Medical Facilities	5.4	4.8	4.1	3.8	3.7	3.5	1.7	.9	1.0	.1	.2
Research[1]	2.0	1.9	1.9	1.8	1.6	1.5	.7	.2	.1	—	—
Construction	3.4	2.9	2.2	2.1	2.1	2.0	1.0	.7	.8	.1	.2

[1]Research and development expenditures of drug companies and other manufacturers and providers of medical equipment and supplies are excluded from "research expenditures," but are included in the expenditure class in which the product falls.

TABLE 3
National Health Expenditures by Type of Expenditure and Source of Funds, 1979-1981
(amounts in billions of dollars)

Type of Expenditure	Total	Private					Public		
			Consumer						
		Total	Total	Patient Direct	Health Insurance	Other[1]	Total	Federal	State & Local
					1981				
Total	286.6	164.1	154.9	81.7	73.2	9.2	122.5	83.9	38.6
Health Services and Supplies	273.5	159.0	154.9	81.7	73.2	4.0	114.5	78.4	36.1
Personal Health Care	255.0	152.1	148.5	81.7	66.8	3.5	102.9	74.6	28.3
Hospital Care	118.0	53.9	52.1	12.8	39.4	1.7	64.1	48.7	15.4
Physicians' Services	54.8	39.8	39.8	20.8	19.0	—	15.0	11.6	3.3
Dentists' Services	17.3	16.6	16.6	12.3	4.3	—	.7	.4	.3
Other Professional Services	6.4	5.0	4.9	3.8	1.1	.1	1.4	1.1	.3
Drugs and Medical Sundries	21.4	19.5	19.5	17.1	2.4	—	1.9	1.0	.9
Eyeglasses and Appliances	5.7	5.1	5.1	4.7	.3	—	.7	.6	.1
Nursing-Home Care	24.2	10.6	10.5	10.3	.2	.1	13.6	7.5	6.1
Other Health Services	7.2	1.6	—	—	—	1.6	5.6	3.8	1.8
Program Administration and Net Cost of Insurance	11.2	6.9	6.4	—	6.4	.5	4.3	2.5	1.8
Government Public Health Activities	7.3	—	—	—	—	—	7.3	1.3	6.0
Research, and Construction of Medical Facilities	13.1	5.1	—	—	—	5.1	8.0	5.5	2.6
Research[2]	5.7	.3	—	—	—	.3	5.3	4.8	.5
Construction	7.5	4.8	—	—	—	4.8	2.7	.7	2.1
					1980				
Total	249.0	143.6	135.7	72.1	63.6	7.8	105.4	71.1	34.3
Health Services and Supplies	237.1	139.3	135.7	72.1	63.6	3.6	97.9	66.0	31.9
Personal Health Care	219.4	132.2	129.1	72.1	57.0	3.1	87.2	62.7	24.5
Hospital Care	100.4	46.1	44.6	10.9	33.7	1.5	54.3	41.1	13.2
Physicians' Services	46.8	34.3	34.3	17.8	16.5	—	12.5	9.5	3.0
Dentists' Services	15.4	14.8	14.8	11.2	3.6	—	.6	.3	.3
Other Professional Services	5.6	4.2	4.2	3.3	.9	.1	1.4	1.0	.4
Drugs and Medical Sundries	19.3	17.7	17.7	15.7	2.0	—	1.6	.8	.8
Eyeglasses and Appliances	5.1	4.6	4.6	4.3	.3	—	.5	.5	.1
Nursing-Home Care	20.6	9.1	9.0	8.8	.2	.1	11.5	6.2	5.3
Other Health Services	6.0	1.4	—	—	—	1.4	4.6	3.2	1.4
Program Administration and Net Cost of Insurance	10.7	7.1	6.6	—	6.6	.4	3.7	2.0	1.7
Government Public Health Activities	7.0	—	—	—	—	—	7.0	1.3	5.7
Research, and Construction of Medical Facilities	11.8	4.3	—	—	—	4.3	7.5	5.1	2.4
Research[2]	5.3	.3	—	—	—	.3	5.0	4.5	.5
Construction	6.5	4.0	—	—	—	4.0	2.5	.6	2.0
					1979				
Total	215.0	124.4	117.7	61.8	55.9	6.7	90.6	61.0	29.5
Health Services and Supplies	204.5	120.6	117.7	61.8	55.9	3.0	83.8	56.5	27.4
Personal Health Care	188.9	114.6	112.0	61.8	50.2	2.6	74.3	53.3	21.0
Hospital Care	86.1	39.8	38.7	8.5	30.1	1.2	46.3	34.8	11.5
Physicians' Services	40.2	29.5	29.5	15.0	14.6	—	10.7	8.1	2.6
Dentists' Services	13.3	12.8	12.8	9.9	2.9	—	.5	.3	.2
Other Professional Services	4.7	3.5	3.5	2.8	.7	—	1.2	.9	.3
Drugs and Medical Sundries	17.2	15.8	15.8	14.2	1.6	—	1.4	.7	.7
Eyeglasses and Appliances	4.6	4.2	4.2	4.0	.2	—	.4	.4	.1
Nursing-Home Care	17.6	7.7	7.6	7.4	.1	.1	9.9	5.5	4.4
Other Health Services	5.1	1.3	—	—	—	1.3	3.8	2.7	1.2
Program Administration and Net Cost of Insurance	9.3	6.0	5.7	—	5.7	.3	3.3	1.9	1.3
Government Public Health Activities	6.2	—	—	—	—	—	6.2	1.2	5.0
Research, and Construction of Medical Facilities	10.5	3.8	—	—	—	3.8	6.7	4.6	2.2
Research[2]	4.8	.3	—	—	—	.3	4.5	4.0	.4
Construction	5.7	3.5	—	—	—	3.5	2.3	.5	1.7

[1]Spending by philanthropic organizations, industrial in-plant health services and privately financed construction.
[2]Research and development expenditures of drug companies and other manufacturers and providers of medical equipment and supplies are excluded from "research expenditures," but are included in the expenditure class in which the product falls.

