

National health expenditures, 1989

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Spending for health care in the United States grew to \$604.1 billion in 1989, an increase of 11.1 percent from the 1988 level. Growth in national health expenditures has been edging upward since 1986, when the annual growth in the health care bill was 7.7 percent. Health

care spending continues to command a larger and larger proportion of the resources of the Nation: In 1989, 11.6 percent of the Nation's output, as measured by the gross national product, was consumed by health care, up from 11.2 percent in 1988.

Highlights

Growth in health care expenditures in the United States accelerated during the previous 3 years, rising to a level of \$604.1 billion in 1989. Other highlights from the 1989 National Health Accounts include:

- Health expenditures grew 11.1 percent from 1988 to 1989.
- National health expenditures (NHE) amounted to 11.6 percent of the gross national product (GNP) in 1989, up from 11.2 percent in 1988.
- Expenditures averaged \$2,354 per capita. Of that amount, \$2,068 was for personal health care; the remainder was for research, construction, program administration, the net cost of private health insurance, and public health activities.
- Hospital expenditures, which accounted for 39 percent of all health spending (Figure 1), increased 10.0 percent from 1988 to 1989. This growth was slower than growth in overall spending. However, growth in hospital spending continued to accelerate, as it has since 1986, when growth was 6.8 percent.
- Together, the Medicare and Medicaid programs financed three-tenths of all personal health care services. By service, these two programs paid for more than one-third of all hospital services, more than one-fourth of all physicians' services, and one-half of all nursing home care.
- Private health insurance has financed a steadily increasing proportion of personal health care expenditures during the 1980s; in 1989, it paid for almost one-third of all personal health care costs.
- Declining shares of out-of-pocket expenditures—the source of funding for 23.5 percent of all personal health care—have offset most of the increase in private health insurance shares during this decade.
- Out-of-pocket payments accounted for 44.4 percent of all nursing home care, although 41 percent of those out-of-pocket costs may be funded by social security payments.

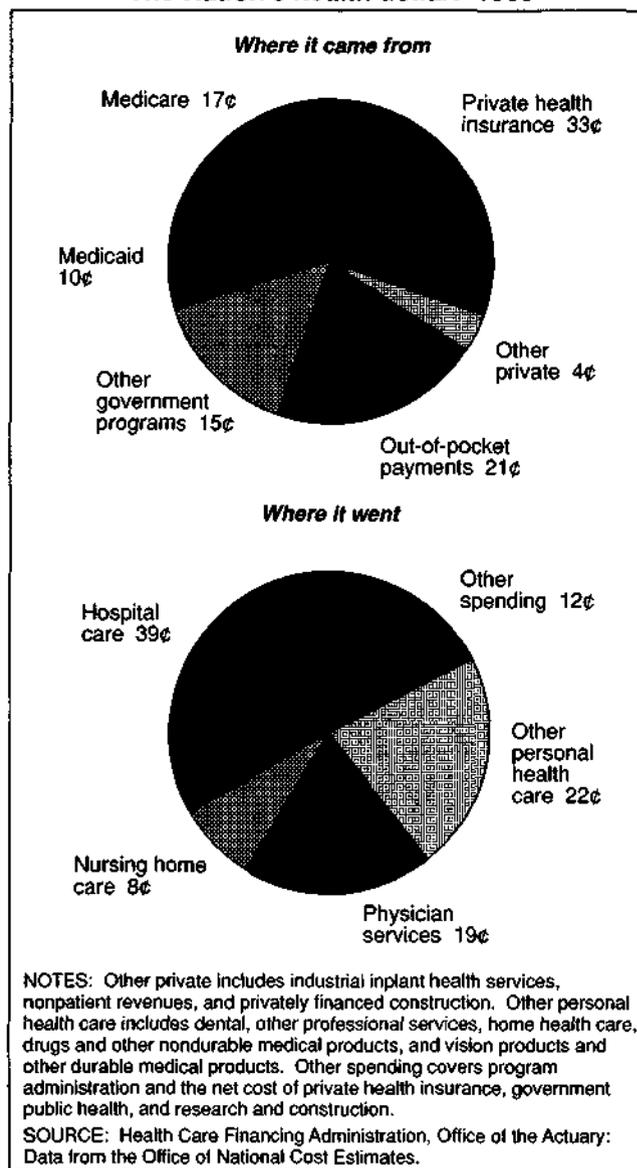
Expenditures for health care for selected years 1960 through 1989, both by type of service and by source of funds, are shown in detailed Tables 10-19 at the end of this article. Data figures from these tables are mentioned throughout the text of this article.

Definitions and methods used to develop the NHE estimates are presented in an earlier article, Office of National Cost Estimates (1990). Reprint requests: Carol Pearson, Office of National Cost Estimates, L-1, EQ05, 6325 Security Boulevard, Baltimore, Maryland 21207.

National health expenditures

National health expenditures reached \$604.1 billion in 1989, an increase of 11.1 percent from 1988. This growth was faster than the growth rates seen during the past 6 years. For the fifth consecutive year, growth in

Figure 1
The Nation's health dollar: 1989



health spending outpaced growth in the economy as a whole, as measured by the GNP. As a result, health expenditures as a percent of GNP has continued to rise, reaching 11.6 percent in 1989, up from 11.2 percent in 1988 (Figure 2).

Of the \$2,354 average spent per person for NHE in 1989, 41.9 percent was financed by public programs; 58.1 percent came from private sources, primarily private health insurance and out-of-pocket spending.

National health expenditures are divided into two broad categories: health services and supplies (expenditures related to current health care) and research and construction of medical facilities (expenditures related to future health care). Health services and supplies, in turn, consist of personal health care (the direct provision of care), program administration and the net cost of private health insurance, and government public health activities.

Spending for health services and supplies amounted to \$583.5 billion in 1989, 97 percent of national health expenditures. This amount represents an 11.3-percent growth from 1988, slightly larger than the growth in overall NHE spending, which includes the slower growing categories of research and construction.

Personal health care expenditures (PHCE) grew to \$530.7 billion in 1989, and amounted to 88 percent of all health spending. The PHCE per capita amount of \$2,068 represents spending for health care services received by individuals and health products purchased in retail outlets. The 10.6 percent growth in this category from 1988 to 1989 may be allocated among four factors—economywide price inflation, industry-specific price inflation, population, and all other factors per capita (Office of National Cost Estimates, 1990). Inflation accounted for 65 percent of growth in personal health care expenditures in 1989 (Figure 3). Of that 65 percent, 44 percent can be attributed to economywide price inflation and the remaining 21 percent to industry-specific price inflation. Population changes caused 9 percent of the growth in PHCE, and other factors accounted for the remaining 26 percent. These "other factors" include anything that causes changes in use and intensity per capita. (Because "other factors" is a residual, any error in the measurement of inflation would be incorporated in this component.)

During the first 5 years of the 1980s, price growth accounted for three-fourths of the growth in PHCE. From 1985 forward, price growth assumed a slightly less important role in the overall growth of personal health expenditures, with about two-thirds of growth a result of price increases. The remainder of the increase comes from population growth and changes in the use and intensity of service delivered.

When price growth is removed, real PHCE (measuring the aggregate change in use and intensity of service) rose 3.6 percent from 1988 to 1989, slightly faster than the 3.3 percent average annual growth experienced during the 1980s (Table 1).

In 1989, consumers financed 23.5 percent of PHCE through out-of-pocket payments of \$124.8 billion. The remaining 76.5 percent of PHCE was paid by third parties. Public programs, including Medicare and Medicaid, make government the largest third-party payer of health care benefits. The public share of personal

health care was 40.6 percent in 1989, with Medicare and Medicaid accounting for nearly three-quarters of that amount.

Private third-party payers financed more than one-third of all PHCE. Private health insurance benefits rose to \$172.9 billion and continued to account for an increasing share (32.6 percent) of PHCE. In addition, another 3.3 percent of personal health care was spent by other private third-party payers, including business (through inpatient health care services), philanthropic giving, and other nonpatient revenue sources of hospitals, nursing homes, and home health agencies.

Elements of personal health care

Expenditures for hospital care services in 1989 reached \$232.8 billion, accounting for 43.9 percent of all PHCE. This represents an increase of 10.0 percent from 1988 to 1989, continuing the trend of accelerated growth that began in 1986. These expenditures include those for services delivered to inpatients and outpatients, for physician services billed through the hospitals (mainly anesthesiologists, radiologists, and pathologists, but also the services of medical residents), for drugs dispensed during hospitalization, and for services rendered by hospital-based home health agencies. Nursing home type care provided in a hospital facility is also counted here.

Hospital care expenditures are measured by total net revenue. Short term, acute care community hospitals accounted for 86 percent of all hospital revenue in 1989, mostly through inpatient services. However, revenues from care delivered through emergency rooms and outpatient clinics have been growing more rapidly than inpatient care revenues since 1967, and now account for 19 percent of all revenues (Table 2). Noncommunity non-Federal hospitals accounted for 7 percent of all hospital revenues in 1989, and Federal hospitals received the remaining 7 percent of hospital revenues.

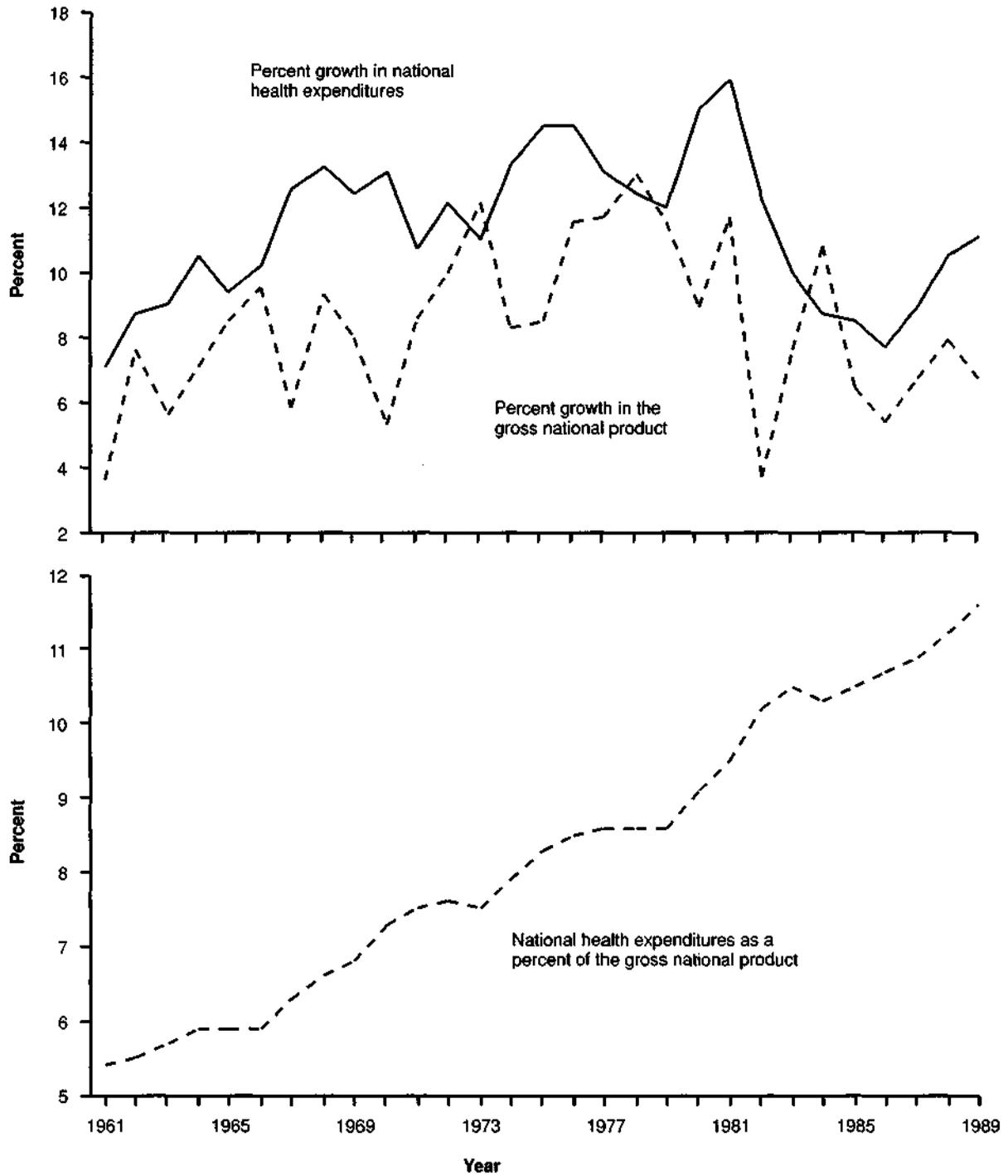
Public funds financed 53.5 percent of all hospital services in 1989. Medicare alone paid for 26.7 percent, although its share has fallen from 29.0 percent in 1985, coinciding with the full implementation of the prospective payment system (PPS). Private health insurance paid for 36.2 percent of all hospital services in 1989, up from a 35.4-percent share in 1985. State and local tax subsidies have also financed an increased share during the same time period: 5.5 percent in 1989, up from 4.2 percent in 1985.

