

APPENDIX C. NATIONAL AND INTERNATIONAL HEALTH CARE EXPENDITURES AND HEALTH INSURANCE COVERAGE

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NATIONAL HEALTH EXPENDITURES

In 1965, the year prior to the beginning of the Medicare and Medicaid Programs, national health expenditures were only \$41.1 billion. After adjusting for inflation, this spending figure represented \$199.1 billion, or \$975.60 per capita in constant 1995 dollars. Health care expenditures increased substantially over the next 30 years. In 1995, the Nation's health care bill was \$3,621.20 per capita, or \$988.5 billion for the 273 million persons residing in the United States (see tables C-1 and C-2).

The annual rate of increase in inflation-adjusted per capita expenditures was 4.8 percent from 1980 to 1985 and 5.0 percent from 1985 to 1990 (table C-3). After increasing by 5.8 percent between 1991 and 1992, however, health expenditure growth per capita decelerated to 2.8 percent for 1992 to 1993 and 1.5 percent for 1993 to 1994. This figure increased slightly to 1.6 for 1994-95. Growth in spending between 1993 and 1995, however, remains the slowest in more than three decades.

TABLE C-1.—NATIONAL HEALTH EXPENDITURES, SELECTED CALENDAR YEARS 1960-95

[Dollar amounts in billions]

Spending category	1960	1965	1970	1975	1980	1985	1990	1991	1992	1993	1994	1995
Health services and supplies	\$25.2	\$37.7	\$67.9	\$122.3	\$235.6	\$411.8	\$672.9	\$736.3	\$806.7	\$863.1	\$906.7	\$957.8
Personal health care	23.6	35.2	63.8	114.5	217.0	376.4	614.7	676.6	740.5	786.9	827.9	878.8
Hospital care	9.3	14.0	28.0	52.6	102.7	168.3	256.4	282.3	305.4	323.3	335.0	350.1
Physicians' services	5.3	8.2	13.6	23.9	45.2	83.6	146.3	159.2	175.7	182.7	190.6	201.6
Dentists' services	2.0	2.8	4.7	8.0	13.3	21.7	31.6	33.3	37.0	39.2	42.1	45.8
Other professional services	0.6	0.9	1.4	2.7	6.4	16.6	34.7	38.3	42.1	46.3	49.1	52.6
Home health care	0.1	0.1	0.2	0.6	2.4	5.6	13.1	16.1	19.6	23.0	26.3	28.6
Drugs and other medical nondurables	4.2	5.9	8.8	13.0	21.6	37.1	59.9	65.6	71.2	75.0	77.7	83.4
Vision products and other medical durables	0.6	1.0	1.6	2.5	3.8	6.7	10.5	11.2	11.9	12.5	12.9	13.8
Nursing home care	0.8	1.5	4.2	8.7	17.6	30.7	50.9	57.2	62.3	67.0	72.4	77.9
Other personal health care	0.7	0.8	1.3	2.5	4.0	6.1	11.2	13.6	15.4	17.9	21.7	25.0
Program administration and net cost of private health insurance	1.2	1.9	2.7	4.9	11.8	23.8	38.6	38.8	42.7	50.9	50.6	47.7
Government public health activities	0.4	0.6	1.3	2.9	6.7	11.6	19.6	21.4	23.4	25.3	28.2	31.4
Research and construction of medical facilities	1.7	3.4	5.3	8.4	11.6	16.4	24.5	24.9	27.5	29.0	30.4	30.7
Total	26.9	41.1	73.2	130.7	247.2	428.2	697.5	761.7	834.2	892.1	937.1	988.5
Percent of GDP	5.1	5.7	7.1	8.0	8.9	10.2	12.1	12.9	13.4	13.6	13.5	13.6

Note.—Numbers may not add to totals due to rounding.

Source: Health Care Financing Administration, Office of the Actuary: Data from the Office of National Health Statistics.

TABLE C-2.—NATIONAL HEALTH EXPENDITURES IN CONSTANT 1995 DOLLARS, SELECTED CALENDAR YEARS 1960–95
[Dollar amounts in billions]

Spending category	1960	1965	1970	1975	1980	1985	1990	1991	1992	1993	1994	1995
Health services and supplies	\$129.6	\$182.4	\$266.7	\$346.6	\$435.8	\$583.3	\$784.7	\$824.4	\$876.3	\$910.3	\$932.4	\$957.8
Personal health care	121.7	170.1	250.7	324.4	401.4	533.2	716.7	757.0	804.4	829.9	851.4	878.8
Hospital care	47.8	67.9	110.0	148.9	189.9	238.4	299.0	315.8	331.7	340.9	344.5	350.1
Physicians' services	27.2	39.6	53.3	67.7	83.7	118.4	170.6	178.1	190.9	192.6	196.0	201.6
Dentists' services	10.1	13.5	18.3	22.5	24.6	30.7	36.8	37.3	40.2	41.4	43.3	45.8
Other professional services	3.1	4.2	5.5	7.7	11.7	23.6	40.4	42.8	45.7	48.9	50.5	52.6
Home health care	0.3	0.4	0.9	1.8	4.4	8.0	15.3	18.0	21.3	24.2	27.0	28.6
Drugs and other medical non-durables	21.9	28.5	34.6	36.9	40.0	52.5	69.9	73.4	77.3	79.1	79.9	83.4
Visions products and other medical durables	3.3	4.8	6.4	7.2	7.0	9.6	12.2	12.5	12.9	13.2	13.2	13.8
Nursing home care	4.4	7.1	16.6	24.6	32.6	43.5	59.4	64.0	67.7	70.7	74.5	77.9
Other personal health care	3.6	4.0	5.1	7.0	7.4	8.7	13.1	15.2	16.7	18.9	22.4	25.0
Program administration and net cost of private health insurance	6.0	9.3	10.7	13.9	21.9	33.7	45.1	43.4	46.4	53.7	52.0	47.7
Government public health activities	1.9	3.0	5.3	8.3	12.5	16.5	22.9	24.0	25.4	26.7	29.0	31.4
Research and construction of medical facilities	8.8	16.6	21.0	23.7	21.5	23.2	28.6	27.9	29.9	30.6	31.3	30.7
Total	138.4	199.1	287.7	370.3	457.3	606.5	813.3	852.3	906.2	940.8	963.7	988.5

Note.—Constant dollar expenditures are calculated using the Consumer Price Index for all Urban Consumers (CPI-U). Totals may not equal sum of rounded components.

Source: Health Care Financing Administration, Office of the Actuary. Data from the Office of National Health Statistics.

TABLE C-3.—NATIONAL HEALTH EXPENDITURES: PER CAPITA AMOUNTS IN CONSTANT 1995 DOLLARS AND AVERAGE ANNUAL PERCENTAGE INCREASES, SELECTED CALENDAR YEARS 1960–95

Spending category	[Dollar amounts per capita]											
	1960	1965	1970	1975	1980	1985	1990	1991	1992	1993	1994	1995
Health services and supplies ...	\$682.1	\$894.1	\$1241.6	\$1543.4	\$1853.3	\$2360.1	\$3018.3	\$3139.7	\$3303.7	\$3398.3	\$3447.9	\$3508.9
Personal health care	640.5	833.8	1167.2	1444.5	1707.2	2157.3	2757.0	2883.2	3032.8	3098.4	3148.2	3219.3
Hospital care	251.5	332.9	512.1	663.2	807.8	964.4	1150.2	1202.9	1250.6	1272.9	1273.7	1282.6
Physicians' services	143.3	194.2	248.3	301.6	355.8	479.2	656.4	678.3	719.6	719.2	724.9	738.6
Dentists' services	53.2	66.2	85.4	100.4	104.8	124.1	141.6	142.1	151.6	154.5	160.0	167.9
Other professional services	16.4	20.5	25.7	34.4	50.0	95.4	155.5	163.1	172.4	182.4	186.9	192.7
Home health care	1.5	2.1	4.0	7.8	18.7	32.3	58.8	68.4	80.4	90.5	100.0	104.7
Drugs and other medical nondurables	115.2	139.7	161.1	164.3	170.1	212.4	268.7	279.4	291.5	295.4	295.5	305.5
Vision products and other medical durables	17.6	23.7	29.7	32.2	29.6	38.7	46.9	47.7	48.7	49.2	48.9	50.5
Nursing home care	23.0	34.9	77.1	109.3	138.8	175.8	228.4	243.6	255.1	263.9	275.5	285.3
Other personal health care	18.8	19.5	23.7	31.3	31.6	35.1	50.4	57.8	62.9	70.4	82.7	91.5
Program administration and net cost of private health insurance	31.6	45.7	49.8	61.9	93.1	136.2	173.3	165.2	175.0	200.3	192.4	174.6
Government public health activities	10.0	14.6	24.6	36.9	53.0	66.6	88.0	91.3	95.9	99.5	107.2	115.0
Research and construction of medical facilities	46.1	81.5	97.8	105.8	91.5	93.8	110.0	106.2	112.8	114.2	115.7	112.3
Total	728.1	975.6	1,339.5	1,649.1	1,944.8	2,454.0	3,128.3	3,246.0	3,416.5	3,512.5	3,563.6	3,621.2

	Average annual percentage increase									
	60-65	65-70	70-75	75-80	80-85	85-90	91-92	92-93	93-94	94-95
Health services and supplies ...	5.6	6.8	4.4	3.7	5.0	5.0	5.2	2.9	1.5	1.8
Personal health care	5.4	7.0	4.4	3.4	4.8	5.0	5.2	2.2	1.6	2.3
Hospital care	5.8	9.0	5.3	4.0	3.6	3.6	4.0	1.8	0.1	0.7
Physicians' services	6.3	5.0	4.0	3.4	6.1	6.5	6.1	-0.1	0.8	1.9
Total	6.0	6.5	4.2	3.4	4.8	5.0	5.3	2.8	1.5	1.6

Note.—Constant dollar expenditures are calculated using the Consumer Price Index for all Urban Consumers (CPI-U). Totals may not equal sum of rounded components.

Source: Health Care Financing Administration, Office of the Actuary. Data from the Office of National Health Statistics.

The majority of health spending is for personal health care services that treat or prevent illness and disease in individuals. In 1995, 88.9 percent of all health spending (\$878.8 billion) was for personal health care. The remaining 11.1 percent (\$109.7 billion) was spent on health program administration; administrative costs and profits earned by private health insurers; public health activities; noncommercial health research; and new construction of health facilities.

Hospital care (\$350.1 billion) and physician services (\$201.6 billion) are the two largest categories of personal health care spending. They accounted for 35.4 percent and 20.4 percent of total national health expenditures. Two other major service areas, prescription drugs and other medical nondurables, and nursing home care, each added approximately 8 percent.

The private sector, including private health insurance, out-of-pocket spending, and philanthropy, continues to finance the majority of personal health care expenditures (55.4 percent) with combined expenditures of \$486.7 billion. Public sources, however, are responsible for an increasing portion of spending. Government's share has grown from 20.6 percent in 1965 to 44.6 percent in 1995 (see table C-4). The Federal Government is now the single largest contributor, accounting for 34.5 percent (\$303.6 billion) of personal health spending in 1995. State and local governments funded another 10.1 percent (\$88.5 billion).

The initial growth in Federal Government spending is attributed to the beginning of the Medicare and Medicaid Programs and the expansion of Medicare to cover the disabled population in 1973. In 1965, before the enactment of these programs, the Federal Government contribution represented 8.4 percent of personal health spending. By 1970, the Federal Government's share had increased to 23 percent and to 27 percent by 1975. Between 1980 and 1990 the portion remained steady at approximately 29 percent, but since 1990, this figure has gradually increased to 34.5 percent in 1995.

In contrast, while the share paid by private sources also remained stable at about 60 percent from 1980 to 1990, this portion declined to 55.4 percent in 1995, reflecting the influence of increased enrollment in managed care plans (Levit, Lazenby & Braden, 1996).

EXPENDITURES FOR HOSPITAL CARE

In 1995, hospitals accounted for 35 percent of total national health expenditures, down from 42 percent in 1980. Table C-5 shows several measures of costs incurred by community hospitals, which include all non-Federal short-term general hospitals. These hospitals' total expenses (including inpatient and outpatient acute and postacute care, as well as nonpatient care activities) reached \$320.8 billion in 1996. This was up 4.0 percent from the previous year, the smallest rise in hospital costs in at least 30 years. With the increases of 5.0 percent in 1994 and 5.3 percent in 1995, hospital costs have been growing more slowly than in any previous 3-year period. That inpatient expenses increased more slowly than total expenses reflects the growing share of activity in the hospital outpatient setting.