TABLE 4

Aggregate and *per Capita* Amount and Percentage Distribution of Personal Health Care Expenditures,[1] by Source of Funds, Selected Years, 1929-1981

Year	Total	Patient Direct Payments	All Third Parties					
			Private			Public		
			Total	Health Insurance	Other	Total	Federal	State and Local
	Amount (in billions)							
1929	$ 3.2	$ 2.8	$ .4	$ [2]	$ .1	$ .3	$ .1	$ .2
1935	2.7	2.2	.5	[2]	.1	.4	.1	.3
1940	3.5	2.9	.7	[2]	.1	.6	.1	.4
1950	10.9	7.1	3.8	.9	.3	2.4	1.1	1.3
1955	15.7	9.1	6.6	2.5	.4	3.6	1.6	2.0
1960	23.7	13.0	10.7	5.0	.5	5.2	2.2	3.0
1965	35.8	18.5	17.2	8.7	.8	7.7	3.6	4.1
1966	39.6	19.5	20.1	9.1	.8	10.1	5.3	4.9
1967	44.4	18.8	25.5	9.6	.8	15.1	9.5	5.6
1968	50.2	20.5	29.6	11.0	.9	17.7	11.4	6.4
1969	56.9	22.9	34.0	13.0	.9	20.1	13.2	7.0
1970	65.1	26.0	39.1	15.6	1.0	22.5	14.5	7.9
1971	72.0	27.8	44.2	17.3	1.2	25.6	16.8	8.8
1972	80.2	31.0	49.2	19.1	1.3	28.8	18.9	9.9
1973	88.7	34.2	54.5	21.1	1.3	32.0	21.1	11.0
1974	101.0	36.4	64.6	24.5	1.5	38.6	25.8	12.8
1975	116.8	39.0	77.8	30.1	1.6	46.1	31.4	14.7
1976	131.8	43.0	88.8	35.5	1.8	51.5	36.1	15.4
1977	148.7	48.7	100.0	40.0	2.1	57.9	41.0	16.9
1978	166.7	54.1	112.6	45.0	2.2	65.3	46.4	18.9
1979	188.9	61.8	127.1	50.2	2.6	74.3	53.3	21.0
1980	219.4	72.1	147.3	57.0	3.1	87.2	62.7	24.5
1981	255.0	81.7	173.2	66.8	3.5	102.9	74.6	28.3
	per Capita Amount[3]							
1929	$ 26	$ 23	$ 3	$ 0	$ 1	$ 2	$ 1	$ 2
1935	21	17	4	0	1	3	1	2
1940	26	21	5	0	1	4	1	3
1950	70	46	24	6	2	16	7	8
1955	93	54	39	15	3	21	10	12
1960	129	71	58	27	3	28	12	16
1965	181	94	87	44	4	39	18	21
1966	198	97	100	46	4	51	26	24
1967	219	93	126	48	4	75	47	28
1968	246	100	145	54	4	87	56	31
1969	276	111	165	63	4	98	64	34
1970	312	125	188	75	5	108	70	38
1971	341	132	209	82	6	121	79	42
1972	376	145	230	89	6	135	89	46
1973	411	159	253	98	6	149	98	51
1974	464	167	297	112	7	177	118	59
1975	531	177	354	137	7	210	143	67
1976	594	194	400	160	8	232	163	69
1977	663	217	446	178	9	258	183	75
1978	736	239	497	199	10	288	205	84
1979	825	270	555	219	11	324	233	92
1980	947	311	636	246	13	376	271	106
1981	1090	349	740	285	15	440	319	121
	Percentage Distribution							
1929	100.0	88.4	11.6	[2]	2.6	9.0	2.7	6.3
1935	100.0	82.4	17.6	[2]	2.8	14.7	3.4	11.3
1940	100.0	81.3	18.7	[2]	2.6	16.1	4.1	12.0
1950	100.0	65.5	34.5	9.1	2.9	22.4	10.4	12.0
1955	100.0	58.1	41.9	16.1	2.8	23.0	10.5	12.5
1960	100.0	54.9	45.1	21.1	2.3	21.8	9.3	12.5
1965	100.0	51.8	48.2	24.4	2.2	21.6	10.1	11.4
1966	100.0	49.2	50.8	23.0	2.1	25.7	13.3	12.4
1967	100.0	42.5	57.5	21.7	1.8	34.0	21.4	12.6
1968	100.0	40.9	59.1	21.9	1.8	35.4	22.7	12.7
1969	100.0	40.2	59.8	22.8	1.6	35.4	23.1	12.3
1970	100.0	39.9	60.1	24.0	1.6	34.5	22.3	12.2
1971	100.0	38.6	61.4	24.1	1.7	35.6	23.3	12.3
1972	100.0	38.6	61.4	23.8	1.6	36.0	23.6	12.4
1973	100.0	38.6	61.4	23.8	1.5	36.1	23.8	12.4
1974	100.0	36.1	63.9	24.2	1.5	38.2	25.5	12.7
1975	100.0	33.4	66.6	25.8	1.4	39.5	26.9	12.6
1976	100.0	32.6	67.4	26.9	1.4	39.1	27.4	11.7
1977	100.0	32.8	67.2	26.9	1.4	38.9	27.6	11.4
1978	100.0	32.5	67.5	27.0	1.3	39.2	27.8	11.4
1979	100.0	32.7	67.3	26.6	1.4	39.3	28.2	11.1
1980	100.0	32.9	67.1	26.0	1.4	39.7	28.6	11.2
1981	100.0	32.1	67.9	26.2	1.4	40.4	29.3	11.1

[1]Based on mid-year population estimates including outlying territories, armed forces, and federal employees overseas and their dependents.
[2]Included with direct payments: separate data not available.

TABLE 5

Aggregate and *per Capita* Amount and Percentage Distribution of Personal Health Care Expenditures,[1] by Source of Funds, Selected Years 1950-1981