Expenditures for physician services reached \$117.6 billion in 1989, an increase of 11.9 percent from 1988. In all but one year of the 1980s, physician services expenditures grew faster than overall expenditures. In 1989, spending for physician services accounted for 22.2 percent of PHCE.

Private health insurance has funded an increasing share of physician services expenditures, paying for nearly one-half of all spending for physicians in 1989. Medicare financed almost one-fourth of all physician expenditures and is the second largest payer of physician expenditures. Offsetting the increased shares paid by private health insurance and Medicare, consumers are now paying a lower share out of pocket for physician services.

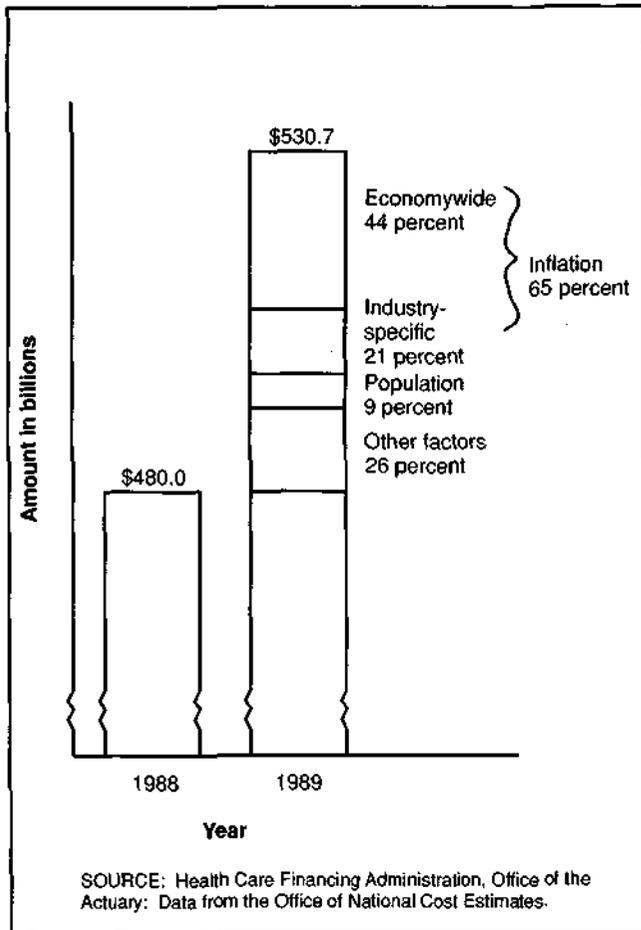
Figure 2

Percent growth in national health expenditures and gross national product, and national health expenditures as a percent of gross national product: Calendar years 1961-89



SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

Figure 3
Factors in the increase of personal health care expenditures: 1988-89



In 1989, expenditures for dental services grew to \$31.4 billion, an increase of 6.7 percent from 1988. Spending for dental services exhibited the slowest growth among all of the personal health care categories. There have been shifts in the skill-mix of workers in dental offices toward a greater proportion of lower-skilled employees. Changes in the incidence of dental disease, including a reduction in caries, permit lower-skilled employees, such as hygienists, to deliver a greater proportion of services.

Most of the financing for dental care comes from private sources; public spending, primarily Medicaid, accounted for 2.4 percent of total dental expenditures in 1989. Private health insurance paid for 42.7 percent, and the remaining 54.9 percent came from out-of-pocket payments.

The category of other professional services includes spending for services of licensed health practitioners other than physicians and dentists and expenditures for services rendered in outpatient clinics. A total of \$27.0 billion was spent in 1989 for all of these services, an increase of 13.7 percent from 1988. Private funds financed 79.8 percent of these expenditures, with 37.7 percent paid by private insurance, 31.5 percent paid directly by the consumer, and 10.6 percent from nonpatient revenues

(primarily philanthropic funds). Public sources paid 20.2 percent of expenditures for other professional services.

In the National Health Account (NHA) category of home health care, expenditures for services and supplies furnished by non-facility-based home health agencies (HHAs) was \$5.4 billion in 1989. An additional \$1.3 billion, not included in the NHA home health care category, was spent for home health care furnished by facility-based (primarily hospital-based) HHAs (those expenditures are included with hospital care in this article). Including the hospital share, \$6.6 billion was spent for home health services in 1989.

Growth in spending for home health care increased 19.1 percent in 1989, doubling the growth experienced in 1988. This accelerated growth is primarily attributable to increased funding by the Medicare and Medicaid programs. Medicare clarified its home health coverage criteria in 1988 and fewer home health claims are being denied.

Public sources financed three-fourths of the home health services category in NHA. More than one-half of the public spending was paid by Medicare and most of the residual by Medicaid.

Out-of-pocket payments accounted for 11.4 percent of total spending, and the residual private share, 13.0 percent, was split between private health insurance and nonpatient revenue (income from sources other than those received for patient care, such as philanthropy, interest, and dividend income).

The home health segment of the NHA measures a portion of the Nation's annual expenditures for medical care services delivered in the home. These estimates are constructed from information reported to the Health Care Financing Administration by home health agencies participating in the Medicare and Medicaid programs. A broader home health industry definition of home health care would include services delivered by non-Medicare providers, facility-based agencies, and services currently beyond the scope of the NHA.

Drugs and other medical nondurables expenditures totaled \$44.6 billion in 1989. These expenditures amount to 8.4 percent of PHCE and increased 7.5 percent from 1988 to 1989. This class of expenditure is limited to spending for products purchased from retail outlets. Purchases included are prescription drugs, over-the-counter medicines, and other nondurable medical sundries.

Expenditures for prescription drugs account for nearly two-thirds of drugs and other medical nondurables, reaching \$29.0 billion in 1989. This share has increased during the 1980s, as expenditures for prescription drugs have grown more rapidly than have expenditures for nonprescription drugs and other medical nondurables. Almost all of the growth in both prescription drugs and over-the-counter medicines is attributable to price inflation.

Third parties typically pay for prescription drugs, but not for over-the-counter medicines. Assuming that all public and private insurance payments are for prescription drugs, third parties funded 42.3 percent of prescription drugs. In 1989, consumers paid the remainder—\$16.7 billion—from out-of-pocket sources.

Table 1

Personal health care expenditures in current and constant dollars and associated price indexes, by type of service: Calendar years 1980-89

Type of service	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
	Current dollars in billions									
Personal health care	\$218.3	\$253.2	\$284.1	\$312.4	\$338.6	\$367.2	\$398.2	\$436.7	\$480.0	\$530.7
Hospital care	102.4	119.6	135.9	147.2	157.2	167.9	179.4	193.8	211.7	232.8
Physician services	41.9	48.8	53.8	60.6	67.1	74.0	82.1	93.0	105.1	117.6
Dental services	14.4	17.0	18.4	19.8	21.4	23.3	24.7	27.1	29.4	31.4
Other professional services and home health	10.0	11.9	14.0	16.2	18.5	20.5	22.6	25.3	28.3	32.4
Drugs and other medical nondurables	20.1	22.3	24.5	27.5	29.8	32.3	35.6	38.7	41.5	44.6
Vision products and other medical durables	5.0	5.3	5.9	6.3	7.2	8.4	9.5	10.7	12.0	13.5
Nursing home care	20.0	23.3	26.1	28.9	31.2	34.1	36.7	39.8	42.8	47.9
Other personal health care	4.6	5.1	5.6	6.0	6.3	6.8	7.6	8.3	9.3	10.5
	Price indexes									
Hospital care	81.70	91.10	100.00	106.60	112.50	118.00	122.30	128.17	136.76	145.65
Physician services	82.33	91.41	100.00	107.70	115.19	121.92	130.76	140.43	150.54	161.53
Dental services	84.70	92.84	100.00	106.73	115.41	122.67	129.51	138.19	147.59	156.74
Other professional services and home health	83.58	92.17	100.00	107.20	114.81	121.93	129.73	138.30	147.56	157.01
Drugs and other medical nondurables	81.72	90.67	100.00	108.56	116.53	124.79	133.01	141.86	151.65	163.47
Vision products and other medical durables	86.67	94.23	100.00	105.44	109.82	116.56	122.25	126.55	133.00	137.53
Nursing home care	83.91	92.41	100.00	105.86	111.20	115.57	119.18	123.55	130.57	139.32
Other personal health care	80.89	89.60	100.00	108.70	115.45	122.63	131.88	140.61	149.75	161.14
	Constant 1982 dollars in billions									
Personal health care	\$265.0	\$276.9	\$284.1	\$292.1	\$298.2	\$306.8	\$317.0	\$329.2	\$339.0	\$351.3
Hospital care	125.3	131.2	135.9	138.1	139.7	142.3	146.7	151.2	154.8	159.8
Physician services	50.9	53.3	53.8	56.3	58.3	60.7	62.7	66.2	69.8	72.8
Dental services	17.0	18.3	18.4	18.5	18.5	19.0	19.1	19.6	19.9	20.0
Other professional services and home health	12.0	13.0	14.0	15.1	16.1	16.8	17.4	18.3	19.2	20.6
Drugs and other medical nondurables	24.6	24.6	24.5	25.3	25.6	25.8	26.7	27.3	27.4	27.3
Vision products and other medical durables	5.7	5.6	5.9	6.0	6.5	7.2	7.8	8.4	9.0	9.8
Nursing home care	23.8	25.2	26.1	27.3	28.0	29.5	30.8	32.2	32.8	34.4
Other personal health care	5.6	5.7	5.8	5.5	5.4	5.6	5.7	5.9	6.2	6.5
	Price indexes for personal health care expenditures									
Fixed-weight price index	82.4	91.4	100.0	107.0	113.5	119.7	125.6	132.6	141.5	151.0
	Growth in constant dollars									
Personal health care expenditures	—	4.5	2.6	2.8	2.1	2.9	3.3	3.8	3.0	3.6

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

Table 2
Hospital revenues, percent distribution, and annual percent growth: Calendar years 1980-89

Type of hospital	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
	Amount in millions									
Total	\$102,399	\$119,563	\$135,866	\$147,183	\$157,214	\$167,938	\$179,425	\$193,807	\$211,678	\$232,752
Non-Federal	93,707	109,967	125,383	136,102	145,212	154,956	165,788	179,451	196,856	216,830
Community	85,601	100,929	115,532	125,903	134,362	143,311	153,214	165,796	182,329	200,927
Inpatient	74,404	87,477	99,916	108,247	114,082	119,119	125,153	133,424	144,084	156,468
Outpatient	11,197	13,452	15,616	17,656	20,280	24,192	28,061	32,372	38,245	44,459
Noncommunity	8,106	9,038	9,851	10,199	10,850	11,645	12,574	13,655	14,527	15,903
Federal	8,692	9,596	10,483	11,081	12,002	12,982	13,637	14,356	14,822	15,923
	Percent distribution									
Total	100	100	100	100	100	100	100	100	100	100
Non-Federal	92	92	92	92	92	92	92	93	93	93
Community	84	84	85	86	85	85	85	86	86	86
Inpatient	73	73	74	74	73	71	70	69	68	67
Outpatient	11	11	11	12	13	14	16	17	18	19
Noncommunity	8	8	7	7	7	7	7	7	7	7
Federal	8	8	8	8	8	8	8	7	7	7
	Annual percent growth									
Total	—	16.8	13.6	8.3	6.8	6.8	6.8	8.0	9.2	10.0
Non-Federal	—	17.4	14.0	8.5	6.7	6.7	7.0	8.2	9.7	10.1
Community	—	17.9	14.5	9.0	6.7	6.7	6.9	8.2	10.0	10.2
Inpatient	—	17.6	14.2	8.3	5.4	4.4	5.1	6.6	8.0	8.6
Outpatient	—	20.1	16.1	13.1	14.9	19.3	16.0	15.4	18.1	16.2
Noncommunity	—	11.5	9.0	3.5	6.4	7.3	8.0	8.6	6.4	9.5
Federal	—	10.4	9.2	5.7	8.3	8.2	5.0	5.3	3.2	7.4

NOTE: Noncommunity non-Federal hospitals include long-term care hospitals (where the average length of stay is 30 days or longer), psychiatric hospitals, alcoholism and chemical dependency hospitals, units of institutions such as prison hospitals or college infirmaries, chronic disease hospitals, and some institutions for the mentally retarded.

