

# Private Health Insurance in 1970: Population Coverage, Enrollment, and Financial Experience

by MARJORIE SMITH MUELLER\*

THE PRIVATE HEALTH insurance industry in the United States is made up of three broad categories: Blue Cross and Blue Shield associations, commercial insurance companies, and independent plans. In 1970 these private health insurance organizations provided some protection to approximately four-fifths of the civilian population—against the costs of hospital care and surgical care. For 72 percent of the civilian population, private health insurance met at least part of the cost of physicians' in-hospital visits.

Out-of-hospital services were provided through private health insurance to smaller numbers: 142 million or 70 percent of the civilian population were covered for X-ray and laboratory services, 45 percent for physicians' office and home visits, 50 percent for prescription drugs, and 6 percent for dental care. Private health insurance helped meet the cost of private-duty nursing care for 49 percent of the population, 53 percent were covered at least in part for visiting-nurse service, and 16 percent had coverage for nursing-home care. Insurance coverage for physicians' office and home visits, dental care, and drugs is frequently subject to deductible and coinsurance payments; consequently, the full cost of these health care services is almost never met through insurance.

Most persons aged 65 and over have health insurance coverage through the Federal Government's program of health insurance for the aged—Medicare. Complementary coverage for health expense not covered in full or at all by Medicare was held by almost 10.5 million or 51 percent of all aged persons for hospital care and by 10 million or 49 percent for surgical services.

This article is mainly concerned with the number and percentage of the population under age 65 who have prepayment or insurance coverage of health costs through private health insurance organizations—Blue Cross-Blue Shield plans, insurance companies, community and employer-em-

ployee-union plans (group and individual practice), private group medical and dental clinics, and dental service corporations.

Office of Research and Statistics (ORS) estimates of the net number and the proportion of the population having health insurance coverage for hospital care, surgical services, and other health care services are somewhat lower than estimates of the Health Insurance Association of America (HIAA), an association of insurance companies. Both estimates, however, show a continued growth during 1970 in the number and percentage of the population covered.

Consumer expenditures for private health insurance in 1970 totaled \$17.2 billion in premiums and subscription charges, 17 percent more than in 1969. Benefit expenditures by private health insurance organizations reached \$15.7 billion, 20 percent higher than in 1969. The organizations paid out 92 percent of premium income in benefits, 14 percent went for operating expense, and there was a net underwriting loss of 6 percent of premiums.

## POPULATION COVERAGE

Office of Research and Statistics estimates of the net number (of different persons) and the percentage of the population with some health insurance coverage of the various main types of health care are summarized in table 1. The estimates of net enrollment for hospital and surgical coverage are based on projections of figures obtained from household interview surveys conducted by the National Center for Health Statistics in 1967 and 1968. The Center did not make household interview surveys in 1969, and figures are not yet available from surveys made in 1970. Office of Research and Statistics projections for 1970 are derived from percentage changes from 1969 to 1970 shown in HIAA estimates of net coverage reported.

The estimates for other health care services are

\* Division of Economic and Long-Range Studies Susan Plaks assisted the author with the statistical preparation.

TABLE 1.—Estimates of net number of different persons under private health insurance plans and percent of population covered, by age and specified type of care, as of December 31, 1970

Type of service	All ages		Under age 65		Aged 65 and over	
	Number (in thousands)	Percent of civilian population	Number (in thousands)	Percent of civilian population	Number (in thousands)	Percent of civilian population
Hospital care.....	162,989	80.3	152,567	83.5	10,422	51.3
Physicians' services						
Surgical services.....	157,670	77.7	147,618	80.8	10,052	49.4
In-hospital visits.....	145,589	71.7	137,229	75.1	8,360	41.1
X-ray and laboratory examinations.....	142,441	70.2	134,839	73.8	7,602	37.4
Office and home visits.....	91,581	45.1	87,625	48.0	3,956	19.5
Dental care.....	12,210	6.0	12,079	6.6	131	.6
Prescribed drugs (out-of-hospital).....	100,966	49.7	97,736	53.5	3,230	15.9
Private-duty nursing.....	100,235	49.4	97,017	53.1	3,218	15.8
Visiting-nurse service.....	106,882	52.6	103,064	56.4	3,818	18.8
Nursing-home care.....	32,392	16.0	27,371	15.0	5,021	24.7
HIAA estimates						
Hospital care.....	181,624	89.4	170,214	93.2	11,410	56.1
Surgical services.....	167,850	82.7	158,406	86.7	9,444	46.4