TABLE C-4.—PERSONAL HEALTH CARE EXPENDITURES: AGGREGATE AMOUNTS AND PERCENTAGE DISTRIBUTION, SELECTED CALENDAR YEARS 1960–95

Spending source	1960	1965	1970	1975	1980	1985	1990	1991	1992	1993	1994	1995
	Amount in billions of dollars											
Private	\$18.5	\$27.9	\$41.3	\$69.2	\$130.0	\$228.4	\$371.7	\$400.0	\$433.4	\$453.0	\$466.7	\$486.7
Private health insurance	5.0	8.7	14.8	28.4	62.0	113.8	201.8	221.6	243.2	255.4	264.5	276.8
Out-of-pocket payments	13.1	18.5	24.9	38.1	60.3	100.6	148.4	155.0	165.8	171.6	176.0	182.6
Other private sources of funds	0.4	0.7	1.6	2.7	7.8	14.1	21.5	23.4	24.4	26.1	26.2	27.3
Public	5.1	7.3	22.5	45.3	87.3	148.0	243.0	276.6	307.1	333.9	361.2	392.1
Federal	2.1	3.0	14.7	30.9	63.4	111.3	178.1	205.8	233.5	255.9	278.1	303.6
State and local	3.0	4.3	7.8	14.4	23.6	36.7	64.9	70.8	73.6	78.0	83.1	88.5
Total	23.6	35.2	63.8	114.5	217.0	376.4	614.7	676.6	740.5	786.9	827.9	878.8
	Percentage distribution											
Private	78.3	79.4	64.7	60.4	59.9	60.7	60.5	59.1	58.5	57.6	56.4	55.4
Private health insurance	21.2	24.7	23.2	24.8	28.6	30.2	32.8	32.8	32.8	32.5	31.9	31.5
Out-of-pocket payments	55.3	52.7	39.0	33.3	27.8	26.7	24.1	22.9	22.4	21.8	21.3	20.8
Other private sources of funds	1.8	2.0	2.6	2.4	3.6	3.7	3.5	3.5	3.3	3.3	3.2	3.1
Public	21.7	20.6	35.3	39.6	40.1	39.3	39.5	40.9	41.5	42.4	43.6	44.6
Federal	9.0	8.4	23.0	27.0	29.2	29.6	29.0	30.4	31.5	32.5	33.6	34.5
State and local	12.6	12.2	12.2	12.5	10.9	9.7	10.6	10.5	9.9	9.9	10.0	10.1

Note.—Totals may not equal sum of rounded components. Percentage amounts are calculated on unrounded numbers.

Source: Health Care Financing Administration, Office of the Actuary. Data from the Office of National Health Statistics.

TABLE C-5.—SELECTED DATA ON COMMUNITY HOSPITAL EXPENSES, 1965-96

Year	Total expenses		Expenses per ad-justed inpatient day		Expenses per ad-justed admission		Inpatient expenses ¹	
	Amount (in bil- lions)	Percent change					Amount (in billions)	Percent change
			Amount	Percent change	Amount	Percent change		
1965	\$9.220	8.6	\$41	7.5	\$315	8.1	\$8.414	8.7
1966	10.497	13.8	46	11.4	356	13.1	9.611	14.2
1967	12.624	20.3	53	15.3	425	19.1	11.551	20.2
1968	14.720	16.6	59	11.5	482	13.4	13.372	15.8
1969	17.247	17.2	68	15.4	551	14.5	15.636	16.9
1970	20.261	17.5	78	13.8	608	10.3	18.329	17.2
1971	22.496	11.0	87	12.3	670	10.1	20.269	10.6
1972	25.223	12.1	96	10.3	729	8.8	22.622	11.6
1973	28.248	12.0	105	9.2	784	7.5	25.173	11.3
1974	32.759	16.0	118	12.3	873	11.4	29.077	15.5
1975	38.492	17.5	138	16.4	1,017	16.5	33.971	16.8
1976	45.842	19.1	158	15.0	1,168	14.8	40.321	18.7
1977	53.006	15.6	181	14.3	1,312	12.3	46.437	15.2
1978	59.802	12.8	203	12.1	1,466	11.8	52.131	12.3
1979	67.833	13.4	226	11.5	1,618	10.4	59.060	13.3
1980	79.340	17.0	256	12.9	1,836	13.5	68.962	16.8
1981	94.187	18.7	299	16.9	2,155	17.4	81.634	18.4
1982	109.091	15.8	348	16.2	2,489	15.5	94.346	15.6
1983	120.220	10.2	391	12.4	2,742	10.2	103.361	9.6
1984	126.028	4.8	443	13.3	2,947	7.5	107.005	3.5
1985	134.043	6.4	493	11.3	3,226	9.5	111.416	4.1
1986	146.032	8.9	535	8.6	3,527	9.3	119.286	7.1
1987	161.322	10.5	581	8.6	3,860	9.5	129.824	8.8
1988	177.770	10.2	632	8.8	4,194	8.7	140.482	8.2
1989	195.378	9.9	690	9.3	4,586	9.3	152.147	8.3
1990	217.113	11.1	765	10.7	5,021	9.5	165.792	9.0
1991	238.633	9.9	844	10.3	5,461	8.8	178.401	7.6
1992	260.994	9.4	927	9.9	5,905	8.1	191.401	7.3
1993	278.880	6.9	1,000	7.8	6,188	4.8	202.055	5.6
1994	292.801	5.0	1,060	6.0	6,312	2.0	207.918	2.9
1995	308.411	5.3	1,127	6.3	6,427	1.8	214.594	3.2
1996	320.789	4.0	1,188	5.4	6,553	2.0	218.013	1.6

¹ Inpatient expenses estimated from total expenses, based on the proportion of inpatient to total revenues.

Note.—Admissions and inpatient days are adjusted to reflect the volume of outpatient visits as well as inpatient admissions and days.

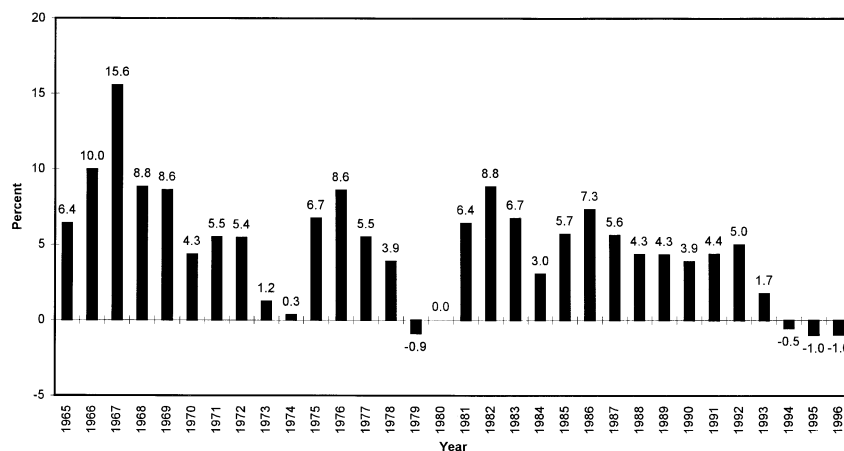
Source: Prospective Payment Assessment Commission analysis of data from the American Hospital Association National Hospital Panel Survey.

The average cost of a day of hospital care (adjusted to reflect outpatient services) rose by 5.4 percent to \$1,188 in 1996. The higher rate of growth in expenses per day reflects a decrease in the number of hospital days (see the discussion of average length of stay below). However, combined with the 6.0-percent increase in 1994 and 6.3 percent in 1995, this also produced the smallest 3 year growth rate in more than 3 decades.

The average cost per case (also adjusted to reflect outpatient care) rose to \$6,553 in 1996, an increase of only 2.0 percent. From 1994 through 1996, the increase in costs per case averaged 1.9 percent per year, compared with 9.1 percent from 1985 through 1992 and 14.0 percent from 1975 through 1982.

Chart C-1 presents the real annual growth in expenses per adjusted admission. This chart provides a clearer picture of the actual rate of increase in costs per case by removing the effects of general inflation. Even after taking inflation into account, the recent trend in hospital costs differs sharply from previous years. In 1994, hospital costs per case rose more slowly than inflation for the first time since 1979. In 1995 and 1996, costs per case grew even more slowly relative to inflation.

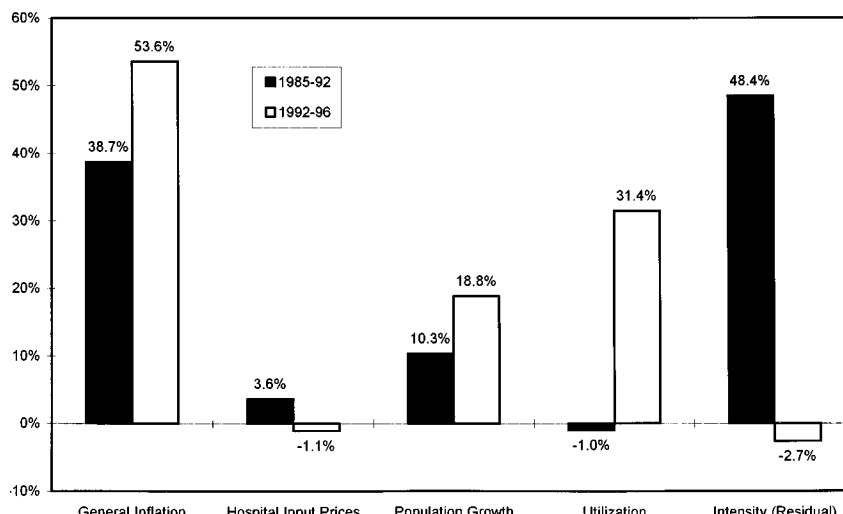
CHART C-1. REAL ANNUAL CHANGES IN HOSPITAL EXPENSES PER ADJUSTED ADMISSION (IN PERCENT), 1965-96



Source: Prospective Payment Assessment Commission analysis of data from the American Hospital Association National Hospital Panel Survey.

A variety of factors other than general inflation contribute to aggregate changes in hospital costs, and the roles of these factors may vary widely over time. Chart C-2 displays the contributions of five factors: general inflation, hospital input prices, population growth, utilization, and intensity. Between 1985 and 1992, total hospital expenses rose at an annual rate of 10 percent. The largest contributor to this increase was the intensity of hospital care; that is, the resources used per patient. During this period, general inflation also accounted for a large share of the increase in hospital expenses. Hospital input prices rose faster than the general price level, and hospital utilization per person actually fell (as the number of adjusted admissions grew more slowly than the population).

CHART C-2. FACTORS CONTRIBUTING TO GROWTH OF TOTAL HOSPITAL EXPENSES, 1985-92 AND 1992-96



Note.—Hospital expenses grew at an annual rate of 10.0 percent between 1985 and 1992 and 5.3 percent between 1992 and 1996.

Source: Prospective Payment Assessment Commission.

Between 1992 and 1996, the increase in total hospital expenses was only 5.3 percent per year. Because of this, although it slowed from 3.9 percent between 1985 and 1992 to 2.8 percent between 1992 and 1996, general inflation accounted for more than half of the hospital cost increase in the latter period. Hospital utilization per person, which had fallen in the earlier period, rose substantially between 1992 and 1996, accounting for a large share of the growth in hospital expenses. Finally, intensity, which had been the major contributor to cost growth in the earlier period, was almost level between 1992 and 1996.

Expenditures for hospital care are financed primarily by third parties, as shown in table C-6. In 1995, private health insurers paid 32.3 percent of the total, Medicare 32.2 percent, and Medicaid (including both the Federal and State shares) 14.8 percent. The share financed by out-of-pocket payments from individuals was only 3.3 percent in 1995, down from 5.2 percent in 1980.

TABLE C-6.—NATIONAL EXPENDITURES FOR HOSPITAL CARE BY SOURCE OF FUNDS, SELECTED YEARS 1980–95
[Amounts in billions]

Source of payment	1980		1985		1990		1995	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Out of pocket	\$5.3	5.2	\$8.8	5.2	\$9.8	3.8	\$11.4	3.3
Third-party payments	97.4	94.8	159.4	94.8	246.8	96.2	338.7	96.7
Private health insurance	38.7	37.7	61.0	36.3	95.7	37.3	113.1	32.3
Other private funds	5.0	4.9	8.3	4.9	13.8	5.4	11.3	3.2
Government	53.7	52.3	90.1	53.6	137.3	53.5	214.3	61.2
Federal	40.9	39.8	71.1	42.3	103.4	40.3	175.4	50.1
Medicare	26.3	25.6	48.9	29.1	68.5	26.7	112.6	32.2
Medicaid ¹	4.6	4.4	7.4	4.4	14.9	5.8	37.2	10.6
Other Federal	9.9	9.7	14.8	8.8	20.0	7.8	25.5	7.3
State and local	12.8	12.5	19.0	11.3	33.9	13.2	39.0	11.1
Medicaid ²	3.9	3.8	6.3	3.7	11.6	4.5	14.8	4.2
Other State and local	8.9	8.7	12.8	7.6	22.3	8.7	24.2	6.9
Total	\$102.7	100.0	\$168.2	100.0	\$256.5	100.0	\$350.1	100.0

¹ Federal share only.

² State and local share only.

Source: Prospective Payment Assessment Commission analysis of data from the Health Care Financing Administration, Office of the Actuary.

TRENDS IN HOSPITAL UTILIZATION

ADMISSIONS

From 1978 through 1983, total inpatient admissions increased at an annual rate of 1.0 percent, and admissions for persons 65 and over increased an average of 4.8 percent per year, as shown in table C-7.

TABLE C-7.—ANNUAL CHANGE IN HOSPITAL ADMISSIONS BY AGE GROUP, 1978-96

Year	Percent change in admissions		
	All	Under 65	65 and over
1978	0.4	-1.0	4.9
1979	2.7	1.7	5.3
1980	2.9	1.5	6.7
1981	0.9	0.0	3.0
1982	0.0	-1.6	4.1
1983	-0.5	-2.8	4.7
1984	-3.7	-4.2	-2.6
1985	-4.9	-4.7	-5.2
1986	-2.1	-2.5	-1.0
1987	-0.6	-1.0	0.4
1988	-0.4	-1.6	2.0
1989	-1.0	-2.0	1.2
1990	-0.5	-1.6	1.7
1991	-1.1	-2.9	2.5
1992	-0.8	-2.2	1.7
1993	0.7	-0.5	2.9
1994	0.9	0.2	2.0
1995	1.4	0.4	2.9
1996	-0.4	-0.8	0.4
Average annual percent change			
1978-83	1.0	-0.4	4.8
1984-86	-3.5	-3.8	-3.0
1987-92	-0.7	-1.9	1.6
1993-96	0.7	-0.2	2.1

Source: Prospective Payment Assessment Commission analysis of data from the American Hospital Association National Hospital Panel Survey.