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

A total of \$13.5 billion was spent in 1989 for vision products and other medical durables. These expenditures grew 12.9 percent from 1988 to 1989. This category is largely funded through out-of-pocket spending (72.7 percent), because most third parties do not cover these items. In 1988, 23 percent of full-time workers in medium- and large-size firms, who participated in employer-sponsored health insurance, had insurance coverage for eyeglasses and contact lenses (Bureau of Labor Statistics, 1989).

The third largest component of personal health expenditures is nursing home care. Expenditures in 1989 for this service amounted to \$47.9 billion, an increase of 12.0 percent from 1988 to 1989. This category of service will be discussed in detail later.

Other personal health care provides a catch-all for funds that are known to be spent for health care but for which the object is unknown or not classifiable elsewhere. In 1989, other personal health care totaled \$10.5 billion. School health programs are an example of this type of spending. The majority of this category is financed by public funds. Industrial inplant health services, providing health services directly to workers at employment sites or other locations, is the privately funded category in other personal health.

Program administration and the net cost of private health insurance amounted to \$35.3 billion in 1989. The net cost of private health insurance, which is the difference between premiums earned and benefits paid, accounted for three-fourths of this category. This amount grew rapidly from 1987 to 1989 while private insurers were trying to recoup losses experienced in the prior 2 years.

Government public health activities grew to \$17.5 billion in 1989, an increase of 8.1 percent from 1988. Public health activities are those functions carried out by Federal, State, and local governments, as opposed to care delivered to individuals. State and local health agencies spent \$15.4 billion delivering community health services, primarily through State and local health departments. Federal Government spent \$2.1 billion on its public health activities.

Expenditures for research were \$11.0 billion in 1989 and include all spending for biomedical research and research in the delivery of health care by both private and public agencies. Research expenditures of drug and medical companies are not included in this category, but are included implicitly in the expenditure class in which the product falls. Spending for construction of medical facilities was \$9.6 billion in 1989, an increase of 1.5 percent.

Nursing home care

The Nation spent \$47.9 billion for nursing home care in 1989, an increase of 12.0 percent over 1988 spending. Data from the Bureau of Labor Statistics (1972-89) show that growth in aggregate hours worked by nonsupervisory personnel in nursing and related care facilities accelerated from 1.9 percent in 1988 to 5.0 percent in 1989, paralleling the strong growth in nursing home expenditures.

Nursing home expenditures are estimated in three parts: revenues of skilled and intermediate care facilities, Medicaid funding of intermediate care facilities for the mentally retarded (ICFs/MR), and Department of Veteran Affairs (DVA) funding for nursing care in DVA nursing homes.

Growth in spending for nursing home care other than in ICFs/MR (90 percent of total estimated spending for nursing home care) accelerated from 7.7 percent in 1988 to 11.8 percent in 1989. Part of this acceleration is the result of the growth of input prices paid by nursing homes. The Health Care Financing Administration's national nursing home input price index grew at a rate of 6.7 percent in 1989, up from 5.7 percent in 1988.

From 1988 to 1989, 36 percent of the increase in expenditures for nursing home care other than for ICFs/MR was attributable to general price inflation and 22 percent to inflation specific to the nursing home industry. A 1.8-percent increase in the aged population in 1989 accounted for 16 percent of the growth in nursing home spending. The remaining 26 percent comes from changes in the amounts and mix of nursing home goods and services.

ICF/MR care is a Medicaid benefit first offered in 1973. In 1989, \$4.2 billion in ICF/MR expenditures (60 percent of all ICF/MR) was spent in nursing homes; the remaining 40 percent of ICF/MR expenditures was spent in facilities classified as hospitals in the NHA. The average annual rate of growth in ICF/MR spending for nursing home care was 10.7 percent over the 7-year period 1982-89, compared with 44.5 percent annual growth from 1973 to 1981. The annual growth for 1982-89 was only slightly higher than the 9.0-percent rate of growth in total nursing home spending.

In 1985, 1.4 million people resided in non-Federal nursing homes on any given day (Table 3). Almost 90 percent (88.4) of these nursing home residents were 65 years of age or over, almost 4.4 percent of the total aged population. According to data from the 1985 National Nursing Home Survey, 1 percent of people age 65-74 were nursing home residents in 1985, compared with 22 percent of people age 85 or over (Hing, Sekscenski, and Strahan, 1989). With people living longer and the risk of institutionalization increasing with advancing age, concerns about the availability of resources to finance nursing home care intensifies.

In 1989, the share of nursing home care financed by public programs increased to 52.6 percent, causing the private share to drop below 50 percent for the first time since 1983. This increase in public spending was the result of provisions of the Medicare Catastrophic Coverage Act of 1988 (Public Law 100-360) that became effective in 1989. Although Medicaid still accounts for more than 80 percent of public spending for nursing home care, Medicare's share grew sharply from about 3 percent of public spending in 1987 to more than 14 percent in 1989. The Medicare Catastrophic Coverage Act, which expanded Medicare's coverage of skilled nursing facility care, was repealed in December 1989. As a result, by 1991, Medicare's share of public spending is expected to return to levels consistent with those calculated for 1988.

Table 3
Population receiving care in a nursing home: Selected calendar years, 1960-85

Year	Total population in millions ¹	Population age 65 or over in millions ¹	Nursing home average daily census ² in millions	Nursing home residents age 65 or over		
				Number in millions	Percent of aged population	Percent of nursing home residents
1960	190.1	17.1	0.4	0.3	1.9	³ 75.3
1970	214.8	20.9	0.9	0.8	3.8	³ 85.8
1980	235.2	26.1	1.4	1.2	4.5	³ 86.4
1985	247.0	29.0	1.4	1.3	4.4	³ 88.4

¹Social security area population.

²Non-Federal nursing care facilities excluding ICFs/MR.

Average daily census equals occupancy rate times number of beds times number of days in year.

³Developed from counts of institutionalized persons in homes for the aged and dependent. Data from U.S. Bureau of the Census: 1960 census of population: inmates of institutions. *Subject Reports*. Vol. II, PC(2)-8A; 1970 census of population: Persons in institutions and other group quarters. *Subject Reports*. 1980 census of population: Persons in institutions and other group quarters. *Subject Reports*. Washington. U.S. Government Printing Office, June 1963, July 1973, Oct. 1984.

⁴(Hing, Sekscenski, and Strahan, 1989.)

SOURCE: Health Care Financing Administration, Office of the Actuary: Data prepared by the Office of National Cost Estimates.

Table 4
Expenditures for nursing home care and percent distribution, by source of funds: Selected calendar years, 1960-89

Year	Source of funds			
	Total	Out of pocket		
		Third parties	Total	Estimated social security income
	Amount in millions			
1960	\$980	\$196	\$784	\$280
1965	1,699	602	1,097	432
1970	4,867	2,523	2,344	996
1975	9,943	5,757	4,186	2,341
1980	19,989	11,339	8,650	4,565
1985	34,114	17,542	16,572	7,021
1986	36,716	18,699	18,017	7,274
1987	39,788	20,676	19,112	7,755
1988	42,789	22,238	20,551	8,078
1989	47,915	26,660	21,255	8,726
	Percent distribution			
1960	100.0	20.0	80.0	28.6
1965	100.0	35.4	64.5	25.4
1970	100.0	51.8	48.2	20.5
1975	100.0	57.9	42.1	23.5
1980	100.0	56.7	43.3	22.8
1985	100.0	51.4	48.6	20.6
1986	100.0	50.9	49.1	19.8
1987	100.0	52.0	48.0	19.5
1988	100.0	52.0	48.0	18.9
1989	100.0	55.6	44.4	18.2

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

Medicaid financed 43.1 percent of all nursing home expenditures in 1989. Data presented in the 1985 National Nursing Home Survey show that 41 percent of all nursing home residents in 1985 were admitted as Medicaid patients and another 10 percent qualified for Medicaid by the time the survey was taken. Aged and disabled patients with assets greater than the Medicaid-specified levels may become eligible for Medicaid after incurring medical care expenses which reduce their assets to below the Medicaid-specified levels. Therefore, the

longer the length of nursing home stay, the more likely that Medicaid will become the primary payer.

Most of nursing home care financed from private sources is paid directly by patients or their families. These out-of-pocket expenditures totaled \$21.3 billion in 1989.

Some nursing home patients are, or become, unable to pay the out-of-pocket costs for their care and seek assistance from the Medicaid program. There is a tendency to believe that when the Medicaid program assumes responsibility for a nursing home patient's care, the entire cost is borne by the public sector. This perception is not accurate. Patients qualifying for Medicaid must use their social security benefits to help defray the cost of care after allowing for the needs of a spouse at home. Monthly social security benefit payments are received by nursing homes either directly or from patients' families. After crediting a portion of the benefit to the patient's personal account for miscellaneous personal spending (newspapers, toothpaste, etc.), the remainder is applied to the patient's nursing home expense.

An estimated 41 percent or \$8.7 billion of out-of-pocket spending for nursing home care was received as income by patients or their representatives from monthly social security benefits (Table 4).

Currently, most aged people have income from social security benefits. The share of aged households with social security income grew from 69 percent in 1962 to 91 percent in 1984 (Table 5). Social security accounted for 38 percent of the aggregate income of aged people in 1984, an increase of 7 percentage points from 1962. During the same period, pensions and assets became more important shares of income to the elderly, increasing 16 percentage points while the earnings share declined 12 percentage points.

Policymakers concerned with financing expanded long-term care coverage need to determine the potential liability that public payers could face. If social security payments already being paid for nursing home care were combined with third-party payments, the magnitude of the potential burden faced by public payers can be quantified. Third-party payments, including estimated social security

Table 5
Percentage of aged households¹ by source of income, and shares of aggregate income from these sources: 1962 and 1984

Income source	1962	1984
Percentage of households ¹ with income from:		
Social security	69	91
Private pensions	9	24
Government employee pensions	5	14
Assets	54	68
Earnings	36	21
Percentage of aggregate household income provided by:		
Social security	31	38
Private pensions	3	6
Government employee pensions	6	7
Assets	16	28
Earnings	28	16
All other sources of income	16	5

¹An aged household is either a married couple living together with one or both members age 65 or over, or an individual age 65 or over who does not live with a spouse.

SOURCE: Ycas, M. A., and Grad, F.: *Social Security Bulletin*, Vol. 50, No. 7, Pub. No. 13-11700. Office of Research and Statistics, Social Security Administration, Washington, U.S. Government Printing Office, July 1987.

benefit payments, are currently financing almost three-fourths (73.9 percent) of all nursing home care (Table 6). Out-of-pocket payments, adjusted to exclude estimated payments from social security, would account for 26.1 percent of the cost of nursing home care.

Estimates of social security income potentially available to pay for nursing home care were obtained by subtracting an estimated monthly personal allowance from the average monthly social security benefit for retired workers in current payment status at the end of the year. Annual social security income times an estimated average daily nursing home census of people age 62 or over yielded the estimated amounts.

Average monthly social security benefit amounts for retired workers and widows are presented in Table 7 by age and sex for selected periods to demonstrate the range of benefits considered in these estimates. The average monthly benefit for retired workers was \$537 in 1988.

In almost all years presented, females age 62-64 years received the lowest monthly benefit and males age 65-74 received the highest benefit amount. The average monthly benefit for females (retired females and widows) age 85 years or over, the age and sex cohort most likely to use nursing home care, was about \$470 in 1988; average monthly benefit ranged from \$466.74 for retired female workers to \$474.28 for widows. Females age 85 or over accounted for 28 percent of nursing home residents and days of care in 1976 and almost 33 percent of all residents in 1985 (Van Nostrand et al., 1979).

Sources of funding

In the past decade, the proportion of NHE funded by public and private sources has remained stable. Since 1979, government has funded two-fifths of all health spending, with private sources funding the remainder. Within the private share, however, a shift between out-of-pocket and private health insurance shares has occurred.

Private funds include private health insurance, out-of-pocket payments, and other private funds (e.g., philanthropy, interest and dividend income, income from rental of office space, etc.). These other private funds include nonpatient revenues, industrial inplant spending, and privately financed construction. In 1989, other private funds amounted to \$26.3 billion and accounted for 4.4 percent of all spending.

In 1989, private health insurance paid for 33.1 percent of all health spending, up from 29.2 percent in 1979. Offsetting this increase was a decline in the out-of-pocket financing of health care. Private health insurance financed \$199.7 billion in 1989, while out-of-pocket spending amounted to \$124.8 billion.