based on the gross total of enrollments reported by health insurance organizations, with estimated deductions for multiple or duplicatory coverages. These deductions are believed to be reasonable in the light of the extent of multiple coverages for hospital care and surgical services.

## ENROLLMENT

Tables 2-4 show the number of persons enrolled by different types of health insurance organizations for each of 11 services, together with estimates of the net number of different persons with some coverage for each of these services. The

TABLE 2.—Enrollment under private health insurance plans for persons of all ages and estimates of the net number of different persons covered, by type of plan and specified type of care, as of December 31, 1970

[In thousands]

Type of plan	Hospital care	Physicians' services				Dental care	Pre-scribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care	Vision care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	Office and home visits						
Total gross enrollment.....	209,787	193,903	159,897	151,956	96,002	12,210	105,885	105,118	112,073	32,989	(1)
Blue Cross-Blue Shield.....	75,464	69,110	64,728	49,864	19,509	275	25,627	23,707	29,964	22,934	238
Blue Cross.....	72,942	3,674	3,608	(1)	1,168	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield.....	2,522	65,236	61,220	(1)	18,341	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies.....	126,192	114,261	85,437	91,660	67,361	6,685	75,437	75,199	75,199	7,915	(1)
Group policies.....	82,712	84,133	71,225	83,666	60,012	6,627	70,396	69,150	69,150	4,582	(1)
Individual policies.....	43,480	30,128	14,212	7,994	7,349	88	5,041	6,049	6,049	3,333	(1)
Independent plans.....	8,131	10,532	9,732	10,432	9,132	5,250	4,821	6,212	6,910	2,140	7,537
Community.....	2,900	4,900	4,900	4,800	4,800	500	2,100	3,700	4,300	340	4,730
Employer-employee-union.....	5,200	5,500	4,700	5,500	4,200	1,700	2,700	2,500	2,600	1,800	2,690
Private group clinic.....	31	132	132	132	132	50	21	12	10	117	(1)
Dental service corporation.....						3,000					
Net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	162,989	157,670	145,589	142,441	91,581	12,210	100,966	100,235	106,882	32,392	(1)
Percent of civilian population <sup>1</sup> .....	80.3	77.7	71.7	70.2	45.1	6.0	49.7	49.4	52.6	16.0	(1)
HIAA.....	181,624	167,850	144,575	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Percent of civilian population <sup>2</sup> .....	89.4	82.7	71.2	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Gross enrollment as percent of different persons covered, as estimated by—											
Office of Research and Statistics.....	128.7	123.0	109.8	106.7	104.8	100.0	104.9	104.9	104.9	101.8	(1)
HIAA.....	115.5	115.5	110.6	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

<sup>1</sup> Data not available

<sup>2</sup> Based on Bureau of the Census estimate of 203,046,000 as of January 1, 1971.

gross enrollment total for persons of all ages for hospital care, reported by or estimated for all organizations, was 209.8 million (table 2). According to projections of the 1968 household-interview survey, 163 million different persons were covered for hospital care in 1970. The gross enrollment equaled 129 percent of the net number of different persons covered—an indication that 47 million, or approximately 22 percent of the gross enrollment of 209.8 million, represented multiple or duplicatory coverage.

Multiple coverage occurs chiefly in these ways: (a) when husband and wife are both employed and both cover self, spouse, and dependents under the insurance plan at the work place; (b) when a person with group coverage under a health insurance plan purchases an individual insurance policy to supplement his group coverage; and (c) when a person not eligible for group coverage holds two or more insurance company individual policies (sometimes a second policy taken to supplement one that provides only meager benefits). A significant share of the individual policies of insurance companies supplement other coverage, it is believed.