With the introduction of Medicare's prospective payment system (PPS) in 1983, the number of elderly patients declined sharply, contrary to most expectations. Admissions of patients under 65, however, fell even more during the first few years of PPS and had been decreasing for several years before that. From 1987 through 1992, total admissions continued to decrease, but at a slower rate, due to an increase among the older population. In 1993, overall admissions increased for the first time in 12 years, due to a slower rate of decline in younger patients and a continuing increase in those 65 and over. This trend continued until 1995 when total admissions increased 1.4 percent over the previous year, the largest increase in 15 years. In 1996, however, total admissions decreased 0.4 per-

cent from the previous year due to fewer admissions in the under 65 population and only a small increase in the number of admissions among the elderly.

AVERAGE LENGTH OF STAY

Before the implementation of PPS, the average length of stay for all patients was relatively constant between 7.0 and 7.2 days, as shown in table C-8. With the introduction of PPS, however, there was a significant drop in length of stay. From 1982 to 1984, the average stay fell from 7.2 days to 6.7 days for all patients and from 10.1 days to 8.9 days for patients 65 and over. Average length of stay stabilized at these levels throughout the rest of the 1980s, but has declined again in the 1990s. Hospital stays for elderly patients were 2.0 days shorter, on average, in 1996 than in 1990, and for patients under 65 the average stay was 0.6 days shorter. This decline was even steeper than in the first years of PPS.

TABLE C-8.—AVERAGE LENGTH OF STAY AND ANNUAL CHANGE BY AGE GROUP, 1978–96

Year	All		Under 65		65 and over	
	Average length of stay (in days)	Percent change	Average length of stay (in days)	Percent change	Average length of stay (in days)	Percent change
1978	7.2	–0.3	6.0	–0.9	10.6	–1.2
1979	7.1	–1.0	5.9	–1.2	10.4	–1.9
1980	7.2	0.5	5.9	–0.2	10.4	–0.1
1981	7.2	0.4	5.9	0.1	10.4	–0.1
1982	7.2	–0.6	5.9	–0.6	10.1	–2.3
1983	7.0	–2.0	5.8	–1.7	9.7	–4.4
1984	6.7	–5.1	5.6	–3.5	8.9	–7.5
1985	6.5	–1.7	5.5	–1.3	8.8	–2.1
1986	6.6	0.6	5.6	0.5	8.8	0.4
1987	6.6	0.8	5.6	0.4	8.9	1.0
1988	6.6	–0.1	5.6	–0.3	8.8	–0.7
1989	6.6	0.1	5.5	–0.7	8.8	0.2
1990	6.6	–1.1	5.4	–1.5	8.7	–1.5
1991	6.5	–1.4	5.3	–2.1	8.5	–2.0
1992	6.4	–1.6	5.2	–1.9	8.3	–2.2
1993	6.2	–2.8	5.1	–1.8	7.9	–4.7
1994	6.0	–3.8	4.9	–3.8	7.6	–4.2
1995	5.7	–4.2	4.8	–2.4	7.1	–6.6
1996	5.5	–3.3	4.8	–1.3	6.7	–5.6
Average annual percent change						
1978–83 ...	.....	–0.5	.....	–0.8	.....	–1.7
1984–86 ...	.....	–2.1	.....	–1.4	.....	–3.1
1987–92 ...	.....	–0.6	.....	–1.0	.....	–0.9
1993–96 ...	.....	–3.5	.....	–2.3	.....	–5.3

Source: Prospective Payment Assessment Commission analysis of data from the American Hospital Association National Hospital Panel Survey.

HOSPITAL OCCUPANCY

Table C-9 shows that, with slight increases in admissions and stable average length of stay, occupancy rates were over 70 percent in the early 1980s. The number of hospital beds was increasing, exceeding 1 million by 1983. During the early years of PPS, however, occupancy rates decreased dramatically. From 1983 to 1986, the aggregate occupancy rate fell from 72.2 percent to 63.4 percent. There was a slight increase in occupancy rates in the late 1980s, but the sharp reduction in average length of stay lowered the occupancy rate below 60 percent by 1995, despite almost 130,000 fewer beds than in 1983. In 1996, occupancy rates decreased 1.3 percent from the previous year, to 58.9 percent.

TABLE C-9.—INPATIENT HOSPITAL OCCUPANCY RATE AND NUMBER OF BEDS, 1978-96

Year	Inpatient days	Occu- pancy rate (in percent)	Percent change	Number of beds	Percent change
1978	256,708,259	73.7	-0.8	954,001	0.9
1979	260,791,942	74.5	1.0	959,269	0.6
1980	269,615,111	76.1	2.2	970,456	1.2
1981	272,956,933	75.8	-0.4	986,917	1.7
1982	271,422,385	74.5	-1.6	997,720	1.1
1983	264,504,444	72.2	-3.1	1,003,658	0.6
1984	241,779,724	66.7	-7.6	992,616	-1.1
1985	226,128,547	63.6	-4.7	974,559	-1.8
1986	222,903,834	63.4	-0.3	963,133	-1.2
1987	223,441,342	64.1	1.2	954,458	-0.9
1988	222,312,614	64.6	0.8	942,306	-1.3
1989	220,360,991	64.8	0.3	930,994	-1.2
1990	216,836,360	64.5	-0.6	921,447	-1.0
1991	211,474,700	63.5	-1.4	911,781	-1.0
1992	206,440,330	62.3	-1.9	907,661	-0.5
1993	202,077,589	61.4	-1.5	901,669	-0.7
1994	196,116,784	60.3	-1.7	890,575	-1.2
1995	190,377,347	59.7	-1.1	874,250	-1.8
1996	183,495,155	58.9	-1.3	853,561	-2.4
Average annual percent change					
1978-83 .....	.....	.....	-0.5	.....	1.0
1984-86 .....	.....	.....	-4.2	.....	-1.4
1987-92 .....	.....	.....	-0.3	.....	-1.0
1993-96 .....	.....	.....	-1.4	.....	-1.5

Source: Prospective Payment Assessment Commission analysis of data from American Hospital Association National Hospital Panel Survey.

HOSPITAL EMPLOYMENT

Hospitals experienced a significant downturn in total employment levels at the time PPS was introduced, as shown in table C-10. During 1984 and 1985, full-time equivalent employees declined by 2.3 percent. From 1986 through 1993, however, hospital employment increased. During the late 1970s and through the 1980s, growth in the number of part-time personnel exceeded growth in the number of full-time personnel in every year. In 1992, however, the number of full-time personnel grew faster than the number of part-time personnel for the first time in more than 20 years. This trend continued in 1993, but the increase in both types of personnel slowed dramatically. In 1994 hospital employment declined for the first time since the early years of PPS. This was only the second such period in the past three decades. The number of hospital employees has continued to decrease; part-time employees decreased 1.1 percent in 1996 compared to the previous year, while full-time employees held constant.

TABLE C-10.—ANNUAL PERCENT CHANGE IN HOSPITAL EMPLOYMENT, 1978-96

Year	Total FTEs	Personnel		
		Total	Full time	Part time
1978	3.7	4.1	3.3	6.8
1979	3.5	3.9	2.9	6.7
1980	4.7	5.2	4.0	9.1
1981	5.4	6.0	4.8	9.4
1982	3.7	3.7	3.6	4.1
1983	1.4	1.5	1.2	2.3
1984	-2.3	-2.1	-2.6	-0.8
1985	-2.3	-2.0	-2.7	-0.1
1986	0.3	0.4	0.2	0.9
1987	0.7	0.9	0.4	2.3
1988	1.1	1.4	0.7	3.3
1989	1.6	1.9	1.2	3.6
1990	2.1	2.3	1.8	3.6
1991	0.6	0.7	0.6	1.0
1992	1.6	1.5	1.7	0.9
1993	0.7	0.6	0.8	0.2
1994	-0.8	-0.8	-0.7	-0.9
1995	-1.4	-1.4	-1.5	-0.9
1996	-0.2	-0.3	0.0	-1.1
Average annual percent change				
1978-83	3.7	4.1	3.3	6.4
1984-86	-1.4	-1.2	-1.7	0.0
1987-92	1.3	1.5	1.1	2.4
1993-96	-0.4	-0.5	-0.4	-0.7

Source: Prospective Payment Assessment Commission analysis of data from the American Hospital Association National Hospital Panel Survey.

EXPENDITURES FOR PHYSICIANS' SERVICES

Health care expenditures for physicians' services were \$201.6 billion in 1995, an increase of 5.8 percent from 1994. This amounted to 20.4 percent of national health expenditures.

Third-party (public expenditures and private insurance) payments financed over 80 percent of physicians' services. In 1995 private health insurance, the single largest payer, was responsible for 48.1 percent of these expenditures (\$97 billion). In 1980, this portion was only 37.9 percent. Public expenditures in this area have grown much more slowly, rising from 28.9 percent in 1980 to 31.7 percent (\$64 billion) in 1995. Of this last figure, \$40 billion was for Federal Medicare payments. In contrast, out-of-pocket payments by individuals for physicians' services have decreased from 32.4 percent in 1980 to 18.3 percent (\$6.9 billion) in 1995 (see table C-11).

Inflation in physicians' fees has outpaced that of the U.S. economy as a whole since 1981 as measured by the Consumer Price Index (CPI). The inflation rate of 3.6 for 1996, however, is the lowest since 1973 (see table C-12).

The American Medical Association reports that, over the 10 years from 1984 to 1994, physician income rose an average 5 percent a year. In 1994, however, the average physician net income experienced the first decrease ever recorded by the AMA. After expenses but before taxes, average physician income was \$182,400, a 3.6 percent decrease from \$189,300 in 1993. In 1995, average physician net income rebounded 7.2 percent to \$195,500. The 2-year change in income, however, amounts to an average annual increase of only 1.6 percent from 1993 to 1995. When adjusted for inflation, this represents an average annual loss of 1.04 percent, with real incomes remaining below those for 1993.

Changes in the health care market appear to be affecting the conditions of employment for many physicians (Physician Payment Review Commission). In 1995, the percentage of physicians who were self-employed declined from 58 to 55 percent. These doctors, who were more likely to have additional years of experience and be board certified, earned an average income of \$230,800. This was over 50 percent higher than employee-doctors whose average net income was only \$152,500, but the difference would be less if noncash benefits received by employee physicians were included. The share of physicians who were employees increased from 36 to 39 percent in the same time period.

Growth in average net income for physicians in the Middle Atlantic and Pacific areas was well above average in 1995. The West North Central, Mountain, and New England census regions saw the least increase in income from 1994 to 1995. Physicians in the New England States continue to report the lowest average net income of \$161,000; the East South Central region remained the highest at \$216,000 (see table C-13).

TABLE C-11.—EXPENDITURES FOR PHYSICIAN SERVICES¹ BY SOURCE OF FUNDS, SELECTED YEARS 1980-95
[Amounts in billions]

Source of payment	1980		1985		1990		1993		1994		1995	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Out-of-pocket payments	\$14.8	32.4	\$24.3	29.1	\$35.4	24.2	\$37.5	20.6	\$37.3	19.6	\$36.9	18.3
Third-party payments	30.6	67.6	59.3	70.9	110.9	75.8	145.1	79.4	153.3	80.4	164.8	81.7
Private health insurance	17.1	37.9	23.4	36.9	63.3	43.2	86.5	47.3	91.1	47.8	97.0	48.1
Other private funds	0.4	0.8	1.4	1.6	2.7	1.8	3.1	1.7	3.1	1.6	3.7	1.9
Government	13.1	28.9	24.5	29.3	45.0	30.7	55.6	30.4	59.1	31.0	64.0	31.7
Federal	10.0	22.1	19.5	23.4	35.9	24.5	43.5	23.8	46.7	24.5	50.9	25.3
Medicare	8.0	17.6	16.5	19.7	29.5	20.2	33.4	18.3	36.2	19.0	40.0	19.8
Medicaid	1.4	3.1	2.0	2.4	4.2	2.8	7.6	4.2	8.0	4.2	8.4	4.2
Other Federal programs	0.6	1.4	1.1	1.3	2.2	1.5	2.6	1.4	2.5	1.3	2.6	1.3
State and local	3.1	6.9	4.9	5.9	9.1	6.2	12.0	6.6	12.5	6.5	13.1	6.5
Medicaid	1.1	2.5	1.5	1.9	2.9	2.0	5.0	2.7	5.5	2.9	5.9	2.9
Other State and local programs	2.0	4.3	3.4	4.0	6.2	4.2	7.0	3.8	7.0	3.7	7.1	3.5
Total	45.2	100.0	83.6	100.0	146.3	100.0	182.7	100.0	190.6	100.0	201.6	100.0

¹ Encompasses the cost of all services and supplies provided in physicians' offices, the cost for services of privately billing physicians in hospitals and other institutions, and the cost of diagnostic work performed in independent clinical laboratories. The salaries of staff physicians are counted with expenditures for the services of the employing institution.

Note.—Totals may not equal sum of rounded components.

Source: Health Care Financing Administration, Office of the Actuary. Data from the Office of National Health Statistics.