Although government funds have maintained a constant share of total health spending, health spending has accounted for an increasing share of government expenditures. In 1989, Federal funding for health accounted for 14.7 percent of Federal Government spending, up from 14.1 percent in 1988. State and local

Table 6
Expenditures for nursing home care by source of payment, adjusted to include social security benefits with other third-party payments: Selected calendar years, 1960-89

Year	Total in millions	Adjusted third-party payments ¹		Adjusted out-of-pocket payments ²	
		Total in millions	Percent of nursing home expenditures	Total in millions	Percent of nursing home expenditures
1960	\$980	\$476	48.6	\$504	51.4
1965	1,699	1,034	60.8	665	39.2
1970	4,867	3,519	72.3	1,348	27.7
1975	9,943	8,098	81.4	1,845	18.6
1980	19,989	15,904	79.6	4,085	20.4
1985	34,114	24,563	72.0	9,551	28.0
1986	36,716	25,973	70.7	10,743	29.3
1987	39,788	28,431	71.5	11,357	28.5
1988	42,789	30,316	70.8	12,473	29.2
1989	47,915	35,386	73.9	12,529	26.1

¹Includes estimated social security income.

²Excludes estimated social security income.

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

Table 7
Average monthly social security benefit¹ for retired workers and widows, by age and sex:
Selected yearends, 1960-88

Yearend	Retired worker			
	Average	Males	Females	Widows
1960				
All ages	\$74.04	\$81.87	\$59.67	57.69
62-64 years	54.23	—	54.23	63.85
65-74 years	78.19	86.73	62.15	59.43
75-84 years	68.29	73.02	55.66	52.82
85 years or over	60.63	62.93	52.34	49.23
1970				
All ages	\$118.10	\$130.53	\$101.22	\$102.04
62-64 years	96.99	110.26	85.20	104.43
65-74 years	122.88	135.01	105.97	107.56
75-84 years	118.51	130.90	100.73	98.60
85 years or over	100.25	108.86	86.32	86.45
1980				
All ages	\$341.40	\$380.20	\$296.80	\$312.46
62-64 years	302.20	364.10	241.90	295.30
65-74 years	355.55	395.27	305.95	316.92
75-84 years	338.30	364.65	309.55	320.22
85 years or over	297.31	329.11	268.36	293.70
1988				
All ages	\$537.00	\$604.90	\$462.30	\$495.00
62-64 years	456.30	552.20	349.10	470.36
65-74 years	545.40	617.44	456.71	505.71
75-84 years	561.48	614.13	508.98	500.41
85 years or over	498.40	542.74	466.74	474.28

¹Benefits in current-pay status.

SOURCES: Social Security Administration: *Social Security Bulletin: Annual Statistical Supplement, 1960, 1970, 1982, 1989*. Pub. No. 13-11700. Office of Research and Statistics. Social Security Administration, Washington, U.S. Government Printing Office, 1960, 1970, 1982, 1989.

government expenditures for health care amounted to 11.2 percent of their total spending in 1989, up from 11.0 percent in the previous year.

Medicare and Medicaid

Medicare and Medicaid are the two largest government programs financing health care. Between them, they financed three-tenths of all PHCE in 1989 and accounted for almost three-fourths of all public PHCE.

Medicare

Medicare, a Federal insurance program created by title XVIII of the Social Security Act of 1965, was originally designed to protect people 65 years of age or over from the high cost of health care. In 1972, the program was expanded to cover permanently disabled workers and their dependents eligible for old age, survivors, and disability insurance benefits, as well as people with end stage renal disease.

Medicare has two parts, each with its own trust fund. The hospital insurance (HI) program pays for inpatient hospital services, post-hospital skilled nursing services, home health services, and hospice care. The supplementary medical insurance (SMI) program covers physician services, outpatient hospital services and therapy, and a few other services.

Unlike other Federal health programs, Medicare is not financed solely by general revenue (appropriations from

general tax receipts). In 1989, 89.6 percent of the income for the HI program came from a 1.45-percent payroll tax levied on employers and on employees for the first \$48,000 of wages (Table 8). (Self-employed people were required to contribute 2.9 percent, the equivalent of both the employer's and the employee's share of the HI tax.)

In 1989, the SMI program was financed by monthly premium payments of \$27.90 per enrollee and by general revenue. The general revenue share of SMI receipts (Table 8) grew from 49.5 percent in 1972 to 73.1 percent in 1988. In 1989, the general revenue share declined to 69.6 percent because of increased premium income designed to finance benefits enacted by the Medicare Catastrophic Coverage Act of 1988. The Act and its catastrophic coverage monthly premium were repealed in December 1989—before expanded SMI and prescription drug benefits were implemented. A portion of these increased premiums were refunded to beneficiaries in 1990.

In 1989, 33.6 million aged and disabled people were enrolled in Medicare. The program spent \$99.8 billion in personal health care (benefit) payments for expenses incurred in 1989 by the 25.7 million users who received benefits (Table 9). Growth in Medicare spending for personal health care accelerated to 12.8 percent in 1989 from the 9.0 percent growth experienced in 1988.

In 1989, Medicare financed 46.3 percent of the public share of personal health care expenditures and 18.8 percent of total spending for personal health care.

Table 8

**Payments into Medicare trust funds and percent distribution, by type of fund and source of income:
Selected calendar years, 1967-89**

Year and source of income	Total		Hospital insurance trust fund		Supplementary medical insurance trust fund	
	Amount in billions	Percent distribution	Amount in billions	Percent distribution	Amount in billions	Percent distribution
1967 Total	\$5.2	100.0	\$3.6	100.0	\$1.6	100.0
Payroll taxes	3.2	62.0	3.2	89.8	—	—
General revenues	1.2	24.1	0.3	8.8	0.9	58.4
Premiums	0.6	12.4	—	—	0.6	40.1
Interest	0.1	1.5	0.1	1.4	0.0	1.5
1972 Total	\$9.2	100.0	\$6.4	100.0	\$2.8	100.0
Payroll taxes	5.8	62.9	5.8	90.5	—	—
General revenues	1.8	19.7	0.4	6.7	1.4	49.5
Premiums	1.4	15.0	—	—	1.4	49.2
Interest	0.2	2.4	0.2	2.8	0.0	1.3
1980 Total	\$37.0	100.0	\$26.1	100.0	\$10.9	100.0
Payroll taxes	24.1	65.2	24.1	92.3	—	—
General revenues	8.3	22.4	0.8	3.2	7.5	68.6
Premiums	3.0	8.2	0.0	0.1	3.0	27.7
Interest	1.6	4.2	1.1	4.4	0.4	3.8
1988 Total	\$105.1	100.0	\$69.2	100.0	\$35.8	100.0
Payroll taxes	62.8	59.8	62.8	90.7	—	—
General revenues	26.8	25.5	0.6	0.8	26.2	73.1
Premiums	8.8	8.4	0.0	0.1	8.8	24.5
Interest	6.7	6.4	5.8	8.4	0.9	2.4
1989 Total	\$121.1	100.0	\$76.7	100.0	\$44.3	100.0
Payroll taxes	68.7	56.8	68.7	89.6	—	—
General revenues	31.5	26.0	0.6	0.8	30.9	69.6
Premiums	12.3	10.2	0.1	0.1	12.3	27.7
Interest	8.5	7.1	7.3	9.5	1.2	2.7

*Includes premiums paid into the Medicare Catastrophic Coverage Account. The Medicare Catastrophic Coverage Account, created by the Medicare Catastrophic Coverage Act of 1988, was closed when the Act was repealed in December 1989. Monies accumulated in this account were transferred to the supplementary medical insurance trust fund.

NOTES: 0.0 denotes less than \$50 million. Numbers and percents may not add to totals because of rounding.

SOURCE: Health Care Financing Administration, Office of the Actuary; Data from the Office of National Cost Estimates.

Sixty-two percent of Medicare benefits was for hospital care, another 27.5 percent was paid for physician services.

Medicare's prospective payment system, other cost containment measures, and a slowdown in the general economy slowed the growth in Medicare spending for hospital care from double digits in the early 1980s to 4.6 percent in 1986. Since then, growth in Medicare expenditures for hospital care has accelerated, reaching 8.0 percent in 1989. Medicare spent \$62.1 billion in 1989 for all hospital care services, including inpatient, outpatient, and hospital-based home health agency services.

Medicare spending for physician services grew 70 percent faster than program spending for hospital care in 1989, reaching a total of \$27.5 billion. Despite all efforts to restrain the growth in Medicare spending for physician services, Medicare's share of total expenditures continued to increase, paying for 23.4 percent of all physician services in 1989.

Reductions in Medicare payments for overpriced procedures, fee schedules based on resource-based relative value scales, and volume performance standards are examples of current and future initiatives which attempt to control the growth in Medicare spending for physician services.

Medicare's share of national spending for nursing home care grew from 2.3 percent in 1988 to 7.5 percent in 1989. Medicare paid \$3.6 billion for skilled nursing facility care in 1989, a 270-percent increase over 1988 spending. This growth was largely a result of provisions of the Medicare Catastrophic Coverage Act of 1988 which became effective in 1989. The Act was repealed in December 1989; lingering effects of these provisions are expected in 1990.

Medicaid

In 1989, Medicaid spent \$59.3 billion of combined Federal and State funds, which accounted for 11.2 percent of the Nation's personal health care spending. Medicaid expenditures are largely institutional, with 38.6 percent spent on hospital care and 34.8 percent spent on nursing home care. Medicaid continues to be the largest third-party payer of long-term care expenditures, financing 43.1 percent of nursing home care in 1989. Medicaid benefit expenditures were 14.0 percent higher in 1989 than in 1988.

Medicaid is funded jointly by Federal and State and local governments. The Federal Government sets minimum requirements for eligibility and services, allowing State governments considerable flexibility in designing the total scope of the program within the

Table 9
Personal health care expenditures under Medicare and Medicaid and sources of Medicare financing:
Calendar years 1966-89

Year	Personal health care expenditures			Population			Medicare financing			
	Medicare and Medicaid ¹	Medicare	Medicaid	Medicare ²		Medicaid recipients ⁵	Inpatient hospital deductible ⁶	SMI monthly premium ⁷	Annual maximum taxable earnings	Contribution rate ^{8,9}
	Amount in billions			Number in millions			Amount in dollars			
				Enrollees ³	Users ⁴					Percent
1966	\$2.9	\$1.6	\$1.3	19.1	3.7	—	\$40	\$3.00	\$6,600	0.35
1967	7.9	4.9	3.0	19.5	7.2	—	40	3.00	6,600	0.50
1968	9.3	5.9	3.4	19.8	7.9	—	40	4.00	7,800	0.60
1969	10.8	6.8	4.0	20.1	8.6	—	44	4.00	7,800	0.60
1970	12.3	7.2	5.1	20.5	—	—	52	5.30	7,800	0.60
1971	14.5	8.1	6.4	20.9	9.4	—	60	5.60	7,800	0.60
1972	16.8	8.8	8.0	21.3	10.0	17.6	68	5.80	9,000	0.60
1973	19.2	10.2	9.1	23.5	10.2	19.6	72	¹⁰ 6.30	10,800	1.00
1974	23.4	12.8	10.6	24.2	11.8	21.5	84	6.70	13,200	0.90
1975	28.6	15.7	12.9	25.0	13.0	22.0	92	6.70	14,100	0.90
1976	33.4	18.9	14.5	25.7	14.1	22.8	104	7.20	15,300	0.90
1977	38.6	22.1	16.6	26.5	14.9	22.8	124	7.70	16,500	0.90
1978	44.3	25.8	18.5	27.2	15.9	22.0	144	8.20	17,700	1.00
1979	51.3	30.1	21.2	27.9	16.9	21.5	160	8.70	22,900	1.05
1980	61.2	36.4	24.8	28.5	18.0	21.6	180	9.60	25,900	1.05
1981	72.7	43.8	28.9	29.0	18.9	22.0	204	11.00	29,700	1.30
1982	81.9	51.4	30.6	29.5	18.8	21.6	260	12.20	32,400	1.30
1983	92.0	58.5	33.6	30.0	19.7	21.6	304	12.20	35,700	1.30
1984	100.4	64.4	36.0	30.5	20.7	21.6	356	14.60	37,800	1.30
1985	109.9	70.3	39.7	31.1	22.3	21.8	400	15.50	39,600	1.35
1986	118.0	75.1	42.9	31.7	23.1	22.5	492	15.50	42,000	1.45
1987	129.4	81.2	48.2	32.4	24.3	23.1	520	17.90	43,800	1.45
1988	140.5	88.5	52.1	33.0	25.1	22.9	540	24.80	45,000	1.45
1989	159.2	99.8	59.3	33.6	¹¹ 25.7	24.1	560	27.90	48,000	1.45

¹Excludes "buy-in" premiums paid by Medicaid for SMI coverage of aged and disabled Medicaid recipients eligible for coverage.