Blue Cross plans had 66.8 million persons

under age 65 enrolled for hospital care at the end of 1970 (table 3). Blue Shield plans not cooperating or affiliated with Blue Cross plans reported an enrollment of 2.3 million for that type of care. Insurance companies accounted for 80.7 million persons covered for hospital care under group policies and for 39.6 million policy owners and dependents under individual policies. (The number of policy-holder enrollments is greater than the net number of different persons with coverage because of multiple coverage.) Independent plans—private health insurance organizations other than Blue Cross-Blue Shield plans or insurance companies—covered an estimated 7.6 million persons for hospital care.

### Sources of the Data

Blue Cross and Blue Shield data are supplied by the Blue Cross Association and the National Association of Blue Shield Plans from data reported by the individual plans. The data for insurance companies were compiled by the Health Insurance Association of America from its annual survey of the number of persons covered by insurance companies under group and individual poli-

TABLE 3.—Enrollment under private health insurance plans for persons under age 65 and estimates of the net number of different persons covered, by type of plan and specified type of care, as of December 31, 1970

[In thousands]

Type of plan	Hospital care	Physicians' services				Dental care	Pre-scribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care	Vision care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	Office and home visits						
Total gross enrollment.....	197,038	183,587	150,952	144,278	92,006	12,079	102,623	101,866	108,217	27,918	( <sup>1</sup> )
Blue Cross-Blue Shield.....	69,128	63,066	59,116	45,400	17,811	273	24,498	22,617	28,362	18,206	211
Blue Cross.....	66,850	3,641	3,301	( <sup>1</sup> )	1,107	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Blue Shield.....	2,278	59,425	55,815	( <sup>1</sup> )	16,704	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Insurance companies.....	120,280	110,548	82,685	89,038	65,516	0,581	73,597	73,364	73,364	7,803	( <sup>1</sup> )
Group policies.....	80,685	82,201	69,413	81,317	58,419	6,523	68,679	67,463	67,463	4,470	( <sup>1</sup> )
Individual policies.....	39,595	28,347	13,272	7,721	7,097	58	4,918	5,901	5,901	3,333	( <sup>1</sup> )
Independent plans.....	7,630	9,973	9,151	9,840	8,679	5,225	4,528	5,887	6,491	1,909	7,064
Community.....	2,756	4,696	4,696	4,596	4,595	490	2,013	3,569	4,103	271	4,512
Employer-employee-union.....	4,849	5,168	4,346	5,135	3,975	1,688	2,510	2,308	2,378	1,638	2,450
Private group clinic.....	25	109	109	109	109	47	5	10	10	102	102
Dental service corporation.....						3,000					
Net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	152,567	147,618	137,229	134,839	87,625	12,079	97,736	97,017	103,064	27,371	( <sup>1</sup> )
Percent of civilian population <sup>2</sup> .....	83.5	80.8	75.1	73.8	48.0	6.6	53.5	53.1	56.4	15.0	( <sup>1</sup> )
HIAA.....	170,214	158,406	136,118	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Percent of civilian population <sup>2</sup> .....	93.2	86.7	74.5	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Gross enrollment as percent of net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	129.1	124.4	110.0	107.0	105.0	100.0	105.0	105.0	105.0	102.0	( <sup>1</sup> )
HIAA.....	115.8	115.9	110.9	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )

<sup>1</sup> Data not available.

<sup>2</sup> Based on Bureau of the Census estimate of 182,711,000 as of January 1, 1971.