TABLE C-12.—ANNUAL PERCENTAGE CHANGE IN SELECTED COMPONENTS OF THE CONSUMER PRICE INDEX (CPI-U), ¹ 1965-96

Year	All items	All items less medical care	Medical care total	Physicians' services
1965	1.6	1.6	2.4	3.6
1966	2.9	3.1	4.4	5.6
1967	3.1	2.1	7.2	7.2
1968	4.2	4.2	6.0	5.6
1969	5.5	5.4	6.7	7.0
1970	5.7	5.9	6.6	7.5
1971	4.4	4.1	6.2	7.0
1972	3.2	3.2	3.3	3.0
1973	6.2	6.4	4.0	3.4
1974	11.0	11.2	9.3	9.2
1975	9.1	9.0	12.0	12.1
1976	5.8	5.3	9.5	11.4
1977	6.5	6.3	9.6	9.1
1978	7.6	7.6	8.4	8.4
1979	11.3	11.5	9.2	9.1
1980	13.5	13.6	11.0	10.5
1981	10.3	10.4	10.7	11.0
1982	6.2	5.9	11.6	9.4
1983	3.2	2.9	8.8	7.8
1984	4.3	4.1	6.2	6.9
1985	3.6	3.4	6.3	5.9
1986	1.9	1.5	7.5	7.2
1987	3.6	3.5	6.6	7.3
1988	4.1	3.9	6.5	7.2
1989	4.8	4.6	7.7	7.4
1990	5.4	5.2	9.0	7.1
1991	4.2	3.9	8.7	6.0
1992	3.0	2.8	7.4	6.3
1993	3.0	2.7	5.9	5.6
1994	2.6	2.5	4.8	4.4
1995	2.8	2.7	4.5	4.5
1996	3.0	2.8	3.5	3.6

¹ Consumer Price Index for all Urban Consumers (CPI-U), changes in annual averages.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Physician net income varies more by specialty than across geographic areas. Surgeons had the highest average net incomes in 1995 (\$269,400) and general and family practitioners the lowest (\$131,200). Incomes for general and family practitioners, however, continue to increase at a healthy rate, with gains from 1993 to 1994 of 3.9 percent and from 1994 to 1995 of 8.1 percent. The largest gain from 1994 to 1995 was by obstetricians and gynecologists with an increase of 21.9 percent to \$244,300. This followed a 9.7 percent decrease in average net income for this specialty in 1994. Growth in income for surgeons was below the all-physician average, declining 2.9 percent from 1993 to 1994 and increasing only 5.6 percent from 1994 to 1995 (see table C-13).

TABLE C-13.—PHYSICIANS' AVERAGE NET INCOME AFTER EXPENSES BUT BEFORE TAXES, 1983-95

[Average net income¹ in thousands of dollars]

Category	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	Percent change 1994-95
Specialty:														
General/family practice	68.5	71.1	77.9	80.3	91.5	94.6	95.9	102.7	111.5	114.4	116.8	121.4	131.2	8.1
Internal medicine	93.3	103.2	101.0	109.4	121.8	130.9	146.5	152.5	149.6	162.1	180.8	174.9	185.7	6.2
Surgery	145.5	151.8	155.4	162.4	187.9	207.5	220.5	236.4	233.8	250.5	262.7	255.2	269.4	5.6
Pediatrics	70.7	74.5	77.1	81.8	85.3	94.9	104.7	106.5	119.3	123.9	135.4	126.2	140.5	11.3
Obstetrics/gynecology	119.9	116.2	122.7	135.9	163.2	180.7	194.3	207.3	221.8	220.7	221.9	200.4	244.3	21.9
Radiology	148.0	139.8	150.8	168.8	180.7	188.5	210.5	219.4	229.8	257.3	259.8	237.4	244.4	2.9
Psychiatry	80.0	85.5	88.6	91.5	102.7	111.4	111.7	116.5	127.6	132.1	131.3	128.5	137.2	6.8
Anesthesiology	144.7	145.4	140.2	150.2	163.1	194.5	185.8	207.4	221.1	231.1	224.1	218.1	215.1	-1.4
Census division:														
New England	84.5	87.3	108.3	107.1	110.6	132.9	128.3	142.5	143.8	171.2	171.5	156.1	161.0	3.1
Middle Atlantic	98.6	98.4	107.9	114.6	126.1	135.0	152.5	156.1	171.0	172.4	185.3	177.8	207.0	16.4
East North Central	114.3	109.4	118.9	126.6	137.6	147.0	155.6	172.4	174.1	187.1	199.2	191.9	198.8	3.6
West North Central	110.5	110.7	113.7	120.7	133.9	138.0	159.2	151.4	164.2	187.5	198.2	183.8	184.6	0.4
South Atlantic	106.7	114.5	112.6	119.6	133.8	156.0	165.6	169.0	168.8	186.4	192.5	189.3	198.8	5.0
East South Central	114.9	122.2	115.0	122.6	141.2	164.8	173.0	169.0	179.4	180.0	195.0	199.2	216.0	8.4
West South Central	124.4	119.1	123.3	129.0	140.4	160.7	170.5	178.8	193.3	193.8	189.1	195.5	205.9	5.3
Mountain	91.4	102.3	97.5	108.5	125.5	132.1	142.6	170.9	155.0	175.7	193.2	175.4	178.8	1.9
Pacific	103.1	109.4	113.6	119.0	135.4	136.0	148.1	162.5	172.4	178.1	181.2	171.8	189.9	10.5
Location:														
Nonmetropolitan	87.2	90.9	94.2	107.7	117.9	120.9	129.4	130.5	150.4	159.2	160.0	171.4	157.5	-8.1
Metropolitan:														
Less than 1,000,000	111.0	115.1	118.1	124.5	140.4	154.1	164.1	172.7	174.8	185.6	195.2	193.0	204.1	5.8
1,000,000 and over	106.3	106.4	112.8	117.5	127.9	140.7	153.4	163.3	170.4	181.5	188.5	175.1	193.5	10.5

TABLE C-13.—PHYSICIANS' AVERAGE NET INCOME AFTER EXPENSES BUT BEFORE TAXES, 1983-95—Continued

[Average net income ¹ in thousands of dollars]														
Category	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	Percent change 1994-95
Employment status:														
Self-employed	115.9	118.6	124.5	131.1	146.2	160.0	175.3	185.6	191.0	202.3	218.0	210.2	230.8	9.8
Employee	77.6	80.4	83.8	91.7	99.6	113.0	119.2	119.8	134.0	136.1	150.7	148.2	152.5	2.9
All physicians ²	104.1	108.4	112.2	119.5	132.3	144.7	155.8	164.3	170.6	181.7	189.3	182.4	195.5	7.2

¹ Average net income after expenses but before taxes. These figures include contributions made into pension, profit-sharing, and deferred compensation plans.

² Includes physicians in specialties not reported separately.

Source: American Medical Association (1997a and b).

Table C-14 shows median net income for physicians, the level below and above which lie half of all earnings. In the decade from 1985 to 1995, the median income for all physicians increased each year by an average 5.5 percent. After adjusting for inflation, this represents a real growth of 1.9 percent yearly. Pediatrics had the largest yearly increase of 6.3 percent (nominal) or 2.7 percent (real or constant dollars). Anesthesiology grew only 4.3 percent (nominal) or 0.8 percent (real or constant dollars) over this same time.

TABLE C-14.—MEDIAN PHYSICIAN NET INCOME AFTER EXPENSES BUT BEFORE TAXES, 1985 AND 1995

[In thousands of dollars]

Category	Median net income			Average annual percent change	
	1985	1995 nominal	1995 real ¹	Nominal	Real ¹
Specialty:					
General/family practice ..	\$70	\$124	\$88	5.9	2.3
Internal medicine	90	150	106	5.2	1.6
Surgery	129	225	159	5.7	2.1
Pediatrics	70	129	91	6.3	2.7
Obstetrics/gynecology	120	200	141	5.2	1.6
Radiology	135	230	162	5.5	1.9
Psychiatry	80	124	88	4.5	0.9
Anesthesiology	133	203	143	4.3	0.8
Pathology	115	185	131	4.9	1.3
Census division:					
New England	94	140	99	4.1	0.5
Middle Atlantic	90	173	122	6.8	3.1
East North Central	100	164	116	5.1	1.5
West North Central	85	160	113	6.5	2.9
South Atlantic	94	164	116	5.7	2.1
East South Central	92	175	124	6.6	3.0
West South Central	100	173	122	5.6	2.0
Mountain	85	151	107	5.9	2.3
Pacific	97	165	116	5.5	1.8
All physicians ²	94	160	113	5.5	1.9

¹ In 1985 dollars.

² Includes physicians in specialties not listed separately.

Source: American Medical Association (1997b).

Table C-15 shows average physician net income in nominal and real (or constant) dollars. Physicians' average net income increased 74 percent between 1985 and 1995, but real income, expressed in 1995 dollars, increased only 23 percent (from \$158,900 to \$195,500) over the 10 year period.

TABLE C-15.—AVERAGE PHYSICIAN NET INCOME AFTER EXPENSES BUT BEFORE TAXES,
1977-95

[Dollars in thousands]

Year	Nominal	Real
1977	\$60.4	\$151.9
1978	64.6	151.0
1979	77.4	162.5
1980	NA	NA
1981	89.9	150.7
1982	97.7	154.3
1983	104.1	159.3
1984	108.4	159.0
1985	112.2	158.9
1986	119.5	166.2
1987	132.3	177.5
1988	144.7	186.4
1989	155.8	191.5
1990	164.3	191.6
1991	170.6	190.9
1992	181.7	197.4
1993	189.3	199.6
1994	182.4	187.6
1995	195.5	195.5

NA—Not available.

Note.—Real (1995 dollars) incomes are calculated using the Consumer Price Index for all Urban Consumers.

Source: CRS analysis of data from American Medical Association (1997a and b).

Table C-16 shows the distribution of physicians' net incomes in 1995 for all physicians and selected specialties. While the average net income of all physicians was \$195,500, the median income may be more representative of the typical physician's earnings. Half of all physicians earned \$160,000 or less. One-fourth of all physicians earned \$115,000 or less, while one-fourth earned \$238,000 or more. Median incomes across all physician specialties remain far apart, with the median income for gastroenterology at \$244,000 in 1995, followed by surgery at \$225,000. On the lower side, general and family practice and psychiatry reported median incomes of \$124,000.

TABLE C-16.—DISTRIBUTION OF PHYSICIAN NET INCOME AFTER EXPENSES BUT BEFORE TAXES BY SPECIALTY AND CENSUS DIVISION, 1995

[In thousands of dollars]

Category	Mean	25th per- centile	Median	75th per- centile
Specialty:				
General/family practice	\$131.2	\$90.0	\$124.0	\$159.0
Internal medicine	185.7	110.0	150.0	214.0
General internal medicine	159.5	101.0	138.0	190.0
Cardiovascular diseases	292.3	150.0	210.0	388.0
Gastroenterology	256.5	145.0	244.0	315.0
Surgery	269.4	160.0	225.0	316.0
General surgery	244.4	150.0	203.0	302.0
Otolaryngology	232.3	148.0	206.0	282.0
Orthopedic surgery	323.2	200.0	250.0	350.0
Ophthalmology	240.8	125.0	194.0	260.0
Urological surgery	243.4	175.0	220.0	293.0
Pediatrics	140.5	95.0	129.0	175.0
Obstetrics/gynecology	244.3	150.0	200.0	296.0
Radiology	244.4	160.0	230.0	310.0
Psychiatry	137.2	95.0	124.0	160.0
Anesthesiology	215.1	150.0	203.0	262.0
Pathology	209.4	130.0	185.0	230.0
Other specialty	188.5	127.0	170.0	222.0
Emergency medicine	184.4	145.0	170.0	225.0
Neurology	197.8	130.0	160.0	225.0
Dermatology	214.9	125.0	190.0	238.0
Geographic area:				
New England	161.0	100.0	140.0	200.0
Middle Atlantic	207.0	119.0	173.0	250.0
East North Central	198.8	119.0	164.0	250.0
West North Central	184.6	108.0	160.0	221.0
South Atlantic	198.8	113.0	164.0	240.0
East South Central	216.0	120.0	175.0	282.0
West South Central	205.9	124.0	173.0	240.0
Mountain	178.8	108.0	151.0	220.0
Pacific	189.9	120.0	165.0	220.0
All physicians ¹	195.5	115.0	160.0	238.0

¹ Includes physicians in specialties not listed separately.

Source: American Medical Association (1997a).

The AMA's Physician Marketplace Statistics 1996 reported that, on average, nonfederal patient care physicians received 42.9 percent of their incomes from private insurers. Medicare payments were 27.4 percent; Medicaid was a source of another 11.8 percent of doctor revenue. Patient out-of-pocket payments accounted for 17.9 percent (see table C-17). The importance of each source varied by specialty, with physicians specializing in internal medicine receiving the highest percentage of revenue from Medicare. Pediatricians, on average, received only 1.3 percent of their income from

Medicare, but received the highest percentage of income from Medicaid (23.6 percent).

TABLE C-17.—PERCENT OF NONFEDERAL PHYSICIAN REVENUE BY SOURCE OF PAYMENT, 1996

Category	Medicare	Medicaid	Private insurance	Patient out of pocket
Specialty:				
General/family practice	23.6	12.9	40.8	22.7
Internal medicine	40.2	8.8	37.9	13.2
Surgery	34.9	8.1	43.2	13.8
Pediatrics	1.3	23.6	48.8	26.3
Obstetrics/gynecology	8.7	17.9	58.2	15.1
Radiology	34.9	10.5	39.9	14.8
Psychiatry	13.7	11.8	35.9	38.6
Anesthesiology	27.4	13.0	46.4	13.3
Pathology	30.4	10.7	42.2	16.6
Census:				
New England	26.6	11.7	44.6	17.1
Middle Atlantic	30.2	8.8	43.9	17.1
East North Central ...	28.1	11.9	42.3	17.7
West North Central ...	28.5	10.2	43.8	17.4
South Atlantic	27.9	11.8	42.1	18.2
East South Central ...	29.0	15.2	38.5	17.3
West South Central ...	27.8	12.0	40.8	19.4
Mountain	23.9	11.8	46.2	18.1
Pacific	23.9	13.8	43.8	18.5
All physicians ¹	27.4	11.8	42.9	17.9

Source: American Medical Association (1997a).

A Medical Economics Continuing Survey addressed physician gross income from HMOs, PPOs, and the amount in the form of capitation payments (see table C-18). According to the survey, there was a small increase between 1994 and 1995 in the portion of physicians participating in capitated plans from 36 to 38 percent. Physicians with prepaid contracts earned a median \$40,000 in capitation payments in 1995, only 5 percent more than in 1994.