²Hospital insurance and/or supplementary medical insurance.

³Enrollees as of July 1 of specified year.

⁴Enrollees with some reimbursement under Medicare during calendar year. Data through 1973 reflect aged users only. Data for 1974 and later includes aged and disabled users.

⁵Unduplicated count of Medicaid recipients during fiscal year.

⁶As of January of specified year with the exception of 1966, for which July data are used.

⁷As of July for 1966-83 and as of January for 1984-89.

⁸Employer and employee (each) and self-employed people through 1983.

⁹Effective in 1984, self-employed people pay double this rate, the equivalent of both the employer and the employee share.

¹⁰Monthly premium for July and August 1973 was reduced to \$5.80 and \$6.10, respectively, by the Cost of Living Council.

¹¹Estimated.

NOTES: SMI is supplementary medical insurance. Numbers may not add to totals because of rounding.

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

constraints of the State budgetary process.

The Federal Government requires that all people receiving income benefits under the Supplemental Security Income (SSI) program (covering aged, blind, and disabled individuals) and families qualifying for Aid to Families with Dependent Children (AFDC) automatically qualify for Medicaid benefits. Certain individuals with income too high to qualify for SSI or AFDC cash benefits (pregnant women, children under age 6, Medicare enrollees, and social security title IV-E recipients of foster care and adoption assistance) are also mandatorily eligible for Medicaid. State governments may, at their option, extend the program to cover "medically indigent" individuals or families, recipients of State supplementary payments, and other people with income or resources below specified levels.

Aged and disabled Medicare enrollees with incomes below certain levels were mandatorily covered by

Medicaid under the Medicare Catastrophic Coverage Act of 1988. These Medicaid recipients are not eligible for full Medicaid benefits; Medicaid is required to pay only the Medicare premiums, deductibles, and coinsurance amounts. This provision of the Catastrophic Coverage Act was not repealed when the Act was repealed in 1989.

The Federal Government also defines minimum services which must be provided to Medicaid recipients. These services include inpatient and outpatient hospital services; physician care; rural health clinic services; laboratory and X-ray services; skilled nursing home and home health care to people over 21 years of age; early and periodic screening, diagnosis, and treatment to children under 21 years of age; prenatal care and nurse-midwife services; and family planning services. States may elect to provide additional services such as prescribed drugs, eyeglasses, dental care, and intermediate care facility services.

Through State "buy-in" agreements, Medicaid purchases Medicare supplementary medical insurance (Part B) coverage for people who are eligible for both programs. For these "dual-eligibles," Medicare is the primary payer for Medicare-covered services, and Medicaid pays deductibles and coinsurance amounts and provides additional Medicaid-covered health care services. To avoid double counting, the Medicaid estimates presented here do not include the \$1.0 billion paid to Medicare by Medicaid in 1989 for buy-in premiums. Therefore, actual Medicaid program expenditures for personal health care were \$60.4 billion in 1989.

In fiscal year 1989, 24.1 million people received some type of Medicaid benefit (Table 9). The number of Medicaid recipients has increased in recent years because of program expansions. Although two-thirds of Medicaid recipients in fiscal year 1989 qualified because they were

members of an AFDC family, they consumed only one-fourth of program benefits. Conversely, the aged, blind, and disabled, who represented less than one-third of Medicaid recipients, consumed nearly three-fourths of Medicaid benefits.

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Table 10

**National health expenditures aggregate and per capita amounts, percent distribution, and average annual percent growth, by source of funds:
Selected calendar years 1960-89**

Item	1960	1965	1970	1975	1980	1985	1986	1987	1988	1989	
					Amount in billions						
National health expenditures	\$27.1	\$41.6	\$74.4	\$132.9	\$249.1	\$420.1	\$452.3	\$492.5	\$544.0	\$604.1	
Private	20.5	31.3	46.7	77.8	143.9	245.0	260.9	282.9	315.8	350.9	
Public	6.7	10.3	27.7	55.1	105.2	175.1	191.3	209.6	228.2	253.3	
Federal	2.9	4.8	17.7	36.4	72.0	123.6	132.6	143.5	156.7	174.4	
State and local	3.7	5.5	9.9	18.7	33.2	51.5	58.8	66.2	71.5	78.8	
					Number in millions						
U.S. population ¹	190.1	204.0	214.8	224.7	235.2	247.0	249.4	251.9	254.3	256.6	
					Amount in billions						
Gross national product	\$515	\$705	\$1,015	\$1,598	\$2,732	\$4,015	\$4,232	\$4,516	\$4,874	\$5,201	
					Per capita amount						
National health expenditures	\$143	\$204	\$346	\$592	\$1,059	\$1,700	\$1,813	\$1,955	\$2,139	\$2,354	
Private	108	154	217	346	612	992	1,046	1,123	1,242	1,367	
Public	35	50	129	245	447	709	767	832	898	987	
Federal	15	24	83	162	306	500	532	570	616	680	
State and local	20	27	46	83	141	208	236	263	281	307	
					Percent distribution						
National health expenditures	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Private	75.5	75.3	62.8	58.5	57.8	58.3	57.7	57.4	58.0	58.1	
Public	24.5	24.7	37.2	41.5	42.2	41.7	42.3	42.6	42.0	41.9	
Federal	10.7	11.6	23.9	27.4	28.9	29.4	29.3	29.1	28.8	28.9	
State and local	13.8	13.2	13.3	14.1	13.3	12.3	13.0	13.4	13.1	13.0	
					Percent of gross national product						
National health expenditures*	5.3	5.9	7.3	8.3	9.1	10.5	10.7	10.9	11.2	11.6	
					Average annual percent growth from previous year shown						
National health expenditures	—	8.9	12.3	12.3	13.4	11.0	7.7	8.9	10.5	11.1	
Private	—	8.9	8.3	10.7	13.1	11.2	6.5	8.4	11.6	11.1	
Public	—	9.1	21.9	14.8	13.8	10.7	9.3	9.6	8.9	11.0	
Federal	—	10.6	29.8	15.5	14.6	11.4	7.3	8.2	9.2	11.3	
State and local	—	7.9	12.6	13.5	12.1	9.2	14.2	12.6	8.1	10.2	
U.S. population ¹	—	1.4	1.0	0.9	0.9	1.0	1.0	1.0	1.0	0.9	
Gross national product	—	6.5	7.6	9.5	11.3	8.0	5.4	6.7	7.9	6.7	

¹July 1 social security area population estimates.

NOTE: Numbers and percents may not add to totals because of rounding.

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

Table 11

National health expenditures aggregate amounts and average annual percent growth, by type of expenditure: Selected calendar years 1960-89

Type of expenditure	1960	1965	1970	1975	1980	1985	1986	1987	1988	1989
	Amount in billions									
National health expenditures	\$27.1	\$41.6	\$74.4	\$132.9	\$249.1	\$420.1	\$452.3	\$492.5	\$544.0	\$604.1
Health services and supplies	25.4	38.2	69.1	124.7	237.8	404.7	436.3	475.2	524.1	583.5
Personal health care	23.9	35.6	64.9	116.6	218.3	367.2	398.2	436.7	480.0	530.7
Hospital care	9.3	14.0	27.9	52.4	102.4	167.9	179.4	193.8	211.7	232.8
Physician services	5.3	8.2	13.6	23.3	41.9	74.0	82.1	93.0	105.1	117.6
Dental services	2.0	2.8	4.7	8.2	14.4	23.3	24.7	27.1	29.4	31.4
Other professional services	0.6	0.9	1.5	3.5	8.7	16.6	18.6	21.2	23.8	27.0
Home health care	0.0	0.1	0.1	0.4	1.3	3.8	4.0	4.1	4.5	5.4
Drugs and other medical nondurables	4.2	5.9	8.8	13.0	20.1	32.3	35.6	38.7	41.5	44.6
Vision products and other medical durables	0.8	1.2	2.0	3.1	5.0	8.4	9.5	10.7	12.0	13.5
Nursing home care	1.0	1.7	4.9	9.9	20.0	34.1	38.7	39.8	42.8	47.9
Other personal health care	0.7	0.8	1.4	2.7	4.6	6.8	7.6	8.3	9.3	10.5
Program administration and net cost of private health insurance	1.2	1.9	2.8	5.1	12.2	25.2	24.7	23.9	27.9	35.3
Government public health activities	0.4	0.6	1.4	3.0	7.2	12.3	13.5	14.7	16.2	17.5
Research and construction	1.7	3.5	5.3	8.3	11.3	15.4	16.0	17.3	19.8	20.6
Research ¹	0.7	1.5	2.0	3.3	5.4	7.8	8.5	9.0	10.3	11.0
Construction	1.0	1.9	3.4	5.0	5.8	7.6	7.4	8.2	9.5	9.6
	Average annual percent growth from previous year shown									
National health expenditures	—	8.9	12.3	12.3	13.4	11.0	7.7	8.9	10.5	11.1
Health services and supplies	—	8.5	12.6	12.5	13.8	11.2	7.8	8.9	10.3	11.3
Personal health care	—	8.3	12.8	12.4	13.4	11.0	8.4	9.7	9.9	10.6
Hospital care	—	8.6	14.7	13.4	14.3	10.4	6.8	8.0	9.2	10.0
Physician services	—	9.2	10.6	11.4	12.5	12.1	10.9	13.3	13.1	11.9
Dental services	—	7.3	10.8	12.1	11.7	10.1	6.4	9.6	8.5	6.7
Other professional services	—	7.4	11.8	18.3	19.9	13.8	12.0	13.6	12.3	13.7
Home health care	—	9.6	19.7	23.2	27.2	23.3	3.7	3.4	9.5	19.1
Drugs and other medical nondurables	—	6.8	8.4	8.1	9.1	9.9	10.2	8.7	7.4	7.5
Vision products and other medical durables	—	9.0	10.1	8.8	10.1	11.0	13.6	12.5	11.8	12.9
Nursing home care	—	11.6	23.4	15.4	15.0	11.3	7.6	8.4	7.5	12.0
Other personal health care	—	3.5	10.7	14.6	11.0	8.4	10.9	9.9	11.4	12.8
Program administration and net cost of private health insurance	—	10.5	7.5	12.8	19.3	15.5	-2.0	-3.1	16.8	26.5
Government public health activities	—	10.8	17.1	17.0	18.9	11.3	9.6	8.6	10.5	8.1
Research and construction	—	15.2	9.0	9.2	6.4	6.4	3.7	8.2	14.9	3.9
Research ¹	—	17.1	5.1	11.2	10.4	7.4	9.5	5.7	14.5	6.2
Construction	—	13.9	11.8	8.0	3.3	5.4	-2.4	11.1	15.3	1.5

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

NOTE: Numbers may not add to totals because of rounding.

SOURCE: Health Care Financing Administration, Office of the Actuary; Data from the Office of National Cost Estimates.