Year	Total	Patient Direct Payments	All Third Parties					
			Private			Public		
			Total	Health Insurance	Other	Total	Federal	State and Local
			Hospital Care: Amount (in Billions)					
1950	$ 3.9	$ 1.2	$ 2.7	$ .7	$ .1	$ 1.9	$ n/a	$ n/a
1955	5.9	1.3	4.6	1.7	.2	2.7	n/a	n/a
1960	9.1	1.8	7.3	3.3	.2	3.8	n/a	n/a
1965	13.9	2.4	11.5	5.8	.3	5.4	2.4	3.0
1966	15.7	2.5	13.2	6.0	.3	6.9	3.5	3.4
1967	18.3	1.8	16.4	6.2	.3	10.0	6.3	3.7
1968	21.0	2.1	18.9	7.1	.3	11.5	7.3	4.1
1969	24.1	2.4	21.6	8.3	.3	13.1	8.5	4.5
1970	27.8	2.8	25.0	9.9	.4	14.7	9.5	5.2
1971	30.8	2.8	28.0	11.1	.5	16.5	10.9	5.6
1972	34.9	3.8	31.1	12.0	.5	18.6	12.4	6.2
1973	38.7	4.6	34.1	13.0	.5	20.5	13.7	6.8
1974	44.8	4.7	40.1	14.9	.6	24.6	16.8	7.8
1975	52.1	4.3	47.9	18.4	.6	28.8	20.3	8.6
1976	59.9	5.0	54.9	21.6	.7	32.7	23.8	8.8
1977	67.8	6.3	61.5	23.9	.9	36.8	27.2	9.6
1978	75.7	6.5	69.2	27.1	.9	41.2	30.6	10.6
1979	86.1	8.5	77.6	30.1	1.2	46.3	34.8	11.5
1980	100.4	10.9	89.5	33.7	1.5	54.3	41.1	13.2
1981	118.0	12.8	105.2	39.4	1.7	64.1	48.7	15.4
			Hospital Care: *per Capita* Amount[1]					
1950	$ 25	$ 7	$ 17	$ 4	$1	$ 12	$ n/a	$n/a
1955	35	8	27	10	1	16	n/a	n/a
1960	49	10	40	18	1	20	n/a	n/a
1965	70	12	58	29	2	27	12	15
1966	78	12	66	30	2	35	18	17
1967	90	9	81	30	1	49	31	18
1968	103	10	92	35	2	56	36	20
1969	117	12	105	40	1	63	41	22
1970	133	13	120	48	2	70	46	25
1971	146	13	133	52	2	78	51	26
1972	164	18	146	56	2	87	58	29
1973	179	21	158	61	2	95	64	31
1974	206	21	184	69	3	113	77	36
1975	237	19	218	84	3	131	92	39
1976	270	22	247	97	3	147	107	40
1977	302	28	274	106	4	164	121	43
1978	334	29	305	120	4	182	135	47
1979	376	37	339	132	5	202	152	50
1980	433	47	386	145	6	234	177	57
1981	504	54	450	168	7	274	208	66
			Hospital Care: Percentage Distribution					
1950	100.0	29.9	70.1	17.7	3.5	48.9	n/a	n/a
1955	100.0	22.3	77.7	28.5	3.0	46.2	n/a	n/a
1960	100.0	19.8	80.2	36.3	2.5	41.3	n/a	n/a
1965	100.0	17.2	82.8	41.8	2.2	38.9	17.5	21.3
1966	100.0	15.6	84.4	38.2	2.0	44.2	22.6	21.7
1967	100.0	10.0	90.0	33.7	1.5	54.8	34.4	20.3
1968	100.0	10.0	90.0	33.9	1.5	54.6	34.9	19.7
1969	100.0	10.0	90.0	34.5	1.2	54.3	35.5	18.8
1970	100.0	10.0	90.0	35.8	1.4	52.9	34.3	18.6
1971	100.0	9.2	90.8	35.9	1.6	53.4	35.2	18.2
1972	100.0	10.9	89.1	34.3	1.4	53.3	35.5	17.8
1973	100.0	11.9	88.1	33.7	1.3	53.0	35.5	17.5
1974	100.0	10.4	89.6	33.3	1.4	54.9	37.5	17.3
1975	100.0	8.2	91.8	35.4	1.1	55.3	38.9	16.4
1976	100.0	8.3	91.7	36.0	1.1	54.6	39.8	14.7
1977	100.0	9.3	90.7	35.2	1.3	54.3	40.1	14.2
1978	100.0	8.6	91.4	35.8	1.2	54.4	40.4	14.0
1979	100.0	9.9	90.1	35.0	1.3	53.8	40.4	13.4
1980	100.0	10.9	89.1	33.5	1.5	54.1	40.9	13.1
1981	100.0	10.8	89.2	33.4	1.5	54.3	41.3	13.1

See footnotes at end of tables.

(continued)

TABLE 5 (Continued)
Aggregate and *per Capita* Amount and Percentage Distribution of Personal Health Care Expenditures,[1] by Source of Funds, Selected Years 1950-1981

Year	Total	Patient Direct Payments	All Third Parties					
			Private			Public		
			Total	Health Insurance	Other	Total	Federal	State and Local
			Physicians' Services: Amount (in Billions)					
1950	$ 2.7	$ 2.3	$ .5	$ .3	*	$ .1	$n/a	$n/a
1955	3.7	2.6	1.1	.9	*	.2	n/a	n/a
1960	5.7	3.7	2.0	1.6	*	.4	n/a	n/a
1965	8.5	5.2	3.3	2.7	*	.6	.2	.4
1966	9.2	5.5	3.7	2.8	*	.8	.3	.5
1967	10.1	5.1	5.0	3.0	*	2.0	1.4	.7
1968	11.1	5.2	5.9	3.4	*	2.5	1.8	.7
1969	12.6	5.9	6.8	4.0	*	2.8	2.0	.7
1970	14.3	6.5	7.9	4.9	*	3.0	2.1	.9
1971	15.9	7.1	8.8	5.3	*	3.5	2.5	1.0
1972	17.2	7.3	9.9	6.0	*	3.9	2.7	1.2
1973	19.1	8.0	11.1	6.7	*	4.4	3.1	1.4
1974	21.2	8.1	13.2	7.9	*	5.3	3.7	1.6
1975	24.9	9.0	15.9	9.4	*	6.5	4.6	1.9
1976	27.6	9.7	17.9	10.8	*	7.1	5.2	1.9
1977	31.9	11.4	20.5	12.4	*	8.0	5.9	2.1
1978	35.8	13.1	22.7	13.5	*	9.2	6.9	2.3
1979	40.2	15.0	25.3	14.6	*	10.7	8.1	2.6
1980	46.8	17.8	29.0	16.5	*	12.5	9.5	3.0
1981	54.8	20.8	34.0	19.0	*	15.0	11.6	3.3
			Physicians' Services: *per Capita* Amount					
1950	$ 18	$15	$ 3	$ 2	$0	$ 1	$n/a	$n/a
1955	22	15	7	5	0	1	n/a	n/a
1960	31	20	11	9	0	2	n/a	n/a
1965	43	26	17	14	0	3	1	2
1966	46	27	18	14	0	4	2	3
1967	50	25	25	15	0	10	7	3
1968	54	26	29	17	0	12	9	4
1969	61	28	33	19	0	13	10	4
1970	69	31	38	23	0	14	10	4
1971	75	34	42	25	0	16	12	5
1972	80	34	46	28	0	18	13	5
1973	88	37	51	31	0	20	14	6
1974	98	37	61	36	0	24	17	7
1975	113	41	72	43	0	30	21	9
1976	124	44	81	49	0	32	23	9
1977	142	51	91	55	0	36	26	9
1978	158	58	100	60	0	41	30	10
1979	176	65	110	64	0	47	35	11
1980	202	77	125	71	0	54	41	13
1981	234	89	145	81	0	64	50	14
			Physicians' Services: Percentage Distribution					
1950	100.0	83.2	16.8	11.4	.3	5.2	n/a	n/a
1955	100.0	69.8	30.2	23.2	.2	6.7	n/a	n/a
1960	100.0	65.4	34.6	28.0	.2	6.4	n/a	n/a
1965	100.0	61.4	38.6	31.7	.1	6.9	1.8	5.1
1966	100.0	59.9	40.1	30.8	.1	9.3	3.4	5.9
1967	100.0	50.3	49.7	29.4	.1	20.2	13.6	6.6
1968	100.0	47.0	53.0	30.4	.1	22.5	15.8	6.7
1969	100.0	46.4	53.6	31.6	.1	21.9	16.2	5.8
1970	100.0	45.1	54.9	33.9	.1	20.9	14.9	6.0
1971	100.0	44.9	55.1	33.3	.1	21.7	15.5	6.3
1972	100.0	42.4	57.6	34.8	.1	22.8	16.0	6.7
1973	100.0	41.8	58.2	34.9	.1	23.2	16.0	7.1
1974	100.0	37.9	62.1	37.0	.1	25.0	17.6	7.4
1975	100.0	36.2	63.8	37.6	.1	26.2	18.6	7.6
1976	100.0	35.1	64.9	39.1	.1	25.8	18.8	7.0
1977	100.0	35.7	64.3	39.0	.1	25.2	18.6	6.7
1978	100.0	36.6	63.4	37.7	.1	25.7	19.2	6.5
1979	100.0	37.2	62.8	36.2	.1	26.6	20.1	6.5
1980	100.0	38.0	62.0	35.2	.1	26.7	20.4	6.4
1981	100.0	37.9	62.1	34.7	.1	27.3	21.3	6.0

See footnotes at end of tables.