The rise in the number of doctors who take HMO patients, however, jumped from a median 69 percent of survey respondents in 1994 to 77 percent in 1995. The median gross income in 1995 for these physicians was \$63,770, an increase of 17 percent from 1994. PPO participation by physicians also rose from 69 to 75 percent, with earnings increasing 13 percent to \$48,660 (Terry, 1996).

TABLE C-18.—PHYSICIAN GROSS INCOME FROM MANAGED CARE AND CAPITATION BY SPECIALTY, 1995

Physician specialty	Median 1995 gross income ¹ from:			Percent of 1995 gross income ¹ from:		
	HMOs	PPOs	Capitation	HMOs	PPOs	Capita- tion
Anesthesiologists	\$58,680	\$39,720	\$32,500	20	15	10
Cardiologists	50,880	44,600	47,500	12	10	10
Cardio/thoracic sur- geons	87,670	50,000	50,000	20	10	10
Emergency physicians ..	49,750	46,790	45,000	20	20	20
Family practitioners	69,080	63,600	27,500	20	15	10
Gastroenterologists	52,210	23,730	32,000	25	10	15
General practitioners	62,660	54,410	53,200	20	15	15
General surgeons	57,610	33,200	45,000	25	15	20
Internist	115,860	64,640	60,000	20	10	10
Neurosurgeons	114,230	79,060	40,000	30	20	15
OBG specialists	51,710	42,320	22,500	10	9	10
Orthopedic surgeons	74,790	70,000	50,000	15	15	10
Pediatricians	68,820	63,870	42,500	30	25	17
Plastic surgeons	73,980	55,580	42,500	15	15	10
Psychiatrists	46,120	37,880	24,000	20	20	10
Radiologists	(²)	(²)	36,000	20	(²)	10
All surgical spe- cialists	78,200	58,960	40,000	20	15	10
All nonsurgeons ²	56,780	43,630	40,000	20	15	15
All fields	63,770	48,660	40,000	20	15	15

¹ Gross is the individual physician's share of 1994 practice receipts before professional expenses and income taxes.

² Insufficient sample. Figures exclude physicians with no HMO, preferred provider organizations, or capitation contracts.

Source: Terry (1996).

SUPPLY OF HOSPITAL BEDS

The national supply of community hospital beds per 1,000 population steadily increased from the 1940s, reaching a peak of 4.6 beds per 1,000 population in 1975. By 1994, the number of beds dropped to 3.5 per 1,000 population. Among the 9 Census regions, the East South Central experienced the largest increase from 1.7 per 1,000 population in 1940 to 4.7 in 1980. By 1994, this number had declined to 4.3, but was still more than twice that of the 1940 figure. In contrast, the New England, Mountain, and Pacific regions had fewer beds per 1,000 in 1994 than in 1940 (see table C-19).

TABLE C-19.—COMMUNITY HOSPITAL BEDS PER 1,000 POPULATION AND AVERAGE ANNUAL PERCENT CHANGE BY REGION AND STATE, SELECTED YEARS 1940–1994

Region and State	Beds per 1,000 civilian population						Average annual percent change				
	1940 ¹	1950 ¹	1960 ²	1970	1980	1990 ³	1940–60 ^{1,2}	1960–70 ²	1970–80	1980–90 ³	1990–94 ³
New England	4.4	4.2	3.9	4.1	4.1	3.4	3.1	0.5	0.0	-1.9	-2.3
Maine	3.0	3.2	3.4	4.7	4.7	3.7	3.4	3.3	0.0	-2.1	-2.1
New Hampshire	4.2	4.2	4.4	4.0	3.9	3.1	2.9	-0.9	-0.3	-2.3	-1.7
Vermont	3.3	4.0	4.5	4.5	4.4	3.0	3.3	0.0	-0.2	-3.4	2.4
Massachusetts	5.1	4.8	4.2	4.4	4.4	3.6	3.3	0.5	0.0	-2.0	-2.2
Rhode Island	3.9	3.8	3.7	4.0	3.8	3.2	2.8	0.8	-0.5	-1.7	-3.3
Connecticut	3.7	3.6	3.4	3.4	3.5	2.9	2.8	0.0	0.3	-1.9	-0.9
Middle Atlantic	3.9	3.8	4.0	4.4	4.6	4.1	4.1	1.0	0.4	-0.9	0.0
New York	4.3	4.1	4.3	4.6	4.5	4.1	4.2	0.7	-0.2	-0.7	0.6
New Jersey	3.5	3.2	3.1	3.6	4.2	3.7	3.9	1.5	1.6	-1.3	1.3
Pennsylvania	3.5	3.8	4.1	4.7	4.8	4.4	4.2	1.4	0.2	-0.9	-1.2
East North Central	3.2	3.2	3.6	4.4	4.7	3.9	3.5	2.0	0.7	-1.8	-2.7
Ohio	2.7	2.9	3.4	4.2	4.7	4.0	3.6	2.1	1.1	-1.8	-2.6
Indiana	2.3	2.6	3.1	4.0	4.5	3.9	3.5	2.6	1.2	-1.4	-2.7
Illinois	3.4	3.6	4.0	4.7	6.1	4.0	3.7	1.6	0.8	-2.4	-1.9
Michigan	4.0	3.3	3.3	4.3	4.4	3.7	3.3	2.7	0.2	-1.7	-2.8
Wisconsin	3.4	3.7	4.3	5.2	4.9	3.8	3.4	1.9	-0.8	-2.5	-2.7
West North Central	3.1	3.7	4.3	6.7	6.8	4.9	4.5	2.9	0.2	-1.7	-2.1
Minnesota	3.9	4.4	4.8	6.1	5.7	4.4	4.0	2.4	-0.7	-2.6	-2.4
Iowa	2.7	3.2	3.9	5.6	5.7	5.1	4.6	3.7	0.2	-1.1	-2.5
Missouri	2.9	3.3	3.9	5.1	5.7	4.8	4.4	2.7	1.1	-1.7	-2.2
North Dakota	3.5	4.3	5.2	6.8	7.4	7.0	7.0	2.7	0.8	-0.6	0.0
South Dakota	2.8	4.4	4.5	5.6	5.5	6.1	6.1	2.2	-0.2	1.0	0.0
Nebraska	3.4	4.2	4.4	6.2	6.0	5.5	5.2	3.5	-0.3	-1.0	-1.4
Kansas	2.8	3.4	4.2	5.4	5.8	4.8	4.4	2.5	0.7	-1.9	-2.2

South Atlantic	2.5	2.8	3.3	4.0	4.5	3.7	3.5	1.4	1.9	1.2	-1.9	-1.4
Delaware	4.4	3.9	3.7	3.7	3.6	3.0	2.6	-0.9	0.0	-0.3	-1.8	-3.5
Maryland	3.9	3.6	3.3	3.1	3.6	2.8	2.6	-0.8	-0.6	1.5	-2.1	-1.8
District of Columbia ..	5.5	5.5	5.9	7.4	7.3	7.6	7.2	0.4	2.3	-0.1	0.3	-1.3
Virginia	2.2	2.5	3.0	3.7	4.1	3.3	3.0	1.6	2.1	1.0	-2.1	-2.4
West Virginia	2.7	3.1	4.1	5.4	5.5	4.7	4.5	2.1	2.8	0.2	-1.6	-1.1
North Carolina	2.2	2.6	3.4	3.8	4.2	3.3	3.3	2.2	1.1	1.0	-2.1	0.0
South Carolina	1.8	2.4	2.9	3.7	3.9	3.3	3.2	2.4	2.5	0.5	-1.7	-0.8
Georgia	1.7	2.0	2.8	3.8	4.6	4.0	3.8	2.5	3.1	1.9	-1.4	-1.3
Florida	2.8	2.9	3.1	4.4	5.1	3.9	3.7	0.5	3.6	1.5	-2.4	-1.3
East South Central	1.7	2.1	3.0	4.4	4.7	4.3	4.3	3.9	1.5	-0.6	-2.2	-2.4
Kentucky	1.8	2.2	3.0	4.0	4.5	4.3	4.1	2.6	2.9	1.2	-0.2	-1.2
Tennessee	1.9	2.3	3.4	4.7	5.5	4.8	4.3	3.0	3.3	1.6	-1.1	-2.7
Alabama	1.5	2.0	2.8	4.3	5.1	4.6	4.3	3.2	4.4	1.7	-1.0	-1.7
Mississippi	1.4	1.7	2.9	4.4	5.3	5.0	4.7	3.7	4.3	1.9	0.0	-1.5
West South Central	2.1	2.7	3.3	4.3	4.7	3.8	3.5	2.3	2.7	0.9	-1.8	-2.0
Arkansas	1.4	1.6	2.9	4.2	5.0	4.6	4.2	3.7	3.6	1.8	-0.6	-2.2
Louisiana	3.1	3.8	3.9	4.2	4.8	4.6	4.4	1.2	0.7	1.3	-0.4	-1.1
Oklahoma	1.9	2.5	3.2	4.5	4.6	4.0	3.6	2.6	3.5	0.2	-1.4	-2.6
Texas	2.0	2.7	3.3	4.3	4.7	3.5	3.2	2.5	2.7	0.9	-2.9	-2.2
Mountain	3.6	3.8	3.5	4.3	3.8	3.1	2.7	-0.1	2.1	-1.2	-2.0	-3.4
Montana	4.9	5.3	5.1	5.8	5.9	5.8	5.0	0.2	1.3	0.2	-0.2	-3.6
Idaho	2.6	3.4	3.2	4.0	3.7	3.2	3.0	1.0	2.3	-0.8	-1.4	-1.6
Wyoming	3.5	3.9	4.6	5.5	3.6	4.8	4.6	1.4	1.8	-4.1	3.1	-1.1
Colorado	3.9	4.2	3.8	4.6	4.2	3.2	2.7	-0.1	1.9	-0.9	-2.7	-4.2
New Mexico	2.7	2.2	2.9	3.5	3.1	2.8	2.5	0.4	1.9	-1.2	-0.7	-2.8
Arizona	3.4	4.0	3.0	4.1	3.6	2.7	2.4	-0.6	3.2	1.3	-2.8	-2.9
Utah	3.2	2.9	2.8	3.6	3.1	2.6	2.3	-0.7	2.5	-1.5	-1.7	-3.0
Nevada	5.0	4.4	3.9	4.2	4.2	2.8	2.5	-1.2	0.7	0.0	-3.6	-2.8
Pacific	4.1	3.2	3.1	3.7	3.5	2.7	2.4	-1.4	1.8	-0.6	-2.6	-2.9
Washington	3.4	3.6	3.3	3.5	3.1	2.5	2.2	-0.1	0.6	-1.2	-2.1	-3.1
Oregon	3.5	3.1	3.5	4.0	3.5	2.8	2.3	0.0	1.3	-1.3	-1.9	-4.8

TABLE C-19.—COMMUNITY HOSPITAL BEDS PER 1,000 POPULATION AND AVERAGE ANNUAL PERCENT CHANGE BY REGION AND STATE, SELECTED YEARS 1940–1994—Continued

Region and State	Beds per 1,000 civilian population							Average annual percent change				
	1940 ¹	1950 ¹	1960 ²	1970	1980	1990 ³	1994 ³	1940–60 ^{1,2}	1960–70 ²	1970–80	1980–90 ³	1990–94 ³
California	4.4	3.3	3.0	3.8	3.6	2.7	2.5	—1.9	2.4	–0.5	–2.8	–1.9
Alaska .....	.....	.....	2.4	2.3	2.7	2.3	2.2	.....	–0.4	1.6	–1.6	–1.1
Hawaii .....	.....	.....	3.7	3.4	3.1	2.7	2.6	.....	–0.8	–0.9	–1.0	–0.9
United States	3.2	3.3	3.6	4.3	4.5	3.7	3.5	0.6	1.8	0.5	–1.7	–1.4

¹ 1940 and 1950 data are estimated based on published figures.

² 1960 includes hospital units of institutions.

³ Starting with 1990, excludes hospital units of institutions.

Note.—Data for 1990 has been revised.

Source: U.S. Public Health Service (1997).

SUPPLY OF PHYSICIANS

Physician shortages in the 1950s and 1960s led to Federal and State initiatives to increase the supply of physicians. Since that time, however, the number of physicians in the United States has grown rapidly from 334,028 in 1970 to 720,325 in 1995, a rate over four times faster than that of the total population. Today, the concern is now focused on a possible oversupply of physicians and its effect on efforts to control health care spending.

Table C-20 indicates that between 1970 and 1995, the number of all physicians per 100,000 civilians grew from 161 to 274, a 70 percent increase. Table C-21 shows variations in the supply of non-Federal physicians relative to population by State. In 1996, the District of Columbia had the highest ratio (714 physicians per 100,000 population) while Mississippi had the lowest ratio (155 physicians per 100,000 population).

There are also questions as to whether there are too many specialists and too few primary care physicians to meet the Nation's future health care needs and whether a competitive health care market alone will be able to resolve the imbalance. In 1995, about 39 percent of physicians were in primary care specialties, defined as general and family practice, internal medicine, obstetrics/gynecology, and pediatrics (see table C-22 for number of physicians by specialty). The Physician Payment Review Commission's 1997 Annual Report to Congress indicates a moderate trend toward generalism. The National Resident Matching Program also announced in March 1997 that 56 percent of U.S. medical school seniors plan to spend at least their first year of residency training in general practice. This rate has been on the rise since 1991, when only 44.3 percent of graduates pursued generalist training (Association of American Medical Colleges).