Table 12

National health expenditures, by source of funds and type of expenditure: Selected calendar years 1980-89

Year and type of expenditure	Total	Private					Government		
		All private funds	Consumer			Other	Total	Federal	State and local
			Total	Out of pocket	Private insurance				
Amount in billions									
1980									
National health expenditures	\$249.1	\$143.9	\$131.8	\$58.4	\$73.4	\$12.1	\$105.2	\$72.0	\$33.2
Health services and supplies	237.8	139.7	131.8	58.4	73.4	7.8	98.1	66.8	31.4
Personal health care	218.3	131.3	123.7	58.4	65.3	7.6	87.1	63.5	23.6
Hospital care	102.4	47.8	42.8	5.3	37.5	5.0	54.6	41.3	13.3
Physician services	41.9	29.2	29.2	11.3	18.0	0.0	12.6	9.7	3.0
Dental services	14.4	13.7	13.7	9.4	4.4	—	0.6	0.4	0.3
Other professional services	8.7	6.9	6.0	3.8	2.2	0.9	1.7	1.3	0.4
Home health care	1.3	0.4	0.2	0.1	0.1	0.1	1.0	0.8	0.1
Drugs and other medical nondurables	20.1	18.5	18.5	16.0	2.5	—	1.7	0.8	0.8
Vision products and other medical durables	5.0	4.4	4.4	3.9	0.4	—	0.6	0.5	0.1
Nursing home care	20.0	9.5	8.8	8.7	0.2	0.6	10.5	6.1	4.4
Other personal health care	4.6	0.9	—	—	—	0.9	3.7	2.5	1.2
Program administration and net cost of private health insurance	12.2	8.4	8.1	—	8.1	0.2	3.8	2.1	1.8
Government public health activities	7.2	—	—	—	—	—	7.2	1.2	6.0
Research and construction	11.3	4.2	—	—	—	4.2	7.0	5.2	1.8
Research	5.4	0.3	—	—	—	0.3	5.2	4.7	0.5
Construction	5.8	4.0	—	—	—	4.0	1.9	0.6	1.3
1986									
National health expenditures	452.3	260.9	240.9	97.4	143.5	20.0	191.3	132.6	58.8
Health services and supplies	436.3	254.9	240.9	97.4	143.5	14.0	181.4	125.0	56.5
Personal health care	398.2	236.2	222.7	97.4	125.2	13.5	162.0	120.2	41.7
Hospital care	179.4	81.1	72.5	8.6	63.8	8.6	98.3	75.4	23.0
Physician services	82.1	54.7	54.7	16.3	38.3	0.0	27.4	21.8	5.5
Dental services	24.7	24.1	24.1	14.2	9.9	—	0.7	0.3	0.3
Other professional services	18.6	15.0	12.8	6.6	6.1	2.2	3.6	2.7	0.9
Home health care	4.0	1.1	0.7	0.4	0.3	0.4	2.9	2.3	0.5
Drugs and other medical nondurables	35.6	31.9	31.9	26.3	5.5	—	3.7	1.7	1.9
Vision products and other medical durables	9.5	7.7	7.7	6.9	0.8	—	1.8	1.6	0.2
Nursing home care	36.7	19.1	18.4	18.0	0.4	0.7	17.6	10.4	7.2
Other personal health care	7.6	1.6	—	—	—	1.6	6.0	3.8	2.2
Program administration and net cost of private health insurance	24.7	18.7	18.2	—	18.2	0.5	6.0	3.3	2.7
Government public health activities	13.5	—	—	—	—	—	13.5	1.4	12.1
Research and construction	16.0	6.0	—	—	—	6.0	9.9	7.6	2.3
Research	8.5	0.7	—	—	—	0.7	7.8	6.7	1.1
Construction	7.4	5.3	—	—	—	5.3	2.1	0.9	1.2
1987									
National health expenditures	492.5	282.9	261.0	104.7	156.3	21.8	209.6	143.5	66.2
Health services and supplies	475.2	276.2	261.0	104.7	156.3	15.2	199.0	135.3	63.7
Personal health care	436.7	258.8	244.2	104.7	139.4	14.7	177.8	130.3	47.5
Hospital care	193.8	87.6	78.2	8.7	69.5	9.4	106.2	80.1	26.0
Physician services	93.0	61.7	61.7	17.8	43.8	0.0	31.3	24.9	6.3
Dental services	27.1	26.4	26.4	15.4	11.0	—	0.7	0.4	0.3
Other professional services	21.2	16.9	14.5	7.0	7.5	2.4	4.3	3.2	1.1
Home health care	4.1	1.1	0.8	0.5	0.3	0.3	3.1	2.4	0.7
Drugs and other medical nondurables	38.7	34.4	34.4	28.5	6.0	—	4.2	2.0	2.3
Vision products and other medical durables	10.7	8.7	8.7	7.7	0.9	—	2.0	1.8	0.2
Nursing home care	39.8	20.3	19.5	19.1	0.4	0.8	19.5	11.4	8.1
Other personal health care	8.3	1.7	—	—	—	1.7	6.6	4.2	2.4
Program administration and net cost of private health insurance	23.9	17.4	16.9	—	16.9	0.5	6.5	3.4	3.2
Government public health activities	14.7	—	—	—	—	—	14.7	1.6	13.0
Research and construction	17.3	6.7	—	—	—	6.7	10.6	8.1	2.5
Research	9.0	0.7	—	—	—	0.7	8.3	7.1	1.2
Construction	8.2	5.9	—	—	—	5.9	2.3	1.1	1.3

See footnotes at end of table.

Table 12—Continued
National health expenditures, by source of funds and type of expenditure: Selected calendar years
1980-89

Year and type of expenditure	Total	Private					Government		
		All private funds	Consumer			Other	Total	Federal	State and local
			Total	Out of pocket	Private insurance				
Amount in billions									
1988									
National health expenditures	\$544.0	\$315.8	\$291.5	\$115.5	\$176.0	\$24.3	\$228.2	\$156.7	\$71.5
Health services and supplies	524.1	307.9	291.5	115.5	176.0	16.5	216.2	147.5	68.7
Personal health care	480.0	287.4	271.4	115.5	155.9	16.0	192.7	141.7	51.0
Hospital care	211.7	97.8	87.5	11.3	76.2	10.3	113.9	85.7	28.2
Physician services	105.1	70.2	70.2	20.1	50.1	0.0	34.9	28.1	6.8
Dental services	29.4	28.7	28.7	16.3	12.4	—	0.7	0.4	0.3
Other professional services	23.8	19.2	16.6	7.6	8.9	2.6	4.6	3.5	1.1
Home health care	4.5	1.2	0.8	0.5	0.3	0.3	3.4	2.6	0.7
Drugs and other medical nondurables	41.5	36.8	36.8	30.4	6.5	—	4.7	2.2	2.5
Vision products and other medical durables	12.0	9.7	9.7	8.7	1.0	—	2.2	2.0	0.3
Nursing home care	42.8	21.8	21.0	20.6	0.5	0.8	20.9	12.6	8.3
Other personal health care	9.3	1.9	—	—	—	1.9	7.4	4.7	2.7
Program administration and net cost of private health insurance	27.9	20.6	20.1	—	20.1	0.5	7.3	3.9	3.4
Government public health activities	16.2	—	—	—	—	—	16.2	1.9	14.3
Research and construction	19.8	7.8	—	—	—	7.8	12.0	9.2	2.8
Research	10.3	0.7	—	—	—	0.7	9.6	8.3	1.3
Construction	9.5	7.1	—	—	—	7.1	2.4	0.9	1.5
1989									
National health expenditures	604.1	350.9	324.5	124.8	199.7	26.3	253.3	174.4	78.8
Health services and supplies	583.5	342.7	324.5	124.8	199.7	18.2	240.8	164.8	76.1
Personal health care	530.7	315.3	297.7	124.8	172.9	17.6	215.4	158.4	57.0
Hospital care	232.8	108.3	96.9	12.7	84.2	11.4	124.5	92.9	31.6
Physician services	117.6	78.5	78.4	22.4	56.1	0.0	39.2	31.8	7.4
Dental services	31.4	30.7	30.7	17.2	13.4	—	0.7	0.4	0.3
Other professional services	27.0	21.6	18.7	8.5	10.2	2.9	5.4	4.1	1.4
Home health care	5.4	1.3	1.0	0.6	0.4	0.3	4.1	3.1	0.9
Drugs and other medical nondurables	44.6	39.3	39.3	32.3	7.0	—	5.3	2.5	2.8
Vision products and other medical durables	13.5	11.0	11.0	9.8	1.2	—	2.5	2.2	0.3
Nursing home care	47.9	22.7	21.8	21.3	0.5	0.9	25.2	16.2	9.0
Other personal health care	10.5	2.1	—	—	—	2.1	8.4	5.2	3.3
Program administration and net cost of private health insurance	35.3	27.4	26.8	—	26.8	0.5	8.0	4.3	3.6
Government public health activities	17.5	—	—	—	—	—	17.5	2.1	15.4
Research and construction	20.6	8.2	—	—	—	8.2	12.4	9.7	2.8
Research	11.0	0.8	—	—	—	0.8	10.2	8.8	1.4
Construction	9.6	7.4	—	—	—	7.4	2.2	0.8	1.4

NOTES: 0.0 denotes less than \$50 million. 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. Numbers may not add to totals because of rounding.

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

Table 13

Personal health care expenditures aggregate and per capita amounts and percent distribution, by source of funds: Calendar years 1980-89

Year	Third-party payments									
	Total	Out-of-pocket payments	Government							
			Total	Private health insurance	Other private funds	Total	Federal	State and local	Medicare ¹	Medicaid ²
Amount in billions										
1980	\$218.3	\$58.4	\$159.9	\$65.3	\$7.6	\$87.1	\$63.5	\$23.6	\$36.4	\$24.8
1981	253.2	65.5	187.7	77.1	8.9	101.6	74.9	26.7	43.9	28.9
1982	284.1	71.9	212.2	88.5	10.2	113.5	84.0	29.5	51.4	30.6
1983	312.4	78.8	233.6	97.4	11.0	125.3	93.4	31.8	58.5	33.6
1984	338.6	85.0	253.6	106.3	11.4	135.9	101.8	34.1	64.4	36.0
1985	367.2	91.7	275.5	114.0	12.9	148.7	111.8	36.9	70.3	39.7
1986	398.2	97.4	300.7	125.2	13.5	162.0	120.2	41.7	75.1	42.9
1987	436.7	104.7	331.9	139.4	14.7	177.8	130.3	47.5	81.2	48.2
1988	480.0	115.5	364.5	155.9	16.0	192.7	141.7	51.0	88.5	52.1
1989	530.7	124.8	405.9	172.9	17.6	215.4	158.4	57.0	99.8	59.3
Per capita amount										
1980	\$928	\$248	\$680	\$277	\$32	\$370	\$270	\$100	(a)	(a)
1981	1,066	276	790	325	38	428	315	112	(a)	(a)
1982	1,184	300	884	369	43	473	350	123	(a)	(a)
1983	1,289	325	964	402	45	517	386	131	(a)	(a)
1984	1,384	347	1,036	434	47	555	416	139	(a)	(a)
1985	1,486	371	1,115	461	52	602	453	149	(a)	(a)
1986	1,596	391	1,206	502	54	649	482	167	(a)	(a)
1987	1,734	416	1,318	554	58	706	517	189	(a)	(a)
1988	1,888	454	1,434	613	63	758	557	200	(a)	(a)
1989	2,068	486	1,582	674	69	839	617	222	(a)	(a)
Percent distribution										
1980	100.0	26.8	73.2	29.9	3.5	39.9	29.1	10.8	16.7	11.4
1981	100.0	25.9	74.1	30.5	3.5	40.1	29.6	10.5	17.3	11.4
1982	100.0	25.3	74.7	31.1	3.6	40.0	29.6	10.4	18.1	10.8
1983	100.0	25.2	74.8	31.2	3.5	40.1	29.9	10.2	18.7	10.7
1984	100.0	25.1	74.9	31.4	3.4	40.1	30.1	10.1	19.0	10.6
1985	100.0	25.0	75.0	31.0	3.5	40.5	30.5	10.0	19.1	10.8
1986	100.0	24.5	75.5	31.5	3.4	40.7	30.2	10.5	18.9	10.8
1987	100.0	24.0	76.0	31.9	3.4	40.7	29.8	10.9	18.6	11.0
1988	100.0	24.1	75.9	32.5	3.3	40.1	29.5	10.6	18.4	10.8
1989	100.0	23.5	76.5	32.6	3.3	40.6	29.8	10.7	18.8	11.2

¹Subset of Federal funds.

²Subset of Federal and State and local funds.

³Calculation of per capita estimates is inappropriate.

NOTES: Per capita amounts based on July 1 social security area population estimates. Numbers and percents may not add to totals because of rounding.

SOURCE: Health Care Financing Administration, Office of the Actuary; Data from the Office of National Cost Estimates.