(continued)

TABLE 5 (Continued)
Aggregate and *per Capita* Amount and Percentage Distribution of Personal Health Care Expenditures,[1] by Source of Funds, Selected Years 1950-1981

Year	Total	Patient Direct Payments	All Third Parties					
				Private		Public		
			Total	Health Insurance	Other	Total	Federal	State and Local
			All Other Personal Health Care[2]: Amount (in Billions)					
1950	$ 4.3	$ 3.7	$ .6	$ [3]	$ .2	$ .4	$n/a	$n/a
1955	6.1	5.2	.9	[3]	.2	.6	n/a	n/a
1960	8.9	7.5	1.4	.1	.3	1.0	n/a	n/a
1965	13.4	10.9	2.5	.3	.5	1.7	1.0	.7
1966	14.7	11.5	3.2	.3	.5	2.4	1.4	1.0
1967	16.0	11.9	4.1	.5	.5	3.0	1.8	1.2
1968	18.1	13.2	4.9	.5	.6	3.8	2.3	1.5
1969	20.2	14.6	5.6	.7	.6	4.3	2.6	1.7
1970	23.1	16.8	6.3	.8	.6	4.8	2.9	1.9
1971	25.2	17.8	7.4	1.0	.7	5.7	3.4	2.2
1972	28.1	19.9	8.2	1.1	.8	6.3	3.8	2.5
1973	30.9	21.6	9.3	1.4	.8	7.1	4.3	2.9
1974	34.9	23.7	11.2	1.7	.9	8.7	5.2	3.5
1975	39.7	25.7	14.0	2.3	1.0	10.8	6.5	4.3
1976	44.3	28.4	16.0	3.1	1.1	11.7	7.1	4.6
1977	49.1	31.1	18.0	3.7	1.2	13.1	7.9	5.2
1978	55.2	34.5	20.7	4.4	1.3	14.9	8.9	6.0
1979	62.6	38.3	24.3	5.5	1.4	17.4	10.4	6.9
1980	72.1	43.3	28.8	6.8	1.6	20.4	12.0	8.3
1981	82.2	48.2	34.0	8.4	1.8	23.8	14.3	9.5
			All Other Personal Health Care[2]: *per Capita* Amount[1]					
1950	$ 28	$ 24	$ 4	$ [3]	$1	$ 3	$n/a	$n/a
1955	36	31	5	[3]	1	4	n/a	n/a
1960	48	41	8	1	2	6	n/a	n/a
1965	68	55	12	1	2	9	5	4
1966	74	58	16	2	2	12	7	5
1967	79	59	20	2	3	15	9	6
1968	88	65	24	3	3	19	11	7
1969	98	71	27	3	3	21	13	8
1970	111	80	30	4	3	23	14	9
1971	119	84	35	5	4	27	16	11
1972	132	93	38	5	4	30	18	12
1973	143	100	43	6	4	33	20	13
1974	161	109	52	8	4	40	24	16
1975	181	117	64	10	4	49	30	19
1976	200	128	72	14	5	53	32	21
1977	219	139	80	17	5	58	35	23
1978	243	152	91	20	6	66	39	27
1979	273	167	106	24	6	76	46	30
1980	311	187	124	30	7	88	52	36
1981	351	206	145	36	8	102	61	41
			All Other Personal Health Care[2]: Percentage Distribution					
1950	100.0	86.2	13.8	[3]	4.2	9.6	n/a	n/a
1955	100.0	85.6	14.4	[3]	4.1	10.3	n/a	n/a
1960	100.0	83.9	16.1	1.1	3.3	11.6	n/a	n/a
1965	100.0	81.6	18.4	1.9	3.5	13.0	7.8	5.2
1966	100.0	78.4	21.6	2.2	3.4	16.1	9.6	6.5
1967	100.0	74.6	25.4	3.1	3.3	19.1	11.4	7.7
1968	100.0	73.1	26.9	2.8	3.1	21.0	12.6	8.3
1969	100.0	72.3	27.7	3.4	3.0	21.4	12.8	8.5
1970	100.0	72.8	27.2	3.6	2.8	20.8	12.5	8.3
1971	100.0	70.7	29.3	3.9	2.9	22.5	13.7	8.8
1972	100.0	70.8	29.2	4.0	2.8	22.5	13.5	9.0
1973	100.0	69.9	30.1	4.5	2.6	23.1	13.8	9.2
1974	100.0	67.8	32.2	4.8	2.5	24.8	14.9	9.9
1975	100.0	64.7	35.3	5.7	2.5	27.1	16.4	10.7
1976	100.0	64.0	36.0	7.1	2.5	26.5	16.1	10.4
1977	100.0	63.3	36.7	7.6	2.5	26.7	16.1	10.6
1978	100.0	62.6	37.4	8.0	2.4	27.0	16.1	10.9
1979	100.0	61.2	38.8	8.8	2.3	27.7	16.7	11.0
1980	100.0	60.1	39.9	9.5	2.2	28.2	16.7	11.6
1981	100.0	58.7	41.3	10.2	2.2	29.0	17.4	11.6

[1]Based on mid-year population estimates including outlying territories, armed forces, and federal employees overseas and their dependents.
[2]Dentists' services, other professional services, drugs and medical sundries, eyeglasses and appliances, nursing home care, and other personal health care.
[3]Included with direct payments: separate data not available.
n/a Data not available.
* Less than $100 million.