TABLE C-20.—PHYSICIAN SUPPLY BY MAJOR CATEGORIES, SELECTED YEARS 1970–95

Category	1970		1980		1990		1995	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Federal	29,501	9	17,787	4	20,475	3	21,079	3
Non-Federal	301,323	91	443,502	96	592,166	97	697,269	97
Metropolitan (non-Federal only)	258,265	86	385,365	87	521,668	88	616,436	86
Nonmetropolitan (non-Federal only)	43,058	14	58,137	13	70,498	12	80,833	11
Patient care	278,535	83	376,512	80	503,870	82	582,131	81
Nonpatient care	32,310	10	38,404	9	43,440	8	43,312	6
Male	308,627	92	413,395	88	511,227	83	570,921	79
Female	25,401	8	54,284	12	104,194	17	149,404	21
International medical graduates	57,217	17	97,726	21	131,764	21	165,498	23
Total physicians ¹	334,028	100	467,679	100	615,421	100	720,325	100
Total physician-population ratio (per 100,000 persons)	161		202		240		274	

¹ Address unknown excluded from all Federal/non-Federal categories, not-classified, inactive, and address unknown are excluded from patient care/nonpatient care categories.

Note.—Totals may not equal sum of rounded components.

Source: American Medical Association (1997c).

TABLE C-21.—NON-FEDERAL PHYSICIAN/POPULATION RATIOS¹ AND RANK BY STATE,
SELECTED YEARS 1970–95

State	1970	1975	1985	1990	1995	1995 rank
Alabama	90	103	152	170	202	41
Alaska	74	95	137	155	164	49
Arizona	144	185	220	233	239	25
Arkansas	92	103	150	165	192	43
California	194	219	266	272	275	11
Colorado	178	186	216	232	257	16
Connecticut	192	224	302	332	372	5
Delaware	134	155	203	217	246	21
District of Columbia	390	467	607	658	714	1
Florida	155	185	236	251	269	12
Georgia	108	126	172	187	214	36
Hawaii	160	185	239	266	283	10
Idaho	94	104	133	142	162	50
Illinois	138	164	217	229	265	14
Indiana	102	116	156	171	200	42
Iowa	103	113	149	167	189	44
Kansas	118	137	179	195	223	32
Kentucky	102	122	162	181	211	39
Louisiana	120	131	187	200	241	23
Maine	111	133	193	208	235	28
Maryland	183	217	334	360	384	4
Massachusetts	207	237	331	364	420	2
Michigan	125	145	190	201	232	29
Minnesota	151	172	223	240	267	13
Mississippi	84	94	126	144	155	51
Missouri	129	148	195	209	236	27
Montana	104	116	155	181	214	37
Nebraska	116	134	170	185	220	33
Nevada	114	129	173	175	178	46
New Hampshire	140	162	207	227	248	19
New Jersey	146	174	243	267	302	8
New Mexico	113	130	184	206	229	30
New York	236	258	318	339	391	3
North Carolina	111	132	185	209	239	24
North Dakota	96	106	168	184	224	31
Ohio	133	147	199	213	242	22
Oklahoma	103	113	149	160	177	47
Oregon	144	171	215	233	250	18
Pennsylvania	152	169	234	256	301	9
Rhode Island	160	194	248	277	328	6
South Carolina	93	114	161	177	212	38
South Dakota	81	90	143	154	187	45
Tennessee	119	139	189	210	247	20
Texas	117	135	174	188	206	40
Utah	138	155	185	200	216	35
Vermont	187	207	268	288	316	7
Virginia	125	149	214	233	253	17
Washington	149	168	223	241	259	15
West Virginia	104	124	171	183	216	34

TABLE C-21.—NON-FEDERAL PHYSICIAN/POPULATION RATIOS ¹ AND RANK BY STATE, SELECTED YEARS 1970-95—Continued

State	1970	1975	1985	1990	1995	1995 rank
Wisconsin	120	137	188	207	239	26
Wyoming	101	108	140	156	176	48
United States ¹	148	169	220	237	264	.....

¹The ratios are for nonfederal physicians per 100,000 civilian population.

²Excludes counts of physicians in U.S. possessions and with unknown addresses.

Source: American Medical Association (1997c).

TABLE C-22.—FEDERAL AND NON-FEDERAL PHYSICIANS: TOTAL AND OFFICE-BASED ACTIVITY BY SPECIALTY, 1980, 1990, AND 1995

Specialty	Federal and non-Federal physicians					
	1980		1990		1995	
	Total	Office based	Total	Office based	Total	Office based
Allergy immunology	1,518	1,371	3,388	2,453	3,775	2,843
Anesthesiology	15,958	11,338	25,981	17,803	32,853	23,770
Cardiovascular diseases	9,823	6,729	15,862	10,680	18,998	13,739
Child psychiatry	3,217	1,961	4,343	2,615	5,542	3,673
Dermatology	5,660	4,378	7,557	6,006	8,563	6,959
Diagnostic radiology	7,048	4,191	15,412	9,815	19,808	12,751
Emergency medicine	5,699	3,362	14,243	8,420	19,112	11,700
Family practice	27,530	18,378	47,639	37,476	59,345	45,272
Gastroenterology ...	4,046	2,737	7,493	5,200	9,551	7,300
General practice ...	32,519	29,642	22,841	20,517	16,867	14,660
General surgery	34,034	22,426	38,376	24,520	37,569	24,086
Internal medicine ..	71,531	40,617	98,349	57,950	115,168	72,612
Neurology	5,685	3,253	9,237	5,595	11,397	7,623
Neurological surgery	3,341	2,468	4,358	3,092	4,888	3,567
Obstetrics/gynecology	26,305	19,513	33,697	25,485	37,652	29,111
Ophthalmology	12,974	10,603	16,073	13,068	17,464	14,596
Orthopedic surgery	13,996	10,728	19,138	14,199	22,037	17,136
Otolaryngology	6,553	5,266	8,138	6,367	9,086	7,139
Pathology ¹	13,642	6,081	16,584	7,494	18,320	9,306
Pediatrics ²	29,462	18,210	41,899	27,073	51,956	34,656
Physical medicine/rehabilitation	2,146	1,014	4,105	2,183	5,565	3,400
Plastic surgery	2,980	2,438	4,590	3,835	5,493	4,612
Psychiatry	27,481	16,004	35,163	20,146	38,098	23,334
Pulmonary diseases	3,715	2,048	6,080	3,662	7,453	4,964

TABLE C-22.—FEDERAL AND NON-FEDERAL PHYSICIANS: TOTAL AND OFFICE-BASED ACTIVITY BY SPECIALTY, 1980, 1990, AND 1995—Continued

Specialty	Federal and non-Federal physicians					
	1980		1990		1995	
	Total	Office based	Total	Office based	Total	Office based
Radiology	11,653	7,802	8,492	6,060	8,038	5,994
Radiation oncology	1,581	1,027	2,821	1,968	3,630	2,633
Urological surgery	7,743	6,228	9,372	7,398	9,886	7,991
Other specialty	5,810	2,418	7,254	2,656	7,307	3,014
Other surgical specialties ³	2,852	2,261	2,945	2,389	3,300	2,529
Other remaining specialties ⁴	6,071	2,549	7,822	3,316	8,249	3,693
Unspecified	12,289	4,959	8,058	1,554	8,473	2,612
Not classified	20,629	.....	12,678	.....	20,579	.....
Other categories ⁵	32,134	.....	55,433	.....	74,303	.....
Total physicians	467,679	272,000	615,421	360,995	720,325	427,275

¹ Includes pathology and forensic pathology.

² Includes pediatrics, pediatric cardiology, and pediatric allergy.

³ Includes colon and rectal surgery and thoracic surgery.

⁴ Includes aerospace medicine, general preventive medicine, nuclear medicine, occupational medicine, medical genetics, and public health.

⁵ Includes inactive and address unknown; these categories are included in total physicians only, not in office-based practice.

Note.—Data for 1990 and 1995 are as of January 1. Data for 1980 are as of December 31.

Source: American Medical Association (1997c).

In 1995, there were 98,035 residents in training. The number of U.S. medical school graduates, which rose rapidly in the late 1960s and early 1970s, has been relatively stable since 1980 (see table C-23).

TABLE C-23.—MEDICAL SCHOOL GRADUATES, FIRST-YEAR RESIDENTS AND TOTAL RESIDENTS, 1965–95

Year	Medical school graduates	First-year residents	Total residents
1965	7,409	9,670	31,898
1966	7,574	10,316	31,898
1967	7,743	10,419	33,743
1968	7,973	10,464	35,047
1969	8,059	10,808	37,139
1970	8,367	11,552	39,463
1971	8,974	12,066	42,512
1972	9,551	11,500	45,081
1973	10,391	11,031	49,082
1974	11,613	11,628	52,685
1975	12,714	13,200	54,500
1976	(¹)	14,258	56,872
1977	13,607	15,900	59,000
1978	14,393	16,800	63,163
1979	14,966	17,600	64,615
1980	15,135	18,702	61,465
1981	15,667	18,389	69,738
1982	15,985	18,976	69,142
1983	15,824	18,794	73,000
1984	16,327	19,539	75,125
1985	16,319	19,168	75,514
1986	16,125	18,183	76,815
1987	15,836	18,067	81,410
1988	15,887	17,941	81,093
1989	15,620	18,131	82,000
1990	15,336	18,322	82,902
1991	15,481	19,497	86,217
1992	15,386	19,794	88,620
1993	15,512	21,616	96,469
1994	15,579	19,293	97,832
1995	15,911	21,372	98,035

¹ Not available.

Source: American Medical Association (various years).

The number of residency positions occupied by international medical graduates (IMGs) has fluctuated over the period 1971–95. Due to stricter immigration laws and more rigorous competency requirements, IMGs dropped from over 40 percent of all residents in 1971 to about 17 percent in 1985. Since then, however, the percentage of IMGs in training in the United States has almost doubled, from 12,509 in 1985 to 24,983 in 1995 and is now at 25 percent of all residents in training (see table C-24).

TABLE C-24.—INTERNATIONAL MEDICAL GRADUATE RESIDENTS¹ BY CITIZENSHIP,
SELECTED YEARS 1971–95

	Total	Percent of all residents	U.S. citizens	Foreign nationals
1971	17,515	41	1,063	16,452
1976	16,634	29	1,783	14,851
1981	11,596	17	2,908	8,688
1983	14,084	19	4,961	9,123
1985	12,509	17	6,868	5,609
1991	17,017	20	5,107	11,910
1992	19,084	22	5,015	² 14,069
1993	22,706	24	5,056	17,650
1994	23,499	24	4,285	19,214
1995	24,982	25	4,030	20,952

¹ IMGs are defined by location of education.² Includes 6,192 permanent resident aliens.

Source: American Medical Association (various years).

HEALTH INSURANCE STATUS IN 1995

Most people have some form of health insurance. In 1995, an estimated 84.6 percent of the total noninstitutionalized population had public or private coverage during at least part of the year. However, an estimated 40.6 million Americans, or 15.4 percent of the population, were without coverage in 1995. Almost all of the uninsured were under age 65; consequently, 17.3 percent of the nonelderly population were uninsured. This section examines characteristics of both the insured and the uninsured populations in 1995, and reviews trends in health insurance coverage over the 1979–95 period (see Smith 1996).

Estimates of health insurance coverage in 1995 are based on analysis of the March 1996 Current Population Survey (CPS), a household survey by the Department of Commerce's Census Bureau. Each year's March CPS asks whether individuals had coverage from selected sources of health insurance at any time during the preceding calendar year. Thus, the March 1996 CPS reflects respondents' recollections of coverage during all of 1995.¹

HEALTH INSURANCE COVERAGE AND SELECTED POPULATION CHARACTERISTICS

Age

Table C-25 provides a breakdown of health insurance coverage by type of insurance and age. In 1995, young adults ages 18 to 24 were the least likely to have health insurance. While 51 percent of this group were covered under an employment-based plan, over one-fourth (28 percent) had no health insurance. These young adults comprised 9 percent of the U.S. population, but 17 percent of the uninsured population. These individuals are often too old to be covered as dependents on their parents' policies, and as entry-

¹ Some analysts have suggested that respondents may actually be reporting their coverage status at the time of the survey, rather than for the previous year.

level workers they do not have strong ties to the work force; some may choose to remain uninsured and spend their money on other items. After age 25, the percentage of people with health insurance increases. Of those age 65 and over, 96 percent were covered by Medicare and/or Medicaid, and 1 percent were uninsured. The remainder of this section focuses on the population under age 65.

TABLE C-25.—HEALTH INSURANCE COVERAGE BY TYPE OF INSURANCE AND AGE, 1995

Age	Population (in mil- lions)	Type of insurance ¹				
		Employ- ment based ² (percent)	Medicare and/or Medicaid ³ (percent)	Private nongroup (percent)	Military ³ (percent)	Uninsured (percent)
Under 5	20.1	57.7	30.2	3.2	1.7	13.5
5-17	51.1	64.5	20.8	5.0	2.0	13.9
18-24	24.8	51.2	12.3	9.9	2.8	28.2
25-34	40.9	64.7	8.9	4.7	1.2	22.9
35-54	74.7	72.7	7.5	5.6	2.6	15.2
55-59	11.3	70.3	10.5	7.7	4.7	13.2
60-64	9.8	62.9	15.2	11.8	7.1	13.6
65+	31.7	35.2	96.4	33.5	3.6	1.0
Total	264.3	61.8	23.5	9.2	2.6	15.4

¹People may have more than one source of health insurance; percentages may total to more than 100.

²Group health insurance through employer or union.

³Military health care or veterans coverage.

Source: Congressional Research Service analysis of data from the March 1996 Current Population Survey.