Table 14

Hospital care expenditures aggregate and per capita amounts and percent distribution, by source of funds: Calendar years 1980-89

Year	Third-party payments										
	Total	Out-of-pocket payments	Government							Medicare ¹	Medicaid ²
			Total	Private health insurance	Other private funds	Total	Federal	State and local			
Amount in billions											
1980	\$102.4	\$5.3	\$97.1	\$37.5	\$5.0	\$54.6	\$41.3	\$13.3	\$26.4	\$9.7	
1981	119.6	6.2	113.3	43.6	6.0	63.6	48.5	15.1	31.6	11.2	
1982	135.9	7.2	128.7	50.1	6.9	71.7	55.1	16.6	36.8	12.0	
1983	147.2	7.6	139.6	53.9	7.2	78.4	60.6	17.8	41.1	13.3	
1984	157.2	8.1	149.1	56.9	7.3	84.9	66.3	18.7	45.3	14.3	
1985	167.9	8.8	159.1	59.4	8.2	91.5	71.6	19.9	48.6	15.5	
1986	179.4	8.6	170.8	63.8	8.6	98.3	75.4	23.0	50.9	16.5	
1987	193.8	8.7	185.1	69.5	9.4	106.2	80.1	26.0	53.7	18.5	
1988	211.7	11.3	200.4	76.2	10.3	113.9	85.7	28.2	57.5	20.0	
1989	232.8	12.7	220.1	84.2	11.4	124.5	92.9	31.6	62.1	22.9	
Per capita amount											
1980	\$435	\$23	\$413	\$159	\$21	\$232	\$176	\$56	(3)	(3)	
1981	503	26	477	184	25	268	204	64	(3)	(3)	
1982	566	30	536	209	29	299	230	69	(3)	(3)	
1983	607	31	576	223	30	323	250	73	(3)	(3)	
1984	642	33	609	232	30	347	271	76	(3)	(3)	
1985	680	36	644	240	33	370	290	81	(3)	(3)	
1986	719	35	685	256	35	394	302	92	(3)	(3)	
1987	769	35	735	276	37	422	318	103	(3)	(3)	
1988	833	44	788	300	41	448	337	111	(3)	(3)	
1989	907	49	858	328	44	485	362	123	(3)	(3)	
Percent distribution											
1980	100.0	5.2	94.8	36.6	4.9	53.3	40.4	12.9	25.8	9.4	
1981	100.0	5.2	94.8	36.5	5.0	53.2	40.6	12.7	26.4	9.4	
1982	100.0	5.3	94.7	36.8	5.1	52.8	40.5	12.2	27.1	8.8	
1983	100.0	5.2	94.8	36.6	4.9	53.3	41.2	12.1	27.9	9.0	
1984	100.0	5.1	94.9	36.2	4.6	54.0	42.2	11.9	28.8	9.1	
1985	100.0	5.2	94.8	35.4	4.9	54.5	42.6	11.9	29.0	9.2	
1986	100.0	4.8	95.2	35.6	4.8	54.8	42.0	12.8	28.3	9.2	
1987	100.0	4.5	95.5	35.8	4.9	54.8	41.3	13.4	27.7	9.6	
1988	100.0	5.3	94.7	36.0	4.9	53.8	40.5	13.3	27.2	9.5	
1989	100.0	5.5	94.5	36.2	4.9	53.5	39.9	13.6	26.7	9.8	

¹Subset of Federal funds.

²Subset of Federal and State and local funds.

³Calculation of per capita estimates is inappropriate.

NOTES: Per capita amounts based on July 1 social security area population estimates. Numbers and percents may not add to totals because of rounding.

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

Table 15

Physician care expenditures aggregate and per capita amounts and percent distribution, by source of funds: Calendar years 1980-89

Year	Third-party payments									
	Total	Out-of-pocket payments	Government					Medicare ¹	Medicaid ²	
			Total	Private health insurance	Other private funds	Total	Federal			State and local
Amount in billions										
1980	\$41.9	\$11.3	\$30.6	\$18.0	\$0.0	\$12.6	\$9.7	\$3.0	\$7.9	\$2.1
1981	48.8	12.8	35.9	21.0	0.0	14.9	11.6	3.2	9.7	2.4
1982	53.8	13.5	40.3	23.4	0.0	16.8	13.3	3.5	11.3	2.3
1983	60.6	14.6	46.1	26.6	0.0	19.4	15.5	3.9	13.4	2.4
1984	67.1	15.7	51.5	30.4	0.0	21.1	16.8	4.3	14.5	2.5
1985	74.0	16.1	57.9	33.7	0.0	24.1	19.2	4.9	16.6	2.8
1986	82.1	16.3	65.7	38.3	0.0	27.4	21.8	5.5	18.8	3.2
1987	93.0	17.8	75.1	43.8	0.0	31.3	24.9	6.3	21.6	3.5
1988	105.1	20.1	85.0	50.1	0.0	34.9	28.1	6.8	24.2	3.7
1989	117.6	22.4	95.3	56.1	0.0	39.2	31.8	7.4	27.5	4.2
Per capita amount										
1980	\$178	\$48	\$130	\$76	\$0	\$54	\$41	\$13	(a)	(a)
1981	205	54	151	88	0	63	49	14	(a)	(a)
1982	224	56	168	98	0	70	55	15	(a)	(a)
1983	250	60	190	110	0	80	64	16	(a)	(a)
1984	274	64	210	124	0	86	69	18	(a)	(a)
1985	299	65	234	136	0	98	78	20	(a)	(a)
1986	329	65	264	154	0	110	88	22	(a)	(a)
1987	369	71	298	174	0	124	99	25	(a)	(a)
1988	413	79	334	197	0	137	110	27	(a)	(a)
1989	458	87	371	218	0	153	124	29	(a)	(a)
Percent distribution										
1980	100.0	26.9	73.1	42.9	0.1	30.2	23.1	7.1	19.0	5.1
1981	100.0	26.3	73.7	43.1	0.1	30.5	23.9	6.6	19.8	4.8
1982	100.0	25.1	74.9	43.5	0.1	31.3	24.7	6.6	21.1	4.2
1983	100.0	24.0	76.0	43.9	0.0	32.0	25.6	6.4	22.0	4.0
1984	100.0	23.3	76.7	45.2	0.0	31.4	25.0	6.4	21.6	3.8
1985	100.0	21.8	78.2	45.6	0.0	32.6	26.0	6.6	22.5	3.9
1986	100.0	19.9	80.1	46.7	0.0	33.4	26.6	6.7	23.0	3.9
1987	100.0	19.2	80.8	47.1	0.0	33.6	26.8	6.8	23.2	3.8
1988	100.0	19.1	80.9	47.6	0.0	33.2	26.7	6.5	23.0	3.6
1989	100.0	19.0	81.0	47.6	0.0	33.3	27.0	6.3	23.4	3.6

¹Subset of Federal funds.

²Subset of Federal and State and local funds.

³Calculation of per capita estimates is inappropriate.

NOTES: 0.0 denotes less than \$50 million for aggregate amounts, and 0 denotes less than \$.50 for per capita amounts. Per capita amounts based on July 1 social security area population estimates. Numbers and percents may not add to totals because of rounding.

SOURCE: Health Care Financing Administration, Office of the Actuary; Data from the Office of National Cost Estimates.

Table 16

Nursing home care expenditures aggregate and per capita amounts and percent distribution, by source of funds: Calendar years 1980-89

Year	Total	Out-of-pocket payments	Third-party payments					Medicare ¹	Medicaid ²	
			Total	Private health insurance	Other private funds	Government				
						Total	Federal			State and local
Amount in billions										
1980	\$20.0	\$8.7	\$11.3	\$0.2	\$0.6	\$10.5	\$6.1	\$4.4	\$0.4	\$9.7
1981	23.3	10.0	13.3	0.2	0.7	12.4	7.4	5.0	0.5	11.5
1982	26.1	11.9	14.2	0.3	0.7	13.3	7.6	5.6	0.5	12.2
1983	28.9	13.6	15.3	0.3	0.7	14.3	8.3	6.0	0.5	13.2
1984	31.2	14.9	16.2	0.3	0.7	15.2	8.7	6.5	0.6	14.0
1985	34.1	16.6	17.5	0.3	0.7	16.5	9.7	6.8	0.6	15.2
1986	36.7	18.0	18.7	0.4	0.7	17.6	10.4	7.2	0.6	16.2
1987	39.8	19.1	20.7	0.4	0.8	19.5	11.4	8.1	0.6	17.9
1988	42.8	20.6	22.2	0.5	0.8	20.9	12.6	8.3	1.0	19.0
1989	47.9	21.3	26.7	0.5	0.9	25.2	16.2	9.0	3.6	20.6
Per capita amount										
1980	\$65	\$37	\$48	\$1	\$3	\$45	\$26	\$19	(a)	(a)
1981	98	42	56	1	3	52	31	21	(a)	(a)
1982	109	50	59	1	3	55	32	23	(a)	(a)
1983	119	56	63	1	3	59	34	25	(a)	(a)
1984	127	61	66	1	3	62	36	27	(a)	(a)
1985	138	67	71	1	3	67	39	28	(a)	(a)
1986	147	72	75	1	3	71	42	29	(a)	(a)
1987	158	76	82	2	3	77	45	32	(a)	(a)
1988	168	81	87	2	3	82	50	33	(a)	(a)
1989	187	83	104	2	4	98	63	35	(a)	(a)
Percent distribution										
1980	100.0	43.3	56.7	0.9	3.1	52.7	30.7	21.9	2.1	48.6
1981	100.0	42.8	57.2	1.0	2.8	53.4	31.9	21.5	1.9	49.6
1982	100.0	45.6	54.4	1.1	2.6	50.7	29.1	21.5	1.9	46.8
1983	100.0	47.1	52.9	1.0	2.3	49.5	28.6	20.9	1.8	45.7
1984	100.0	47.9	52.1	1.1	2.1	48.9	28.0	20.9	1.8	44.9
1985	100.0	48.6	51.4	1.0	1.9	48.5	28.5	20.0	1.7	44.6
1986	100.0	49.1	50.9	1.0	1.9	48.0	28.4	19.5	1.6	44.1
1987	100.0	48.0	52.0	1.0	1.9	49.0	28.5	20.5	1.6	45.1
1988	100.0	48.0	52.0	1.1	1.9	48.9	29.5	19.5	2.3	44.4
1989	100.0	44.4	55.6	1.1	1.9	52.6	33.8	18.8	7.5	43.1

¹Subset of Federal funds.

²Subset of Federal and State and local funds.

³Calculation of per capita estimates is inappropriate.

NOTES: Per capita amounts based on July 1 social security area population estimates. Numbers and percents may not add to totals because of rounding.

SOURCE: Health Care Financing Administration, Office of the Actuary; Data from the Office of National Cost Estimates.

Table 17

Other personal health care expenditures¹ aggregate and per capita amounts and percent distribution, by source of funds: Calendar years 1980-89

Year	Third-party payments									
	Total	Out-of-pocket payments	Government							
			Total	Private health insurance	Other private funds	Total	Federal	State and local	Medicare ²	Medicaid ³
Amount in billions										
1980	\$54.1	\$33.2	\$20.9	\$9.7	\$1.9	\$9.3	\$6.3	\$3.0	\$1.7	\$3.3
1981	61.6	36.5	25.1	12.2	2.2	10.6	7.3	3.3	2.2	3.8
1982	68.3	39.3	29.0	14.7	2.6	11.7	8.0	3.7	2.7	4.1
1983	75.8	43.1	32.7	16.5	3.0	13.2	9.1	4.1	3.5	4.7
1984	83.1	46.3	36.8	18.7	3.4	14.6	10.0	4.6	4.0	5.2
1985	91.2	50.2	41.0	20.5	4.0	16.5	11.3	5.2	4.4	6.1
1986	100.0	54.5	45.5	22.7	4.2	18.7	12.6	6.1	4.8	7.0
1987	110.1	59.0	51.0	25.7	4.4	20.9	13.9	7.0	5.3	8.2
1988	120.4	63.5	56.9	29.1	4.8	23.0	15.4	7.6	5.8	9.3
1989	132.4	68.5	63.9	32.1	5.3	26.5	17.5	8.9	6.7	11.6
Per capita amount										
1980	\$230	\$141	\$89	\$41	\$8	\$40	\$27	\$13	(4)	(4)
1981	259	153	106	52	9	45	31	14	(4)	(4)
1982	285	164	121	61	11	49	33	15	(4)	(4)
1983	313	178	135	68	12	54	37	17	(4)	(4)
1984	340	189	150	77	14	60	41	19	(4)	(4)
1985	369	203	166	83	16	67	46	21	(4)	(4)
1986	401	218	182	91	17	75	51	24	(4)	(4)
1987	437	234	203	102	18	83	55	28	(4)	(4)
1988	474	250	224	115	19	90	60	30	(4)	(4)
1989	516	267	249	125	20	103	68	35	(4)	(4)
Percent distribution										
1980	100.0	61.4	38.6	17.9	3.6	17.2	11.7	5.6	3.1	6.1
1981	100.0	59.2	40.8	19.9	3.6	17.3	11.9	5.4	3.5	6.2
1982	100.0	57.5	42.5	21.5	3.8	17.1	11.8	5.4	4.0	6.0
1983	100.0	56.8	43.2	21.8	4.0	17.4	12.0	5.4	4.6	6.2
1984	100.0	55.8	44.2	22.5	4.1	17.6	12.0	5.5	4.8	6.2
1985	100.0	55.0	45.0	22.5	4.4	18.1	12.4	5.7	4.9	6.7
1986	100.0	54.5	45.5	22.7	4.2	18.7	12.6	6.1	4.8	7.0
1987	100.0	53.6	46.4	23.3	4.0	19.0	12.6	6.4	4.8	7.5
1988	100.0	52.8	47.2	24.2	4.0	19.1	12.8	6.3	4.8	7.7
1989	100.0	51.8	48.2	24.3	4.0	20.0	13.2	6.8	5.0	8.7

¹Personal health care expenditures other than those for hospital care, physician services, and nursing home care.

²Subset of Federal funds.

³Subset of Federal and State and local funds.

⁴Calculation of per capita estimates is inappropriate.