TABLE 6
Personal Health Care Expenditures by Selected Third-Party Payers and Type of Expenditure, 1979-1981
(amounts in billions)

Source of Payment	Personal Care	Hospital Care	Physicians' Services	Dentists' Services	Prof. Services	Drugs	Glasses	Nursing Homes	Other
					1981				
Total	$255.0	$118.0	$54.8	$17.3	$6.4	$21.4	$ 5.7	$24.2	$ 7.2
Patient Direct Payments	81.7	12.8	20.8	12.3	3.8	17.1	4.7	10.3	—
Third-Party Payments	173.2	105.2	34.0	5.0	2.6	4.3	1.0	13.9	7.2
Private Health Insurance	66.8	39.4	19.0	4.3	1.1	2.4	.3	.2	—
Philanthropy and Industrial In-Plant	3.5	1.7	—	—	.1	—	—	.1	1.6
Government	102.9	64.1	15.0	.7	1.4	1.9	.7	13.6	5.6
Federal	74.6	48.7	11.6	.4	1.1	1.0	.6	7.5	3.8
Medicare[1]	43.5	31.4	9.6	—	.8	—	.5	.4	.6
Medicaid[2]	16.4	5.9	1.5	.3	.2	.9	—	6.6	.9
Other	14.7	11.3	.5	.1	.1	—	.1	.4	2.3
State and Local	28.3	15.4	3.3	.3	.3	.9	.1	6.1	1.8
Medicaid[2]	13.3	4.8	1.2	.3	.1	.7	—	5.4	.7
Other	15.0	10.7	2.1	—	.2	.2	.1	.7	1.0
					1980				
Total	219.4	100.4	46.8	15.4	5.6	19.3	5.1	20.6	6.0
Patient Direct Payments	72.1	10.9	17.8	11.2	3.3	15.7	4.3	8.8	—
Third-Party Payments	147.3	89.5	29.0	4.2	2.3	3.6	.8	11.8	6.0
Private Health Insurance	57.0	33.7	16.5	3.6	.9	2.0	.3	.2	—
Philanthropy and Industrial In-Plant	3.1	1.5	—	—	.1	—	—	.1	1.4
Government	87.2	54.3	12.5	.6	1.4	1.6	.5	11.5	4.6
Federal	62.7	41.1	9.5	.3	1.0	.8	.5	6.2	3.2
Medicare[1]	35.7	26.0	7.8	—	.7	—	.4	.4	.5
Medicaid[2]	13.8	5.1	1.3	.3	.3	.8	—	5.5	.6
Other	13.2	10.1	.4	.1	—	—	.1	.4	2.1
State and Local	24.5	13.2	3.0	.3	.4	.8	.1	5.3	1.4
Medicaid[2]	11.8	4.3	1.1	.2	.2	.7	—	4.7	.5
Other	12.7	8.8	1.8	—	.2	.2	.1	.7	.9
					1979				
Total	188.9	86.1	40.2	13.3	4.7	17.2	4.6	17.6	5.1
Patient Direct Payments	61.8	8.5	15.0	9.9	2.8	14.2	4.0	7.4	—
Third-Party Payments	127.1	77.6	25.3	3.4	2.0	3.0	.6	10.1	5.1
Private Health Insurance	50.2	30.1	14.6	2.9	.7	1.6	.2	.1	—
Philanthropy and Industrial In-Plant	2.6	1.2	—	—	—	—	—	.1	1.3
Government	74.3	46.3	10.7	.5	1.2	1.4	.4	9.9	3.8
Federal	53.3	34.8	8.1	.3	.9	.7	.4	5.5	2.7
Medicare[1]	29.3	21.2	6.5	—	.6	—	.3	.4	.4
Medicaid[2]	12.2	4.5	1.2	.3	.3	.7	—	4.8	.4
Other	11.8	9.0	.4	.1	—	—	.1	.3	1.8
State and Local	21.0	11.5	2.6	.2	.3	.7	.1	4.4	1.2
Medicaid[2]	9.5	3.5	1.0	.2	.2	.5	—	3.8	.3
Other	11.5	8.0	1.7	—	.1	.2	.1	.6	.8

[1]Represents total expenditures from trust funds for benefits. Trust fund income includes premium payments paid by or on behalf of enrollees.

[2]Includes funds paid into medicare trust funds by States under "buy-in" agreements to cover premiums for public assistance recipients and for persons who are medically indigent.

[3]Based on mid-year population estimates including outlying territories, armed forces, and federal employees overseas and their dependents.

TABLE 7
Expenditures for Health Services and Supplies Under Public Programs by Program, Type of Expenditure, and Source of Funds 1981

Program Area	Health Services and Supplies											
		Personal Health Care										
	Total	Total	Hospital Care	Physicians' Services	Dentists' Services	Other Professional Services	Drugs and Medical Sundries	Eyeglasses and Appliances	Nursing Home Care	Other Personal Health Care	Administrative Expenses	Public Health Activities
	Amount (in Billions)											
Total Health Services and Supplies	$273.5	$255.0	$118.0	$54.8	$17.3	$6.4	$ 21.4	$5.7	$24.2	$7.2	$11.2	$7.3
All Public Programs	114.5	102.9	64.1	15.0	.7	1.4	1.9	.7	13.6	5.6	4.3	7.3
Total Federal Expenditures	78.4	74.6	48.7	11.6	.4	1.1	1.0	.6	7.5	3.8	2.5	1.3
Total State and Local Expenditure	36.1	28.3	15.4	3.3	.3	.3	.9	.1	6.1	1.8	1.8	6.0
Medicare[1] (Federal)	44.8	43.5	31.4	9.6	—	.8	—	.5	.4	.6	1.3	—
Medicaid[2]	31.3	29.7	10.7	2.8	.6	.3	1.7	—	12.0	1.7	1.6	—
Federal Expenditures	17.5	16.4	5.9	1.5	.3	.2	.9	—	6.6	.9	1.1	—
State and Local Expenditures	13.8	13.3	4.8	1.2	.3	.1	.7	—	5.4	.7	.5	—
Other Public Assistance Payments for Medical Care	1.8	1.8	.7	.2	—	—	.1	—	.7	.1	—	—
Federal	—	—	—	—	—	—	—	—	—	—	—	—
State and Local	1.8	1.8	7.	.2	—	—	.1	—	.7	.1	—	—
Veterans' Medical Care	6.7	6.6	5.5	.1	.1	—	—	.1	.4	.5	.1	—
Department of Defense[3]	5.0	5.0	4.1	.1	—	—	—	—	—	.7	—	—
Workers Compensation	5.7	4.4	2.2	1.9	—	.1	.1	.1	—	—	1.3	—
Federal Employees	.2	.2	.1	—	—	—	—	—	—	—	—	—
State and Local Programs	5.6	4.3	2.1	1.8	—	.1	.1	.1	—	—	1.3	—
State and Local Hospitals[4]	7.7	7.7	7.7	—	—	—	—	—	—	—	—	—
Other Public Expenditures for Personal Health Care[5]	4.2	4.2	1.7	.3	—	.1	—	.1	—	2.0	.1	—
Federal	3.0	3.0	1.6	.2	—	—	—	—	—	1.1	—	—
State and Local	1.2	1.2	.1	.1	—	—	—	—	—	.9	—	—
Government Public Health Activities	7.3	—	—	—	—	—	—	—	—	—	—	7.3
Federal	1.3	—	—	—	—	—	—	—	—	—	—	1.3
State and Local	6.0	—	—	—	—	—	—	—	—	—	—	6.0
Addenda: Medicare and Medicaid	75.7	72.8	42.1	12.4	.6	1.2	1.7	.5	12.4	2.0	2.9	—

See footnotes at end of tables.