TABLE 4.—Enrollment under private health insurance plans for persons aged 65 and over and estimates of the net number of different persons covered, by type of plan and specified type of care, as of December 31, 1970

[In thousands]

Type of plan	Hospital care	Physicians' services				Dental care	Pre-scribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care	Vision care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	Office and home visits						
Total gross enrollment.....	12,749	10,316	8,945	7,678	3,996	131	3,262	3,250	3,856	5,071	(1)
Blue Cross-Blue Shield.....	6,336	6,044	5,612	4,464	1,698	2	1,129	1,090	1,602	4,728	27
Blue Cross.....	6,092	233	207	(1)	61	(1)	(1)	(1)	(1)	(1)	(1)
Blue Shield.....	244	5,811	5,405	(1)	1,637	(1)	(1)	(1)	(1)	(1)	(1)
Insurance companies.....	5,912	3,713	2,752	2,622	1,845	104	1,840	1,835	1,835	112	(1)
Group policies.....	2,027	1,932	1,812	2,349	1,593	104	1,717	1,687	1,687	112	(1)
Individual policies.....	3,885	1,781	940	273	252		123	148	148		(1)
Independent plans.....	501	659	581	592	453	25	293	325	419	231	473
Community.....	144	204	204	204	205	10	87	131	197	69	218
Employer-employee union.....	351	332	354	365	225	12	190	192	222	162	240
Private group clinic.....	6	23	23	23	23	3	16	2			15
Dental service corporation.....											
Net number of different persons covered, as estimated by—											
Office of Research and Statistics.....	10,422	10,052	8,360	7,602	3,956	131	3,230	3,218	3,818	5,021	(1)
Percent of civilian population <sup>1</sup> .....	51.3	49.4	41.1	37.4	19.5	0.6	15.9	15.8	18.8	24.7	(1)
HIAA.....	11,410	9,444	8,457	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Percent of civilian population <sup>1</sup> .....	56.1	46.4	41.6	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Gross enrollment as percent of net number of different persons covered by—											
Office of Research and Statistics.....	122.3	102.6	107.0	101.0	101.0	100.0	101.0	101.0	101.0	101.0	
HIAA.....	111.7	109.2	105.8								

<sup>1</sup> Data not available.

<sup>2</sup> Based on Bureau of the Census estimate of 20,334,000 as of January 1, 1971.

cies. The data for independent health insurance plans are Office of Research and Statistics estimates based on its annual survey of these plans. A full survey of all known plans of this type was made in 1969 to obtain 1968 data.<sup>1</sup> Estimates for the year 1970<sup>2</sup> have been made on the basis of changes from 1969 to 1970 in a small number of the larger plans.

The net number of persons under age 65 with hospital coverage at the end of 1970 is estimated as 153 million or 83.5 percent of the civilian population. Surgical coverage was estimated at 148 million, or 81 percent. These estimates are ORS projections of the 1968 household-interview survey figures.<sup>3</sup> The estimates for 1969 were obtained by increasing 1968 household-interview figures for hospital and for surgical coverage by the percent-

age changes reported by HIAA in its estimates of net coverage—3 percent and 4 percent, respectively. The 1970 projections are based on increases of 3.5 percent in enrollment of persons under age 65 shown by HIAA for hospital services and 3 percent for surgical services over 1969 estimates. Estimates for the net number of persons over age 65 were arrived at in a similar manner; the HIAA increase in 1969 was 7 percent for hospital services and 4 percent for surgical benefits; for 1970 the percentages were 5 percent and 7 percent, respectively.

Estimates of the net number of persons with coverage of other services have been made by assuming the ratios of gross enrollment to the number covered. For those under age 65, these ratios were 110 percent for in-hospital visits of physicians; 107 percent for X-ray and laboratory examinations; 105 percent for physicians' office and home visits, drugs, private-duty nursing, and visiting-nurse service; and 102 percent for nursing-home care. (It is assumed that there is as yet no duplicatory coverage of dental care.) The ratios are believed to be reasonable since the extent of multiple coverage is presumably much greater for hospital care and surgical services than it is for other items of health care.

For persons aged 65 and over who are covered

<sup>1</sup> See Louis S. Reed, *Health Insurance Plans Other Than Blue Cross or Blue Shield Plans or Insurance Companies, 1969 Survey* (Research Report No. 35), Social Security Administration, Office of Research and Statistics, 1970.

<sup>2</sup> See Marjorie Smith Mueller, *Independent Health Insurance Plans in 1970* (a forthcoming Research and Statistics Note), Office of Research and Statistics, 1972.