Other demographic characteristics

Table C-26 shows the rate of health insurance coverage by type of insurance and selected demographic characteristics—race, family type, region, and poverty level—for people under age 65. In 1995 whites were most likely to have health insurance (87 percent) while Hispanics were least likely (65 percent). Hispanics comprised 12 percent of the under 65 population, but were 23 percent of the uninsured population; comparable numbers for blacks were 13 percent and 17 percent, respectively. The rate of employment-based health coverage was highest among whites (73 percent) and the rate of Medicaid/Medicare coverage was highest for blacks (29 percent). ²

People in male-headed or two-parent families with children were most likely to be insured (86 percent), followed by those in female-headed families with children (81 percent) and in families with no children (80 percent). While the rates of coverage were similar for male-present (one- or two-parent) and female-headed (single-parent) families with children, the sources of coverage were quite different: coverage was employment based for 73 percent of male-present families compared to 37 percent of female-headed families, while coverage came from Medicaid/Medicare for 10 percent of

²Medicaid covered 12 percent of the nonelderly population and Medicare covered less than 2 percent. About 27 percent of blacks had Medicaid coverage.

male-present families compared to 43 percent of female-headed families.

People living in the Midwest were more likely to have insurance (88 percent) than people in the Northeast (86 percent), West (80 percent), and South (80 percent). About 70 percent of those living in the Northeast and Midwest had employment-based health insurance compared to about 60 percent in the South and West.

TABLE C-26.—HEALTH INSURANCE COVERAGE BY TYPE OF INSURANCE AND DEMOGRAPHIC CHARACTERISTICS FOR PEOPLE UNDER AGE 65, 1995

	Population (in millions)	Type of insurance (percent) ¹			
		Employment based ²	Medicaid or Medicare	Other ³	Uninsured
Race/ethnicity:					
White	164.2	72.9	8.8	9.4	13.3
Black	30.6	48.8	29.2	5.6	22.3
Hispanic	27.0	41.3	23.1	3.6	34.9
Other	10.8	58.5	17.9	9.0	20.3
Family type:					
Female-headed with chil- dren	30.0	36.8	43.0	6.6	19.3
Male- or two-parent-head- ed with children	114.6	73.4	10.3	6.5	14.4
No children	88.0	64.7	7.9	10.9	20.4
Region:					
Northeast	44.7	69.2	13.1	6.4	14.5
Midwest	54.4	72.1	12.1	8.0	12.3
South	81.0	61.7	13.8	9.0	20.5
West	52.6	60.8	15.3	8.7	20.1
Poverty level:					
<1.0 of poverty	33.7	15.3	49.1	7.4	32.9
1.0–1.49 of poverty	20.9	37.2	26.3	10.5	32.4
1.5–1.99 of poverty	22.1	56.0	14.3	9.1	27.2
2.0+ of poverty	156.0	81.3	4.1	7.9	10.5
Total	232.7	65.4	13.6	8.2	17.3

¹ People may have more than one source of health insurance; percentages may total to more than 100.

² Group health insurance through employer or union.

³ Private nongroup health insurance, veterans coverage, or military health care.

⁴ In 1995, the weighted average poverty threshold for a family of four was \$15,569.

Source: Congressional Research Service analysis of data from the March 1996 Current Population Survey.

Among individuals with incomes at least two times the poverty level, 90 percent had health insurance compared to 67 percent of the poor (i.e., those with incomes less than the poverty level). The poor accounted for 14 percent of the under 65 population, but were 28 percent of the uninsured. Only 15 percent of the poor received health coverage through employment, while 49 percent had either Medicaid or Medicare coverage. Over 80 percent of people with incomes at least two times the poverty level were covered through an employer, and 4 percent had Medicaid or Medicare coverage.

Employment characteristics

Table C-27 shows the rate of health insurance coverage by employment characteristics for people under age 65 who were workers or their dependents. In 1995, the rate of employment-based health insurance coverage increased as firm size increased. Among workers and dependents of workers in large firms (1,000 or more employees), 91 percent were insured compared to 69 percent in small firms (under 10 employees). People in small firms accounted for 17 percent of the under 65 population but 30 percent of the uninsured. Insurance coverage varied according to industry as well. Agriculture and personal services had the highest proportion of uninsured workers and dependents—over 30 percent. Employment-based coverage was most likely for workers and dependents in public administration, finance/insurance, mining, and manufacturing of durable goods. Among workers, 86 percent of those employed full time, full year had health insurance and it was most often obtained through their own employment (69 percent); their dependents had comparable levels of coverage. Workers with part-time, part-year employment had an insured rate of 68 percent. Workers who worked less than full time, full year and their dependents represented 20 percent of the population, but 31 percent of the uninsured, while nonworkers were 12 percent of the population and 17 percent of the uninsured.

CHARACTERISTICS OF THE UNINSURED POPULATION UNDER AGE 65

As reported above, people who lack health insurance differ from the population as a whole: they are more likely to be poor, young adults, Hispanic, and work for small firms. Chart C-3 illustrates selected characteristics of the uninsured population under age 65 in 1995—age, race, poverty level, region, firm size, and labor force ties. Almost one-fourth (24 percent) of the uninsured were under age 18, and 54 percent were white. A large proportion (41 percent) had incomes two or more times the poverty level, while 28 percent were poor. Forty-one percent of the uninsured lived in the South, and 30 percent worked or were dependents of workers in small firms (one to nine employees). Over half (52 percent) were full-time, full-year workers or their dependents, 31 percent had less than full time attachment to the labor force, and 17 percent had no labor force ties.

TABLE C-27.—HEALTH INSURANCE COVERAGE BY EMPLOYMENT CHARACTERISTICS ¹
FOR PEOPLE UNDER AGE 65, 1995

	Population (in millions)	Type of insurance (percent) ²			
		From own job ³	From other's job ³	Other ⁴	Uninsured
Firm size: ⁵					
Under 10	38.8	16.5	27.5	27.8	30.7
10–24	18.5	27.4	31.8	18.9	24.7
25–99	26.3	35.5	34.2	15.3	18.9
100–499	28.8	41.1	37.6	11.6	13.4
500–999	12.1	42.8	38.5	11.9	11.0
1,000+	80.4	44.1	40.0	12.0	8.5
Industry: ⁵					
Agriculture	6.0	14.8	23.9	31.6	32.9
Mining	1.4	34.8	47.9	10.7	10.3
Construction	15.3	24.2	32.7	16.9	29.2
Durable goods	23.7	39.9	44.1	9.9	10.2
Nondurable goods	15.0	40.3	37.4	12.1	13.8
Transportation	16.1	39.0	42.7	10.8	11.7
Wholesale trade	8.7	36.1	40.7	12.6	14.0
Retail trade	29.6	27.9	28.2	22.5	25.1
Finance/insurance	12.1	44.7	37.7	11.7	9.0
Business services	12.8	27.2	30.5	21.0	24.9
Personal services	6.0	21.6	21.7	28.6	30.9
Entertainment	2.9	34.2	29.6	21.0	18.4
Professional services	43.0	42.5	35.1	15.3	10.8
Public administration	12.3	45.6	45.3	11.5	4.3
Labor force attachment of workers:					
Full time, full year	87.4	69.4	10.9	8.5	13.7
Part time, full year	6.9	40.3	10.1	25.6	26.8
Full time, part year	16.5	47.9	6.3	19.7	29.7
Part time, part year	7.3	26.4	10.0	35.0	32.0
Labor force attachment of workers' dependents: ¹					
Full time, full year	72.1	0.0	76.9	15.1	12.7
Part time, full year	3.2	0.0	40.7	38.7	25.6
Full time, part year	8.8	0.0	43.2	44.4	21.6
Part time, part year	2.7	0.0	23.9	64.6	19.5
Not in labor force	27.8	12.2	8.6	59.1	24.7
Total	232.7	33.0	32.5	21.1	17.3

¹ For dependents, employment characteristics are for the person providing dependent coverage under employment-based or private insurance. If other coverage, characteristics are from the head of household or spouse if head is not employed.

² People may have more than one source of health insurance.

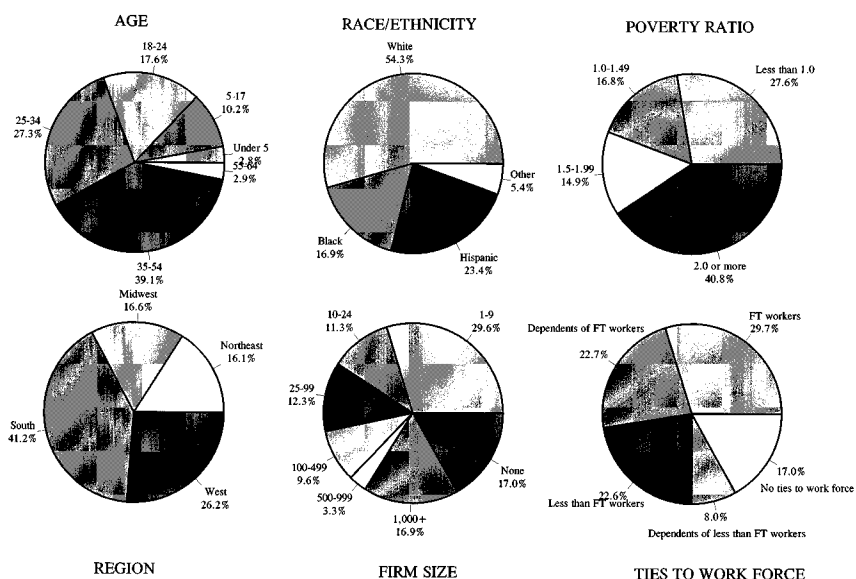
³ Group health insurance through employer or union.

⁴ Medicare, Medicaid, private nongroup health insurance, veterans coverage, and military health.

⁵ For persons who worked and their dependents.

⁶ Person was retired, disabled, or answered questions inconsistently.

Source: Congressional Research Service analysis of data from the March 1996 Current Population Survey.

CHART C-3. CHARACTERISTICS OF THE UNINSURED POPULATION UNDER AGE 65, 1995

Note.—Totals may not equal sum of rounded components.

Source: Congressional Research Service analysis of data from the March 1996 Current Population Survey.

TRENDS IN HEALTH INSURANCE COVERAGE

Trends in coverage by type of insurance for the noninstitutionalized U.S. population under age 65 are shown in table C-28. Data for 1980 are not available because the CPS omitted some health insurance questions for that year. Changes in the CPS questionnaire, on which these rates are based, preclude direct comparisons between three time periods: 1979-86, 1987-93, and 1994-95.³

³Beginning with the 1987 data, the survey asked about employment-based coverage for all persons over 14, when before only workers were asked about such coverage. Moreover, the newer surveys included additional questions regarding coverage of children. As a result, the number of people with employment-based coverage increased, especially among retirees, and the number of children with coverage also increased.

Beginning with the 1994 data, the survey asked additional questions about private health insurance, and changed the order of questions such that questions about private coverage preceded questions about other forms of health insurance. As a result, the number of people estimated to have private coverage increased, and the distribution of coverage between group and nongroup shifted toward more group coverage. Care must be exercised when considering these numbers. Also note that individuals may have had more than one source of coverage.

TABLE C-28.—HEALTH INSURANCE COVERAGE FOR THE NONINSTITUTIONALIZED U.S. POPULATION UNDER 65, SELECTED YEARS 1979–95¹
[Numbers in thousands]

Year	Employment based ²		Government ³		Other ⁴		Uninsured		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1979	133,074	68.6	17,031	8.8	32,631	16.8	28,451	14.7	197,104	100.0
1981	137,158	67.9	18,520	9.2	32,392	16.0	30,487	15.1	201,926	100.0
1982	135,991	66.8	18,326	9.0	31,699	15.6	32,496	16.0	203,674	100.0
1983	134,908	65.7	18,501	9.0	30,505	14.9	34,796	17.0	205,322	100.0
1984	134,936	65.2	18,701	9.0	30,653	14.8	36,544	17.7	206,998	100.0
1985	137,461	65.7	18,711	8.9	29,924	14.3	36,741	17.6	209,272	100.0
1986 ¹	138,919	66.0	19,095	9.1	29,014	13.8	36,818	17.5	210,579	100.0
1987 ¹	143,497	67.5	19,919	9.4	25,957	12.2	30,673	14.4	212,495	100.0
1988	144,136	67.2	20,437	9.5	25,009	11.7	32,368	15.1	214,508	100.0
1989	144,716	66.9	20,762	9.6	25,603	11.8	33,039	15.3	216,426	100.0
1990	142,520	65.2	23,821	10.9	25,723	11.8	34,352	15.7	218,551	100.0
1991	142,359	64.5	26,170	11.9	25,034	11.4	35,069	15.9	220,589	100.0
1992 ⁵	141,262	62.5	28,924	12.8	26,017	11.5	38,222	16.9	226,119	100.0
1993	140,439	61.3	31,398	13.7	27,706	12.1	39,349	17.2	228,973	100.0
1994	150,663	65.3	31,177	13.5	20,665	8.9	39,428	17.1	230,838	100.0
1995	152,075	65.4	31,606	13.6	19,051	8.2	40,281	17.3	232,656	100.0

¹ Questionnaire changes effective in 1987 and 1994 make numbers not strictly comparable over time. Beginning with 1987 data, the survey asked all persons over 14, not just workers, about employment-based health coverage, and included additional questions regarding coverage of children. Beginning with 1994 data, the survey included additional questions about private coverage and the order of questions was altered, such that questions about private coverage preceded questions about other forms of health insurance.

² Group health insurance through employer or union.

³ Medicare or Medicaid.

⁴ Private nongroup health insurance, veterans coverage, or military health care.

⁵ Based on revised weights from the 1990 Census.

Note.—Persons may have more than one type of coverage; percents may total to more than 100. Data for 1980 not available because some health-related questions were omitted from the Current Population Survey that year.

Source: Congressional Research Service analysis of data from the March Current Population Surveys, various years.