(continued)

TABLE 7 (continued)
Expenditures for Health Services and Supplies Under Public Programs by Program, Type of Expenditure, and Source of Funds
1980

Program Area	Health Services and Supplies											
		Personal Health Care										
	Total	Total	Hospital Care	Physicians' Services	Dentists' Services	Other Professional Services	Drugs and Medical Sundries	Eyeglasses and Appliances	Nursing Home Care	Other Personal Health Care	Administrative Expenses	Public Health Activities
	Amount (in Billions)											
Total Health Services and Supplies	$237.1	$219.4	$100.4	$46.8	$15.4	$5.6	$19.3	$5.1	$20.6	$6.0	$10.7	$7.0
All Public Programs	97.9	87.2	54.3	12.5	.6	1.4	1.6	.5	11.5	4.6	3.7	7.0
Total Federal Expenditures	66.0	62.7	41.1	9.5	.3	1.0	.8	.5	6.2	3.2	2.0	1.3
Total State and Local Expenditures	31.9	24.5	13.2	3.0	.3	.4	.8	.1	5.3	1.4	1.7	5.7
Medicare[1] (Federal)	36.8	35.7	26.0	7.8	—	.7	—	.4	.4	.5	1.1	—
Medicaid[2]	26.8	25.5	9.4	2.5	.5	.5	1.4	—	10.2	1.1	1.3	—
Federal Expenditures	14.6	13.8	5.1	1.3	.3	.3	.8	—	5.5	.6	.8	—
State and Local Expenditures	12.2	11.8	4.3	1.1	.2	.2	.7	—	4.7	.5	.5	—
Other Public Assistance Payments for Medical Care	1.6	1.6	.6	.2	—	—	.1	—	.7	.1	—	—
Federal	—	—	—	—	—	—	—	—	—	—	—	—
State and Local	1.6	1.6	.6	.2	—	—	.1	—	.7	.1	—	—
Veterans' Medical Care	5.9	5.9	4.9	.1	.1	—	—	.1	.4	.4	—	—
Department of Defense[3]	4.2	4.2	3.4	.1	—	—	—	—	—	.6	—	—
Workers Compensation	5.0	3.9	2.0	1.6	—	.1	.1	.1	—	—	1.1	—
Federal Employees	.1	.1	.1	—	—	—	—	—	—	—	—	—
State and Local Programs	4.9	3.8	1.9	1.6	—	.1	.1	.1	—	—	1.1	—
State and Local Hospitals[4]	6.2	6.2	6.2	—	—	—	—	—	—	—	—	—
Other Public Expenditures for Personal Health Care[5]	4.1	4.1	1.7	.3	—	.1	—	—	—	1.9	.1	—
Federal	3.0	3.0	1.6	.2	—	—	—	—	—	1.1	—	—
State and Local	1.1	1.1	.1	.1	—	—	—	—	—	.9	—	—
Government Public Health Activities	7.0	—	—	—	—	—	—	—	—	—	—	7.0
Federal	1.3	—	—	—	—	—	—	—	—	—	—	1.3
State and Local	5.7	—	—	—	—	—	—	—	—	—	—	5.7
Addenda: Medicare and Medicaid	63.3	60.9	35.4	10.3	.5	1.2	1.4	.4	10.5	1.2	2.4	—

See footnotes at end of tables.

(continued)

TABLE 7 (*continued*)
Expenditures for Health Services and Supplies Under Public Programs by Program, Type of Expenditure, and Source of Funds
1979

Program Area	Health Services and Supplies											
		Personal Health Care										
	Total	Total	Hospital Care	Physicians' Services	Dentists' Services	Other Professional Services	Drugs and Medical Sundries	Eyeglasses and Appliances	Nursing Home Care	Other Personal Health Care	Administrative Expenses	Public Health Activities
	Amount (in Billions)											
Total Health Services and Supplies	$204.5	$188.9	$ 86.1	$40.2	$13.3	$4.7	$17.2	$4.6	$17.6	$5.1	$9.3	$6.2
All Public Programs	83.8	74.3	46.3	10.7	.5	1.2	1.4	.4	9.9	3.8	3.3	6.2
Total Federal Expenditures	56.5	53.3	34.8	8.1	.3	.9	.7	.4	5.5	2.7	1.9	1.2
Total State and Local Expenditures	27.4	21.0	11.5	2.6	.2	.3	.7	.1	4.4	1.2	1.3	5.0
Medicare[1] (Federal)	30.3	29.3	21.2	6.5	—	.6	—	.3	.4	.4	1.0	—
Medicaid[2]	22.9	21.8	8.1	2.2	.4	.5	1.2	—	8.6	.7	1.1	—
Federal Expenditures	13.0	12.2	4.5	1.2	.3	.3	.7	—	4.8	.4	.8	—
State and Local Expenditures	9.8	9.5	3.5	1.0	.2	.2	.5	—	3.8	.3	.3	—
Other Public Assistance Payments for Medical Care	1.5	1.5	.5	.1	—	—	.1	—	.6	—	—	—
Federal	—	—	—	—	—	—	—	—	—	—	—	—
State and Local	1.5	1.5	.5	.1	—	—	.1	—	.6	—	—	—
Veterans' Medical Care	5.3	5.3	4.4	.1	—	—	—	—	.3	.4	—	—
Department of Defense[3]	3.8	3.8	3.1	.1	—	—	—	—	—	.5	—	—
Workers Compensation	4.5	3.5	1.8	1.5	—	.1	.1	.1	—	—	1.0	—
Federal Employees	.1	.1	.1	—	—	—	—	—	—	—	—	—
State and Local Programs	4.4	3.4	1.7	1.4	—	.1	.1	.1	—	—	1.0	—
State and Local Hospitals[4]	5.6	5.6	5.6	—	—	—	—	—	—	—	—	—
Other Public Expenditures for Personal Health Care[5]	3.7	3.7	1.6	.3	—	.1	—	—	—	1.7	.1	—
Federal	2.7	2.6	1.5	.2	—	—	—	—	—	.9	.1	—
State and Local	1.1	1.0	.1	.1	—	—	—	—	—	.8	—	—
Government Public Health Activities	6.2	—	—	—	—	—	—	—	—	—	—	6.2
Federal	1.2	—	—	—	—	—	—	—	—	—	—	1.2
State and Local	5.0	—	—	—	—	—	—	—	—	—	—	5.0
Addenda: Medicare and Medicaid	52.9	50.8	29.3	8.7	.4	1.0	1.2	.3	9.0	.8	2.1	—

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

[2]Includes funds paid into Medicare trust funds by States under "buy-in" agreements to cover premiums for public assistance recipients and for persons who are medically indigent.

[3]Includes care for retirees and military dependents.

[4]Expenditures for State and local government hospitals not offset by other revenues.