<sup>3</sup> "Hospital and Surgical Insurance Coverage Among Persons Under 65 Years of Age in the United States, 1968," *Monthly Vital Statistics Report*, National Center for Health Statistics, Public Health Service, February 2, 1970.

for services other than hospital care and surgery, the estimates of the net numbers are derived in a similar manner but with the assumption of a lower rate of multiple coverage: 107 percent for physicians' in-hospital visits and 101 percent for X-ray and laboratory services, physicians' office and home visits, private-duty nursing, visiting-nurse service, nursing-home care, and drugs. For persons of all ages, the estimates are obtained by combining the estimates for persons under age 65 and for persons aged 65 and over.

Insurance company estimates are reported as in past years. The HIAA provides estimates of net coverage of persons under age 65 and persons aged 65 and over for hospital, surgical, and non-surgical medical expense coverage—basic coverage of physicians' visits in the hospital, physicians' visits in the office, home, and hospital, and out-of-hospital X-ray and/or laboratory examinations. The nonsurgical medical expense estimate is used for in-hospital medical visits.

The percentage distribution of gross total enrollment among the carriers in 1970 is shown in table 5. For persons of all ages, Blue Cross-Blue Shield plans have 36 percent of total enrollment for hospital care and insurance companies have 60 percent. For independent plans, the share of gross enrollment is 4 percent. Enrollment under group insurance policies was almost twice as large as that under individual policies.

The relationship runs about the same for surgical services, with group insurance policies almost three times individual policies. For X-ray and laboratory examinations, insurance companies had 60 percent of the enrollment, with group policies almost 11 times as frequent as individual policies. Blue Cross-Blue Shield plans held 33 percent of the enrollment, and independent plans had 7 percent. Insurance companies held 53 percent of enrollment for in-hospital visits.

Insurance companies had more than two-thirds of the enrollment for all other services except for nursing-home care and dental care. Blue Cross-Blue Shield plans accounted for 70 percent of the enrollment for nursing-home care, and independent plans held more than two-fifths of the enrollment for dental care but less than 10 percent for all other services.

The distribution pattern was somewhat the same for persons under age 65 as for those of all ages. Among those aged 65 and over, however, there was a distinct shift: Blue Cross-Blue Shield plans accounted for a much larger share of enrollment for all types of services, except dental care.

### Historical Data

The data in tables 6 and 7 give the gross enrollment of health insurance organizations and estimates of the net number of persons and percent-

TABLE 5—Percentage distribution of total gross enrollment under private health insurance plans, by age, type of plan, and specified type of care, as of December 31, 1970

Age group and type of plan	Hospital care	Physicians' services				Dental care	Pre-scribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	Office and home visits					
Total, all ages.....	100 0	100 0	100.0	100 0	100 0	100 0	100.0	100.0	100 0	100.0
Blue Cross-Blue Shield.....	36.0	35 7	40.5	32.8	20.3	2.2	24.2	22.6	26.7	69.5
Insurance companies.....	60.1	58.9	63.4	60.3	70.2	54.8	71.2	71.5	67.1	24.0
Group policies.....	39 4	43.4	44.5	55.0	62.5	54 3	66.4	65.8	61.7	13.9
Individual policies.....	20 7	15.5	8 9	5.3	7.7	.5	4.8	5.7	5.4	10.1
Independent plans.....	3.9	5 4	6.1	6.9	9.5	43.0	4.6	5.9	6.2	6.5
Under age 65, total.....	100.0	100.0	100 0	100 0	100 0	100.0	100 0	100.0	100.0	100.0
Blue Cross-Blue Shield.....	35.1	34.4	39.1	31.5	19.4	2.3	23.9	22.2	26.2	65.2
Insurance companies.....	61.0	60.2	64 8	61.7	71.2	54.5	71.7	72.0	67.8	28.0
Group policies.....	40 9	44.8	46.0	58.4	63.5	54.0	66.9	66.2	62.3	16.0
Individual policies.....	20.1	15.4	8 8	5 3	7.7	.5	4.8	5.8	5.5	12.0
Independent plans.....	3.9	5.4	6 1	6 8	9.4	43.2	4.4	5.8	6.0	6.8
Aged 65 and over, total.....	100.0	100.0	100 0	100 0	100 0	100 0	100 0	100 0	100 0	100.0
Blue Cross-Blue Shield.....	49 7	58.6	62 7	58.1	42.5	1.5	34.6	33.5	41.5	93.2
Insurance companies.....	46 4	36.0	30 8	34.2	46.2	79.4	56.4	56.5	47.6	2.2
Group policies.....	15 9	18.7	20 3	30.6	39.9	79.4	62.6	61.9	43.8	2.2
Individual policies.....	30.5	17.3	10 5	3.6	6.3	-----	3.8	4.6	3.8	-----
Independent plans.....	3.9	5 4	6 5	7.7	11.3	19.1	9.0	10.0	10.9	4.6