Between 1979 and 1986, the percent covered by all forms of health insurance decreased, with a decrease of 3 percentage points between 1979 and 1984 and a slight increase between 1984 and 1986, but not to levels shown previously. Between 1979 and 1986, the percent of the population insured by government programs remained roughly stable, and the percents with employment-based and other coverage steadily declined. Between 1987 and 1993, the percent covered also declined by about 3 percentage points, from about 86 percent to 83 percent. During this period, the percent with employment-based coverage continued to decline steadily, the percent with Medicare or Medicaid increased, the percent with other types of coverage declined and then rose to about where it was in 1987, and the percent uninsured continued to steadily increase. Since 1993 the percent covered has been about the same (83 percent). The large changes between 1993 and 1994 in employment-based and other coverage, which includes private nongroup coverage, appear to be a function of changes in the CPS questionnaire.

Differences in coverage between 1986 and 1987, and between 1993 and 1994, are a function both of changes in the CPS questionnaire and actual changes in coverage. Assuming that all differences between 1986 and 1987, and between 1993 and 1994, are due to questionnaire changes and no changes in coverage patterns occurred during these transition periods, we can estimate trends from 1979 to 1995. Over this period, the percent with employment-based coverage decreased by about 9 percentage points. From 1979 through 1986, the percent with employment-based coverage declined by 2.6 percent points, from 68.6 to 66.0 percent. From 1987 through 1993, the decline was 6.2 percentage points. If we assume no change in insurance coverages from 1986 to 1987, and from 1993 to 1994, the total decline from 1979 to 1994 was 8.8 percentage points (i.e., 2.6 percentage points plus 6.2 percentage points). The percent with employment-based coverage increased slightly between 1994 and 1995, from 65.3 to 65.4 percent. Note that the decreases in coverage do not equal the increases in uninsured because some individuals had more than one type of coverage. Similarly, over the 1979–95 period, the percent with Medicaid or Medicare increased by about 4 percentage points, the percent with other types of coverage declined by about 4 percentage points, and the percent uninsured increased by approximately 6 percentage points.

UNCOMPENSATED CARE COSTS IN PPS HOSPITALS, 1980–95

Uncompensated care is a term used to describe services provided to patients who are unable or unwilling to pay. It includes charity care and bad debts. Charity care is care for which no payment is expected. Bad debts are charges not paid by uninsured individuals, including copayments not paid by insured individuals. For this analysis, hospital charges have been adjusted to reflect the cost of care that was provided but not paid for.

Public hospitals and some private institutions receive government operating subsidies that at least partially offset their uncompensated care costs. These subsidies are not always directed specifically toward charity care, but they nonetheless serve to lessen

the burden of a high charity care load. This analysis examines uncompensated care both before and net of government subsidies.

The financial burden of uncompensated care increased substantially in the first half of the 1980s, as shown in table C-29. Between 1980 and 1986, uncompensated care costs before government subsidies grew at an annual rate of 14.7 percent, rising from \$3.9 billion to \$8.9 billion. By 1992, uncompensated care costs had grown to \$14.9 billion. Since 1992, this trend leveled off, with uncompensated care rising at 5.4 percent per year. While uncompensated care was rising rapidly during the 1980s, government subsidies were increasing at a much slower rate. In 1980, the proportion of uncompensated care costs offset by State and local government operating subsidies was 27.8 percent. By 1986, that proportion had fallen to 22.3 percent, and by 1992, subsidies to all community hospitals equalled only 18.9 percent of uncompensated care costs. In the early 1990s, subsidies grew somewhat more rapidly, but they have fallen sharply since 1993, covering only 18.0 percent of uncompensated care costs in 1995. In that year, uncompensated care losses—that is, costs net of government subsidies—totalled \$14.3 billion.

These trends are reflected in chart C-4, which compares uncompensated care costs to total hospital expenses in each year. In 1980, 5.5 percent of the resources expended by community hospitals were for patients who could not or would not pay for their care. After accounting for government subsidies, the uncompensated care burden was 3.9 percent. By 1986, uncompensated care costs hit their peak of 6.4 percent of total expenses, and uncompensated care losses rose to 4.9 percent. In the early 1990s, uncompensated care costs have fallen to just over 6 percent of total expenses, while uncompensated care losses have stayed at 5 percent of total expenses.

The burden of uncompensated care is borne by hospitals in every group, but some types of hospitals devote a higher percentage of their resources than others to this care (see table C-30). Hospitals in urban areas had uncompensated care costs equal to 6.3 percent of their total expenses in 1995, compared with 5.0 percent for rural hospitals. However, hospitals in the major cities also receive the bulk of subsidies from State and local governments, so their uncompensated care losses are lower than their uncompensated care costs.

Among major teaching hospitals (those with at least 0.25 residents per bed), there is a sharp difference between those that are public and those that are privately owned: Public major teaching hospitals in 1995 devoted 18.4 percent of their resources to patients who could not or would not pay, and sustained losses on these patients equal to 9.8 percent of their total costs. Public teaching hospitals with fewer residents per bed sustained even greater losses on uncompensated care, because they receive fewer subsidies than their larger counterparts.

TABLE C-29.—COMMUNITY HOSPITAL UNCOMPENSATED CARE COSTS AND GOVERNMENT OPERATING SUBSIDIES, SELECTED YEARS 1980–95

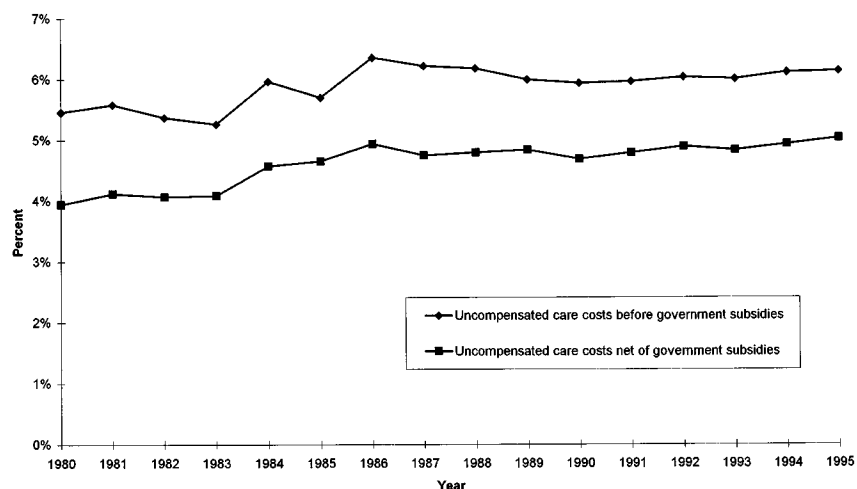
	Amount (billions)						Average annual percent change		
	1980	1986	1992	1993	1994	1995	1980–86	1986–92	1992–95
Uncompensated care costs before government subsidies	\$3.9	\$8.9	\$14.9	\$15.9	\$16.8	\$17.5	14.7	8.9	5.4
Government operating subsidies ¹	1.1	2.0	2.8	3.1	3.2	3.1	10.5	6.0	3.7
Uncompensated care costs net of government subsidies	2.8	6.9	12.1	12.8	13.5	14.3	16.1	9.7	5.8
Proportion of uncompensated care costs covered by government subsidies (in percent)	27.8	22.3	18.9	19.5	19.3	18.0			

¹ Government operating subsidies include all subsidies from State and local government, up to total uncompensated care costs at each hospital.

Note.—Totals may not equal sum of rounded components.

Source: Prospective Payment Assessment Commission analysis of data from the American Hospital Association Annual Survey of Hospitals.

CHART C-4. UNCOMPENSATED CARE AS A PERCENTAGE OF TOTAL COMMUNITY HOSPITAL EXPENSES, 1980-95



Note.—Government operating subsidies include all subsidies from State and local government, up to total uncompensated care costs for each hospital.

Source: Prospective Payment Assessment Commission analysis of data from the American Hospital Association Annual Survey of Hospitals.

Uncompensated care costs and losses are highly concentrated among a relatively small group of hospitals, particularly in urban areas: Urban hospitals that devote at least 45 percent of their total resources to poor patients (including uncompensated care, Medicaid, other indigent care patients, and poor Medicare patients) have a very high share of uncompensated care costs, and sustain losses on nonpaying patients equal to 12.7 percent of their total costs.

The burden of uncompensated care also falls disproportionately on public and voluntary hospitals. Proprietary hospitals provide the least care to nonpaying patients, only 4.1 percent of their total costs.

TABLE C-30.—COMMUNITY HOSPITAL UNCOMPENSATED CARE COSTS AS A PROPORTION OF TOTAL COSTS, BY HOSPITAL GROUP, 1995

[In percent]

Hospital group	Uncompensated care costs, before government subsidies	Uncompensated care costs, net of government subsidies
Urban	6.3	5.3
Rural	5.0	4.6
Major teaching, public	18.4	9.8
Major teaching, private	5.6	5.4
Other teaching, public	12.5	10.4
Other teaching, private	4.3	4.3
Nonteaching, public	6.3	5.0
Nonteaching, private	4.5	4.4
Low-income patient cost share:		
Urban		
Less than 25 percent	3.9	3.9
25 percent–45 percent	6.5	5.9
45 percent+	20.2	12.7
Rural		
Less than 25 percent	4.0	3.8
25 percent–45 percent	6.6	5.9
45 percent+	8.0	6.6
Voluntary	4.6	4.5
Proprietary	4.1	4.1
Urban government	14.6	8.7
Rural government	5.8	4.6

Note.—Government operating subsidies include all subsidies from State and local government, up to total uncompensated care costs at each hospital.

Source: Prospective Payment Assessment Commission analysis of data from the American Hospital Association Annual Survey of Hospitals.

INTERNATIONAL HEALTH SPENDING

This section analyzes trends in health expenditures for 24 Organization for Economic Cooperation and Development (OECD) countries from 1970 to 1995. Table C-31 illustrates total health expenditures as a percentage of gross domestic product (GDP). In 1970, the mean percent of GDP spent on health care by OECD countries was 5.1 percent with the United States being 45 percent higher than the average with 7.4 percent. By 1995, the overall mean percent of GDP devoted to health expenditures had increased to 8.1 percent while U.S. health spending as a share of GDP had increased to 14.1 percent, 74 percent greater than the OECD average.

The second to the last column in table C-31 presents per capita health expenditures denominated in U.S. dollars. The last column illustrates public health expenditures as a percent of total health spending. This public percentage ranged from 44.8 in the United States to 91.8 in Luxembourg. The OECD average was 75.5 percent.

TABLE C-31.—TOTAL HEALTH EXPENDITURES AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT (GDP), PER CAPITA HEALTH SPENDING, AND PERCENTAGE OF MEDICAL EXPENDITURES COVERED BY PUBLIC OECD COUNTRIES FOR SELECTED CALENDAR YEARS 1970–95

Country	1970	1980	1985	1990	1991	1992	1993	1994	1995	Per capita 1995	Percent public
Australia	5.7	7.3	7.7	8.2	8.5	8.8	8.5	8.6	8.4	\$1,609	68.5
Austria	5.4	7.9	8.1	8.4	8.6	8.8	9.3	7.9	7.8	1,573	76.0
Belgium	4.1	6.6	7.4	7.6	8.1	8.2	8.3	8.0	8.1	1,653	87.9
Canada	7.1	7.4	8.5	9.4	10.0	10.3	10.2	9.7	9.9	2,005	71.8
Denmark	6.1	6.8	6.3	6.3	6.6	6.5	6.7	6.4	6.6	1,344	83.4
Finland	5.7	6.5	7.3	8.0	9.1	9.4	8.8	7.7	7.9	1,289	74.8
France	5.8	7.6	8.5	8.9	9.1	9.4	9.8	9.9	9.7	1,868	78.4
Germany	5.9	8.4	8.7	8.3	8.4	8.7	8.6	10.4	10.3	2,020	78.4
Greece	4.0	4.3	4.9	5.3	5.3	5.4	5.7	5.8	5.5	634	76.2
Iceland	5.2	6.4	7.0	8.2	8.4	8.5	8.3	8.2	8.1	1,571	84.0
Ireland	5.6	9.2	8.2	7.0	7.4	7.1	6.7	6.4	7.6	1,201	80.7
Italy	5.2	6.9	7.0	8.1	8.4	8.5	8.5	7.7	8.4	1,559	70.6
Japan	4.6	6.6	6.5	6.6	6.7	6.9	7.3	7.2	6.9	1,454	76.8
Luxembourg	4.1	6.8	6.8	7.2	7.3	7.4	6.9	7.0	6.5	1,962	91.8
Netherlands	6.0	8.0	8.0	8.2	8.4	8.6	8.7	8.8	8.8	1,643	77.7
Norway	5.0	6.6	6.4	7.5	8.0	8.3	8.2	8.0	8.0	1,754	83.0
New Zealand	5.2	7.2	6.5	7.3	7.7	7.7	7.7	7.1	7.1	1,151	76.8
Portugal	3.1	5.9	7.0	5.4	5.9	6.0	7.3	8.2	7.8	939	63.4
Spain	3.7	5.6	5.7	6.6	6.5	7.0	7.3	7.6	7.3	992	78.6
Sweden	7.2	9.4	8.9	8.6	8.5	7.9	7.5	7.2	7.6	1,339	83.0
Switzerland	5.2	7.3	8.1	8.4	9.0	9.3	9.9	9.8	9.5	2,280	71.9
Turkey	NA	4.0	2.8	4.0	4.7	4.1	NA	NA	5.2	272	50.0
United Kingdom	4.5	5.8	6.0	6.2	6.6	7.1	7.1	6.9	6.9	1,213	84.1
United States	7.4	9.2	10.8	12.6	13.2	13.6	14.1	14.2	14.1	3,462	44.8
OECD average	5.1	7.0	7.2	7.6	7.9	8.1	8.3	8.2	8.1	1,533	75.5

NA—Not available.

Source: Schieber, Poulhier, & Greenwald (1994) and Health Care Financing Administration (preliminary unpublished data).

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