[5]Includes program spending for maternal and child health; vocational rehabilitation medical payments; temporary disability insurance medical payments; PHS and other Federal hospitals; Indian health services; alcoholism, drug abuse, and mental health; and school health.

TABLE 8
Health Care Expenditures by Government Programs, 1965-1981
(amounts in millions of dollars)

	1981	1980	1979	1978	1977	1976	1975	1974
Total National Health Expenditures	286,616	248,967	214,962	189,312	169,248	149,655	132,720	116,379
Private Health Expenditures	164,088	143,553	124,389	109,785	99,140	86,718	76,540	69,263
Health Services and Supplies	158,977	139,264	120,627	106,251	95,674	83,205	73,205	65,958
Patient Direct Payments	81,746	72,088	61,806	54,089	48,707	43,007	38,979	36,419
Insurance Premiums	73,184	63,624	55,859	49,679	44,619	38,172	32,437	27,777
Other	4,046	3,552	2,962	2,483	2,348	2,026	1,788	1,762
Medical Research	339	322	302	282	273	267	264	252
Medical Facilities Construction	4,772	3,967	3,460	3,251	3,193	3,246	3,072	3,053
Government Program Expenditures	122,528	105,414	90,573	79,528	70,109	62,937	56,180	47,116
Health Services and Supplies	114,493	97,875	83,835	73,274	64,404	57,421	51,115	42,953
Medicare[1]	44,752	36,828	30,333	25,932	22,524	19,303	16,317	13,099
Temporary Disability Insurance	54	52	58	80	74	71	73	71
Workers' Compensation (Medical)	5,713	5,042	4,494	3,476	3,129	2,756	2,430	2,175
Public Assistance Medical Payments	33,106	28,473	24,340	21,118	18,858	16,852	15,098	12,079
Medicaid[2]	31,300	26,828	22,867	19,812	17,721	15,836	14,153	11,287
Other Public Assistance Medical Payments	1,806	1,645	1,473	1,307	1,137	1,016	945	793
Defense Dept. Medical Care[3]	5,031	4,233	3,779	3,441	3,062	2,964	2,830	2,893
Maternal & Child Health Programs	861	812	767	726	683	641	589	547
Veterans Medical Care	6,659	5,941	5,313	4,984	4,400	4,152	3,495	3,000
Medical Vocational Rehabilitation	285	281	279	259	250	224	224	203
Other Personal Health Care Programs	10,763	9,206	8,229	7,930	7,105	6,646	6,901	6,155
ADAMHA[4,5]	749	791	636	681	574	529	649	202
Indian Health Service[5]	456	403	344	318	260	226	204	88
OEO Health and Medical Care[6]	—	—	—	—	—	—	—	—
State & Local Hospitals[7]	7,747	6,213	5,615	5,418	4,950	4,688	5,050	4,890
School Health	636	582	532	495	432	377	361	332
Other Public Programs n.e.c.[8]	1,174	1,218	1,102	1,018	890	826	637	643
Other Public Health Activities	7,271	7,007	6,243	5,327	4,320	3,813	3,157	2,731
Medical Research	5,314	5,006	4,483	4,162	3,646	3,434	3,071	2,538
Medical Facilities Construction	2,721	2,532	2,255	2,092	2,059	2,083	1,994	1,625

(Continued)

TABLE 8 (continued)
Health Care Expenditures by Government Programs 1965-1981
(amounts in millions of dollars)

	1981	1980	1979	1978	1977	1976	1975	1974
Federal Program Expenditures	83,912	71,085	61,032	53,851	47,399	42,562	37,075	30,445
Health Services and Supplies	78,435	65,980	56,452	49,408	43,578	38,888	33,813	27,837
Medicare[1]	44,752	36,828	30,333	25,932	22,524	19,303	16,317	13,099
Workers' Compensation (Medical)	162	140	117	93	76	70	59	42
Public Assistance Medical Payments	17,516	14,578	13,028	11,161	10,044	9,010	7,937	6,398
Medicaid[2]	17,516	14,578	13,028	11,161	10,044	9,010	7,937	6,398
Other Public Assistance Medical Payments	—	—	—	—	—	—	—	—
Defense Dept. Medical Care[3]	5,031	4,233	3,779	3,441	3,062	2,964	2,830	2,893
Maternal & Child Health Programs	395	358	350	343	321	312	286	253
Veterans Administration	6,659	5,941	5,313	4,984	4,400	4,152	3,495	3,000
Medical Vocational Rehabilitation	228	224	223	207	200	180	178	167
Other Personal Health Care Programs	2,379	2,412	2,082	2,017	1,723	1,581	1,490	933
ADAMHA[4,5]	749	791	636	681	574	529	649	202
Indian Health Service[5]	456	403	344	318	260	226	204	88
OEO Health and Medical Care[6]	—	—	—	—	—	—	—	—
Other Public Programs n.e.c.[5]	1,174	1,218	1,102	1,018	890	826	637	643
Other Public Health Activities	1,314	1,265	1,227	1,230	1,229	1,316	1,221	1,054
Medical Research	4,822	4,538	4,048	3,762	3,284	3,109	2,772	2,268
Medical Facilities Construction	655	567	532	681	537	566	490	340
Net State and Local Program Expenditures	38,616	34,328	29,540	25,677	22,709	20,375	19,105	16,671
Health Services and Supplies	36,059	31,895	27,383	23,866	20,825	18,533	17,301	15,116
Temporary Disability Insurance	54	52	58	80	74	71	73	71
Workers' Compensation (Medical)	5,551	4,901	4,378	3,384	3,053	2,685	2,371	2,133
Public Assistance Medical Payments	15,589	13,894	11,312	9,957	8,814	7,842	7,161	5,682
Medicaid[2]	13,784	12,249	9,839	8,651	7,677	6,826	6,216	4,889
Other Public Assistance Medical Payments	1,806	1,645	1,473	1,307	1,137	1,016	945	793
Maternal & Child Health Programs	466	454	417	383	362	330	303	294
Medical Vocational Rehabilitation	57	56	56	52	50	44	46	36
Other Personal Health Care Programs	8,384	6,795	6,147	5,913	5,382	5,064	5,411	5,222
State & Local Hospitals[7]	7,747	6,213	5,615	5,418	4,950	4,688	5,050	4,890
School Health	636	582	532	495	432	377	361	332
Other Public Health Activities	5,957	5,742	5,016	4,097	3,091	2,497	1,936	1,678
Medical Research	492	469	435	401	362	325	299	270
Medical Facilities Construction	2,066	1,965	1,722	1,411	1,522	1,517	1,505	1,285

(Continued)

TABLE 8 (continued)
Health Care Expenditures by Government Programs, 1965-1981
(amounts in millions of dollars)