**TABLE 6.—Hospital benefits: Gross enrollment under private health insurance plans for persons of all ages and estimates of the net number of different persons covered, by type of plan, 1940-70**

[In thousands]

End of year	Gross enrollments												Net number of different persons covered, as estimated by—				Gross enrollment as percent of net, estimated by—		
	Total	Blue Cross-Blue Shield			Insurance companies			Independent plans					Household surveys <sup>1</sup>		HIAA				
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	Total	Community	Employer-employee union	Medical society	Private group clinic	Number	Percent of civilian population	Number <sup>2</sup>	Percent of civilian population			
																			Household surveys
1940.....	12,022	6,072	6,012	60	3,700	2,500	1,200	2,250	140	1,560	110	440	-----	-----	12,312	9.3	-----	-----	97.6
1945.....	32,135	18,961	18,881	80	10,504	7,804	2,700	2,670	420	1,660	200	390	-----	-----	32,068	24.0	-----	-----	100.2
1950.....	81,691	37,645	37,435	210	39,601	22,305	17,296	4,445	1,445	2,280	500	220	-----	-----	76,639	50.7	-----	-----	106.6
1955.....	118,629	48,924	47,719	1,205	63,160	39,029	24,131	6,545	2,920	3,220	360	45	-----	-----	105,452	64.1	-----	-----	112.5
1960.....	148,863	57,464	55,938	1,526	85,405	55,218	30,187	5,994	1,604	4,000	340	50	-----	-----	130,007	72.3	-----	-----	114.5
1961.....	153,026	57,960	56,489	1,471	87,964	57,013	30,951	7,102	1,851	4,850	344	57	-----	-----	134,417	73.7	-----	-----	113.8
1962.....	158,629	59,618	58,133	1,485	92,074	59,153	32,921	6,937	1,830	4,703	344	60	129,800	70.0	139,176	75.1	122.2	-----	114.0
1963.....	165,142	60,698	59,141	1,557	97,279	62,817	34,462	7,165	1,947	4,814	344	60	126,047	67.0	144,575	76.8	131.0	-----	114.2
1964.....	169,632	62,429	60,478	1,951	100,363	64,506	35,857	6,840	1,859	4,785	8	188	-----	-----	148,338	77.8	-----	-----	114.4
1965.....	175,122	63,662	61,651	2,012	104,476	67,104	37,372	6,984	1,954	4,971	8	51	-----	-----	153,133	79.4	-----	-----	114.4
1966.....	180,482	65,638	63,408	2,230	108,211	69,570	38,641	6,633	1,964	4,618	8	51	-----	-----	158,022	81.1	-----	-----	114.2
1967.....	185,822	67,513	65,188	2,325	111,259	73,351	37,908	7,050	2,900	4,700	-----	50	146,131	74.3	162,853	82.8	127.2	-----	114.1
1968.....	193,556	70,510	67,958	2,552	115,768	76,059	39,709	7,277	2,607	4,749	-----	20	152,117	76.5	169,497	85.3	127.2	-----	114.2
1969.....	202,475	73,211	70,620	2,591	121,562	80,093	41,469	7,702	2,672	5,000	-----	30	157,305	78.3	175,221	87.2	128.7	-----	115.6
1970.....	209,787	75,464	72,942	2,522	126,192	82,712	43,480	8,131	2,900	5,200	-----	31	162,989	80.3	181,624	89.4	128.7	-----	115.5

<sup>1</sup> Number estimated by applying percentages to total civilian population. Percentages projected to end of year and rounded, except for 1967, 1968, 1969, and 1970 data.