NOTES: Per capita amounts based on July 1 social security area population estimates. Numbers and percents may not add to totals because of rounding.

SOURCE: Health Care Financing Administration, Office of the Actuary; Data from the Office of National Cost Estimates.

Table 18
Personal health care expenditures, by type of expenditure and selected sources of payment:
Selected calendar years 1980-89

Source of payment	Total	Hospital care	Physician services	Dental services	Other professional services	Home health care	Drugs and other medical nondurables	Vision products and other medical durables	Nursing home care	Other personal care
1980										
Amount in billions										
Personal health care expenditures	\$218.3	\$102.4	\$41.9	\$14.4	\$8.7	\$1.3	\$20.1	\$5.0	\$20.0	\$4.6
Out-of-pocket payments	58.4	5.3	11.3	9.4	3.8	0.1	16.0	3.9	8.7	—
Third-party payments	159.9	97.1	30.6	5.0	4.9	1.2	4.2	1.0	11.3	4.6
Private health insurance	65.3	37.5	18.0	4.4	2.2	0.1	2.5	0.4	0.2	—
Other private	7.6	5.0	0.0	—	0.9	0.1	—	—	0.6	0.9
Government	87.1	54.6	12.6	0.6	1.7	1.0	1.7	0.6	10.5	3.7
Federal	63.5	41.3	9.7	0.4	1.3	0.8	0.8	0.5	6.1	2.5
Medicare	36.4	26.4	7.9	—	0.6	0.7	—	0.4	0.4	—
Medicaid	13.7	5.3	1.2	0.3	0.3	0.2	0.8	—	5.4	0.3
Other	13.4	9.7	0.5	0.1	0.4	—	0.0	0.1	0.4	2.2
State and local	23.6	13.3	3.0	0.3	0.4	0.1	0.8	0.1	4.4	1.2
Medicaid	11.1	4.4	1.0	0.2	0.2	0.1	0.6	—	4.4	0.3
Other	12.5	8.9	2.0	0.1	0.2	0.0	0.2	0.1	0.0	0.9
Total Medicaid	24.8	9.7	2.1	0.5	0.5	0.3	1.4	—	9.7	0.6
1986										
Personal health care expenditures	398.2	179.4	82.1	24.7	18.6	4.0	35.6	9.5	36.7	7.6
Out-of-pocket payments	97.4	8.6	16.3	14.2	6.6	0.4	26.3	6.9	18.0	—
Third-party payments	300.7	170.8	65.7	10.6	12.0	3.5	9.2	2.6	18.7	7.6
Private health insurance	125.2	63.8	38.3	9.9	6.1	0.3	5.5	0.8	0.4	—
Other private	13.5	8.6	0.0	—	2.2	0.4	—	—	0.7	1.6
Government	162.0	98.3	27.4	0.7	3.6	2.9	3.7	1.8	17.6	6.0
Federal	120.2	75.4	21.8	0.3	2.7	2.3	1.7	1.6	10.4	3.8
Medicare	75.1	50.9	18.8	—	1.7	1.8	—	1.4	0.6	—
Medicaid	24.0	9.2	1.8	0.3	0.6	0.6	1.7	—	9.0	0.8
Other	21.1	15.4	1.2	0.0	0.5	—	0.1	0.1	0.8	3.0
State and local	41.7	23.0	5.5	0.3	0.9	0.5	1.9	0.2	7.2	2.2
Medicaid	18.9	7.4	1.3	0.2	0.5	0.5	1.2	—	7.1	0.6
Other	22.8	15.6	4.2	0.1	0.4	0.0	0.7	0.2	0.0	1.6
Total Medicaid	42.9	16.5	3.2	0.5	1.0	1.1	2.9	—	16.2	1.4
1987										
Personal health care expenditures	436.7	193.8	93.0	27.1	21.2	4.1	38.7	10.7	39.8	8.3
Out-of-pocket payments	104.7	8.7	17.8	15.4	7.0	0.5	28.5	7.7	19.1	—
Third-party payments	331.9	185.1	75.1	11.7	14.2	3.6	10.2	3.0	20.7	8.3
Private health insurance	139.4	69.5	43.8	11.0	7.5	0.3	6.0	0.9	0.4	—
Other private	14.7	9.4	0.0	—	2.4	0.3	—	—	0.8	1.7
Government	177.8	106.2	31.3	0.7	4.3	3.1	4.2	2.0	19.5	6.6
Federal	130.3	80.1	24.9	0.4	3.2	2.4	2.0	1.8	11.4	4.2
Medicare	81.2	53.7	21.6	—	1.9	1.7	—	1.7	0.6	—
Medicaid	26.4	10.1	2.0	0.3	0.7	0.7	1.9	—	9.8	1.0
Other	22.7	16.3	1.4	0.1	0.6	—	0.1	0.1	0.9	3.2
State and local	47.5	26.0	6.3	0.3	1.1	0.7	2.3	0.2	8.1	2.4
Medicaid	21.8	8.5	1.5	0.3	0.6	0.6	1.4	—	8.1	0.8
Other	25.7	17.6	4.8	0.1	0.5	0.0	0.9	0.2	0.0	1.7
Total Medicaid	48.2	18.5	3.5	0.6	1.3	1.3	3.3	—	17.9	1.7

See footnotes at end of table.

Table 18—Continued
Personal health care expenditures, by type of expenditure and selected sources of payment:
Selected calendar years 1980-89

Source of payment	Total	Hospital care	Physician services	Dental services	Other professional services	Home health care	Drugs and other medical nondurables	Vision products and other medical durables	Nursing home care	Other personal care
1988										
Amount in billions										
Personal health care expenditures	\$480.0	\$211.7	\$105.1	\$29.4	\$23.8	4.5	\$41.5	\$12.0	\$42.8	\$9.3
Out-of-pocket payments	115.5	11.3	20.1	16.3	7.6	0.5	30.4	8.7	20.6	—
Third-party payments	364.5	200.4	85.0	13.1	16.1	4.0	11.1	3.3	22.2	9.3
Private health insurance	155.9	76.2	50.1	12.4	8.9	0.3	6.5	1.0	0.5	—
Other private	16.0	10.3	0.0	—	2.6	0.3	—	—	0.8	1.9
Government	192.7	113.9	34.9	0.7	4.6	3.4	4.7	2.2	20.9	7.4
Federal	141.7	85.7	28.1	0.4	3.5	2.6	2.2	2.0	12.6	4.7
Medicare	88.5	57.5	24.2	—	2.1	1.8	—	1.8	1.0	—
Medicaid	29.4	11.2	2.2	0.3	0.8	0.8	2.1	—	10.7	1.3
Other	23.9	17.0	1.7	0.1	0.6	—	0.1	0.2	0.9	3.4
State and local	51.0	28.2	6.8	0.3	1.1	0.7	2.5	0.3	8.3	2.7
Medicaid	22.7	8.8	1.5	0.3	0.6	0.7	1.5	—	8.3	1.0
Other	28.3	19.3	5.3	0.1	0.5	0.0	0.9	0.3	0.0	1.8
Total Medicaid	52.1	20.0	3.7	0.6	1.4	1.5	3.6	—	19.0	2.2
1989										
Personal health care expenditures	530.7	232.8	117.6	31.4	27.0	5.4	44.6	13.5	47.9	10.5
Out-of-pocket payments	124.8	12.7	22.4	17.2	8.5	0.6	32.3	9.8	21.3	—
Third-party payments	405.9	220.1	95.3	14.2	18.5	4.8	12.3	3.7	26.7	10.5
Private health insurance	172.9	84.2	56.1	13.4	10.2	0.4	7.0	1.2	0.5	—
Other private	17.6	11.4	0.0	—	2.9	0.3	—	—	0.9	2.1
Government	215.4	124.5	39.2	0.7	5.4	4.1	5.3	2.5	25.2	8.4
Federal	158.4	92.9	31.8	0.4	4.1	3.1	2.5	2.2	16.2	5.2
Medicare	99.8	62.1	27.5	—	2.5	2.1	—	2.1	3.6	—
Medicaid	33.7	12.9	2.6	0.4	1.0	1.0	2.4	—	11.7	1.8
Other	24.8	17.9	1.7	0.1	0.6	—	0.1	0.2	0.9	3.4
State and local	57.0	31.6	7.4	0.3	1.4	0.9	2.8	0.3	9.0	3.3
Medicaid	25.6	10.0	1.6	0.3	0.7	0.9	1.7	—	9.0	1.4
Other	31.4	21.6	5.8	0.1	0.6	0.0	1.1	0.3	0.1	1.9
Total Medicaid	59.3	22.9	4.2	0.6	1.7	1.9	4.1	—	20.6	3.2

NOTES: 0.0 denotes less than \$50 million. Medicaid expenditures exclude Part B premium payments to Medicare by States under "buy-in" agreements to cover premiums for eligible Medicaid recipients. Numbers may not add to totals because of rounding.

SOURCE: Health Care Financing Administration, Office of the Actuary; Data from the Office of National Cost Estimates.

Table 19

Expenditures for health services and supplies under public programs, by type of expenditure and program: Calendar year 1989

Program area	Personal health care												
	All expenditures	Total	Hospital care	Physician services	Dental services	Other professional services	Home health care	Drugs and other medical nondurables	Vision products and other medical durables	Nursing home care	Other	Administration	Public health activities
1989	Amount in billions												
Public and private spending	\$583.5	\$530.7	\$232.8	\$117.6	\$31.4	\$27.0	\$5.4	\$44.6	\$13.5	\$47.9	\$10.5	\$35.3	\$17.5
All public programs	240.8	215.4	124.5	39.2	0.7	5.4	4.1	5.3	2.5	25.2	8.4	8.0	17.5
Federal funds	164.8	158.4	92.9	31.8	0.4	4.1	3.1	2.5	2.2	16.2	5.2	4.3	2.1
State and local funds	76.1	57.0	31.6	7.4	0.3	1.4	0.9	2.8	0.3	9.0	3.3	3.6	15.4
Medicare	102.1	99.8	62.1	27.5	—	2.5	2.1	—	2.1	3.6	—	2.3	—
Medicaid ¹	62.5	59.3	22.9	4.2	0.6	1.7	1.9	4.1	—	20.6	3.2	3.1	—
Federal	35.5	33.7	12.9	2.6	0.4	1.0	1.0	2.4	—	11.7	1.8	1.8	—
State and local	26.9	25.6	10.0	1.6	0.3	0.7	0.9	1.7	—	9.0	1.4	1.3	—
Other State and local public assistance programs	4.2	4.2	2.5	0.5	0.1	0.1	0.0	0.8	—	0.1	0.1	—	—
Veterans Administration	10.6	10.5	8.3	0.1	0.0	—	—	0.0	0.1	0.9	1.1	0.0	—
Department of Defense ²	10.4	10.2	8.3	1.2	0.0	—	—	0.1	—	—	0.6	0.1	—
Workers' compensation	14.5	12.2	6.2	5.2	—	0.4	—	0.2	0.2	—	—	2.2	—
Federal	0.4	0.4	0.3	0.1	—	0.0	—	0.0	0.0	—	—	0.0	—
State and local	14.1	11.9	6.0	5.1	—	0.4	—	0.2	0.2	—	—	2.2	—
State and local hospitals ³	12.9	12.9	12.9	—	—	—	—	—	—	—	—	—	—
Other public programs for personal health care ⁴	6.2	6.0	1.3	0.5	0.0	0.7	—	0.0	0.1	—	3.4	0.2	—
Federal	3.7	3.6	1.0	0.3	0.0	0.6	—	0.0	0.1	—	1.6	0.0	—
State and local	2.5	2.4	0.3	0.1	0.0	0.1	—	0.0	0.0	—	1.8	0.1	—
Government public health activities	17.5	—	—	—	—	—	—	—	—	—	—	—	17.5
Federal	2.1	—	—	—	—	—	—	—	—	—	—	—	2.1
State and local	15.4	—	—	—	—	—	—	—	—	—	—	—	15.4
Medicare and Medicaid	164.6	159.2	85.0	31.7	0.6	4.2	4.0	4.1	2.1	24.2	3.2	5.4	—

¹Excludes funds paid into the Medicare trust funds by States under "buy-in" agreements to cover premiums for public assistance recipients and for people who are medically indigent.

²Includes care for retirees and military dependents.

³Expenditures not offset by revenues.

⁴Includes program spending for maternal and child health; vocational rehabilitation medical payments; temporary disability insurance medical payments; Public Health Service and other Federal hospitals; Indian health services; alcoholism, drug abuse, and mental health; and school health.

NOTES: 0.0 denotes less than \$50 million. Numbers may not add to totals because of rounding.

SOURCE: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Cost Estimates.

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