	1973	1972	1971	1970	1969	1968	1967	1966	1965
Total National Health Expenditures	103,161	93,493	83,284	74,663	65,629	58,169	51,305	46,107	41,749
Private Health Expenditures	63,878	58,067	51,623	46,871	40,716	36,067	32,337	32,533	30,950
Health Services and Supplies	60,603	54,839	48,736	44,311	38,526	34,452	30,892	31,017	29,482
Patient Direct Payments	34,211	30,992	27,805	26,024	22,876	20,523	18,836	19,479	18,522
Insurance Premiums	24,845	22,358	19,475	17,075	14,596	12,868	11,090	10,555	9,993
Other	1,547	1,489	1,456	1,213	1,053	1,061	966	982	966
Medical Research	232	227	233	215	213	208	198	186	176
Medical Facilities Construction	3,043	3,001	2,655	2,345	1,978	1,407	1,247	1,330	1,292
Government Program Expenditures	39,283	35,426	31,660	27,792	24,913	22,102	18,968	13,574	10,799
Health Services and Supplies	35,720	32,061	28,426	24,952	22,266	19,592	16,580	11,403	8,754
Medicare[1]	10,135	9,114	8,284	7,500	6,916	5,974	4,726	1,135	—
Temporary Disability Insurance	69	65	71	66	59	55	53	54	52
Workers' Compensation (Medical)	1,882	1,574	1,440	1,408	1,262	1,146	1,011	910	798
Public Assistance Medical Payments	10,349	9,119	8,055	6,321	5,500	4,617	3,635	2,732	2,112
Medicaid[2]	9,676	8,541	7,076	5,471	4,556	3,950	2,982	1,512	—
Other Public Assistance Medical Payments	673	578	979	850	944	667	653	1,220	2,112
Defense Dept. Medical Care[3]	2,304	2,210	1,786	1,782	1,733	1,606	1,454	1,211	853
Maternal & Child Health Program	482	508	464	429	451	389	338	300	255
Veterans Medical Care	2,741	2,380	2,051	1,764	1,520	1,381	1,301	1,198	1,145
Medical Vocational Rehabilitation	177	178	174	149	123	113	84	56	40
Other Personal Health Care Programs	5,349	4,905	4,337	4,114	3,474	3,267	3,089	2,981	2,686
ADAMHA[4,5]	—	—	—	—	—	—	—	—	—
Indian Health Service[5]	—	—	—	—	—	—	—	—	—
OEO Health and Medical Care[6]	77	149	179	158	124	115	102	83	23
State & Local Hospitals[7]	4,142	3,733	3,377	3,347	2,888	2,748	2,620	2,578	2,373
School Health	307	290	277	260	236	215	192	166	150
Other Public Programs n.e.c.[8]	822	733	504	349	225	188	175	154	140
Other Public Health Activities	2,233	2,006	1,764	1,420	1,229	1,045	888	825	814
Medical Research	2,291	2,126	1,883	1,754	1,709	1,668	1,568	1,443	1,340
Medical Facilities Construction	1,272	1,240	1,351	1,086	938	843	821	728	705

(Continued)

TABLE 8 (continued)
Health Care Expenditures by Government Programs, 1965-1981
(amounts in millions of dollars)

	1973	1972	1971	1970	1969	1968	1967	1966	1965
Federal Program Expenditures	25,178	22,879	20,319	17,667	16,087	14,112	11,918	7,444	5,535
Health Services and Supplies	22,835	20,612	18,203	15,715	14,164	12,233	10,142	5,781	3,984
Medicare[1]	10,135	9,114	8,284	7,500	6,916	5,974	4,726	1,135	—
Workers' Compensation (Medical)	34	29	26	23	18	16	15	13	12
Public Assistance Medical Payments	5,462	4,637	4,214	3,244	2,776	2,221	1,765	1,463	1,359
Medicaid[2]	5,462	4,637	3,841	3,001	2,409	1,979	1,469	734	—
Other Public Assistance Medical Payments	—	—	373	243	367	242	296	729	1,359
Defense Dept. Medical Care[3]	2,304	2,210	1,786	1,782	1,733	1,606	1,454	1,211	853
Maternal & Child Health Program	209	249	190	159	196	172	149	117	84
Veterans Administration	2,741	2,380	2,051	1,764	1,520	1,381	1,301	1,198	1,145
Medical Vocational Rehabilitation	144	142	139	120	95	84	63	40	26
Other Personal Health Care Programs	899	883	683	507	350	303	277	237	163
ADAMHA[4,5]	—	—	—	—	—	—	—	—	—
Indian Health Service[5]	—	—	—	—	—	—	—	—	—
OEO Health and Medical Care[6]	77	149	179	158	124	115	102	83	23
Other Public Programs n.e.c.[8]	822	733	504	349	225	188	175	154	140
Other Public Health Activities	908	967	830	615	561	476	392	367	344
Medical Research	2,042	1,889	1,670	1,571	1,552	1,537	1,455	1,340	1,245
Medical Facilities Construction	302	378	446	381	371	342	321	322	306
Net State and Local Program Expenditures	14,105	12,547	11,341	10,125	8,825	7,990	7,050	6,130	5,264
Health Services and Supplies	12,886	11,448	10,223	9,237	8,102	7,359	6,437	5,621	4,770
Temporary Disability Insurance	69	65	71	66	59	55	53	54	52
Workers' Compensation (Medical)	1,848	1,545	1,414	1,384	1,244	1,130	996	897	787
Public Assistance Medical Payments	4,887	4,483	3,841	3,077	2,724	2,396	1,870	1,269	753
Medicaid[2]	4,214	3,904	3,235	2,470	2,148	1,971	1,513	778	—
Other Public Assistance Medical Payments	673	578	606	607	577	425	357	491	753
Maternal & Child Health Programs	273	258	274	270	255	217	190	183	171
Medical Vocational Rehabilitation	32	36	35	29	28	29	20	16	14
Other Personal Health Care Programs	4,449	4,023	3,654	3,607	3,124	2,963	2,812	2,744	2,523
State & Local Hospitals[7]	4,142	3,733	3,377	3,347	2,888	2,748	2,620	2,578	2,373
School Health	307	290	277	260	236	215	192	166	150
Other Public Health Activities	1,326	1,039	934	805	668	569	495	458	469
Medical Research	250	237	213	183	157	131	113	104	95
Medical Facilities Construction	970	862	906	705	567	501	500	405	399

[1]Represents total expenditures from trust funds for benefits and administrative costs. Trust fund income includes premium payments paid by or on behalf of enrollees.
[2]Includes funds paid into medicare trust funds by states under "buy-in" agreements to cover premiums for public assistance recipients and for persons who are medically indigent.
[3]Includes care for retirees and military dependents.
[4]Alcohol, Drug Abuse, and Mental Health Administration.
[5]Not separately estimated prior to 1974.
[6]Office of Economic Opportunity. Programs transferred to the Department of Health, Education, and Welfare in 1974.
[7]Expenditures for State and local government hospitals not offset by other revenues.
[8]Not elsewhere classified.

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