<sup>2</sup> Estimate exceeds gross enrollment for early years because HIAA data include estimated enrollment of college and university health services.

<sup>3</sup> Estimated by applying HIAA percentage increase in net enrollment from 1968 to 1969 to the NCHS figure for 1968.

<sup>4</sup> Estimated by applying HIAA percentage increase in net enrollment from 1969 to 1970 to the 1969 estimate.

age of population with some coverage of hospital care and surgical services during 1940-70. The gross enrollments are the total of enrollments for all carriers, with no deduction for duplication

among insurance companies. The data on the net number of persons covered are those reported by various household surveys from time to time during the period. The 1969 and 1970 data are

**TABLE 7.—Surgical benefits: Gross enrollment under private health insurance plans for persons of all ages and estimates of the net number of different persons covered, by type of plan, 1940-70**

[In thousands]

End of year	Gross enrollments												Net number of different persons covered, estimated by—				Gross enrollment as percent of net, estimated by—		
	Total	Blue Cross-Blue Shield			Insurance companies			Independent plans					Household surveys <sup>1</sup>		HIAA				
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	Total	Community	Employer-employee union	Medical society	Private group clinic	Number	Percent of civilian population	Number <sup>2</sup>	Percent of civilian population			
																			Household surveys
1940.....	4,790	260	-----	260	2,280	1,430	850	2,250	200	1,480	110	400	-----	-----	5,350	4.1	-----	-----	89.5
1945.....	12,092	2,335	127	2,208	7,337	5,537	1,800	2,420	350	1,460	200	410	-----	-----	12,890	9.6	-----	-----	93.8
1950.....	55,950	17,253	1,151	16,102	34,937	21,219	13,718	3,760	940	1,950	600	270	-----	-----	54,156	35.8	-----	-----	100.3
1955.....	101,819	37,395	3,194	34,201	58,494	39,725	18,789	5,930	2,130	3,200	430	170	-----	-----	88,856	54.0	-----	-----	114.6
1960.....	134,118	48,266	3,773	44,493	78,516	55,504	23,012	7,336	2,780	4,020	346	210	-----	-----	117,304	65.0	-----	-----	114.3
1961.....	140,103	49,374	3,048	46,326	82,235	57,373	24,862	8,494	3,028	4,891	346	231	116,788	64.0	122,951	67.4	120.0	-----	114.0
1962.....	144,441	50,876	2,814	48,062	85,278	60,787	25,491	8,287	3,003	4,695	348	243	120,528	65.0	128,900	68.4	119.8	-----	113.8
1963.....	151,240	52,371	2,740	49,631	90,261	63,288	26,973	8,608	3,206	4,906	346	250	-----	-----	131,954	70.1	-----	-----	114.6
1964.....	155,215	54,473	3,222	51,251	92,445	64,939	27,506	8,297	3,111	4,968	10	208	-----	-----	135,433	71.0	-----	-----	114.6
1965.....	161,810	56,330	3,660	52,669	96,796	67,557	29,239	8,684	3,400	5,068	10	208	-----	-----	140,462	72.8	-----	-----	115.2
1966.....	165,810	57,916	3,417	54,499	99,589	70,268	29,301	8,325	3,528	4,601	-----	198	-----	-----	144,715	74.3	-----	-----	114.6
1967.....	172,050	60,433	3,416	57,017	103,037	74,318	28,719	8,580	3,900	4,500	-----	180	142,437	72.4	150,393	76.4	120.8	-----	114.4
1968.....	177,647	63,279	3,464	59,815	105,616	77,415	28,201	8,752	4,132	4,476	-----	143	146,295	73.6	155,725	78.3	121.4	-----	114.1
1969.....	187,005	66,595	3,623	62,966	110,460	81,363	29,097	9,950	4,800	5,900	-----	150	152,314	75.8	162,144	80.7	122.8	-----	115.3
1970.....	193,903	69,110	3,874	65,236	114,261	84,133	30,128	10,532	4,900	5,500	-----	132	157,670	77.7	167,850	82.7	123.0	-----	115.6

<sup>1</sup> See footnote 1, table 6.

<sup>2</sup> See footnote 2, table 6.

<sup>3</sup> See footnote 3, table 6.

<sup>4</sup> See footnote 4, table 6.

projections of the 1968 household-interview figures, as noted earlier.

Blue Cross-Blue Shield enrollment for hospital and surgical care continues to grow at about the same rate as in recent years. In 1970, insurance company enrollments for hospital care showed a slightly higher growth rate in individual business than in group business. The highest rate of growth—almost 6 percent for hospital care—was in independent plans, whose past growth rate has been fairly constant. Community plans had the greatest increase—9 percent.

The difference of several points between the HIAA estimates and the other estimates of the proportion of the net population with health insurance continues to stand out very clearly. This article examines the ratio of total gross enrollments to the estimates of net enrollment by HIAA, as well as the ratio of gross enrollments to ORS and household-interview survey estimates of net coverage.

The HIAA estimates did not take duplicating coverages into account until 1947. By 1960, the

Association's ratio of gross enrollment to net enrollment had leveled off at about 114 percent. The various household surveys have found a substantially larger ratio in the past few years—122–131 percent for hospital benefits and 120–123 percent for surgical care. The difference between HIAA estimates and the household-survey figures may result from a combination of HIAA overstatement of enrollments reported by health insurance organizations and underreporting in the household surveys.

For persons under age 65 and for those aged 65 and over, data on enrollments and estimates of the net population covered are presented separately in tables 8 and 9. The separate data are significant because of the changing health insurance picture since the start of Medicare operations in mid-1966.

For the population under age 65, gross total enrollments for hospital care rose more than 40 percent in the 1960's and enrollment for surgical care increased 44 percent. The 1970 increase was about 4 percent. This growth has been fairly

TABLE 8.—Hospital benefits: Gross enrollment under private health insurance plans and estimates of the net number of different persons covered, by age and type of plan, 1960–70

[In thousands]

End of year	Gross enrollments					Net number of different persons covered, estimated by—				Gross enrollment as percent of net, estimated by—	
	Total	Blue Cross-Blue Shield	Insurance companies		Independent plans	Household surveys		HIAA		Household surveys	HIAA
			Group policies	Individual policies		Number	Percent of civilian population	Number	Percent of civilian population		
Under age 65											
1960.....	139,855	53,070	53,718	27,487	5,580	-----	-----	120,772	74.1	-----	115.8
1961.....	142,576	52,750	55,263	27,951	6,612	-----	-----	124,595	75.4	-----	114.4
1962.....	146,626	54,194	56,853	29,121	6,468	120,220	72.3	128,877	76.8	122.0	114.0
1963.....	152,822	55,072	60,417	30,662	6,671	-----	-----	133,267	78.2	-----	114.7
1964.....	157,083	56,663	62,006	32,057	6,357	-----	-----	( <sup>1</sup> )	( <sup>1</sup> )	-----	-----
1965.....	162,461	57,884	64,504	33,572	6,301	-----	-----	141,400	81.0	-----	114.9
1966.....	170,053	60,575	67,546	35,729	6,203	-----	-----	148,589	84.4	-----	114.4
1967.....	175,672	62,103	71,279	35,670	6,620	137,617	77.4	153,768	86.5	127.7	114.2
1968.....	182,440	65,086	74,128	36,451	6,775	142,837	79.6	159,335	86.8	127.7	114.5
1969.....	190,320	67,251	78,194	37,621	7,254	<sup>2</sup> 147,408	81.3	164,383	90.7	129.1	115.8
1970.....	197,038	69,128	80,685	39,595	7,630	<sup>3</sup> 152,567	83.5	170,214	93.2	129.1	115.8
Aged 65 and over											
1960.....	9,008	4,394	1,500	2,700	414	-----	-----	9,235	54.8	-----	97.5
1961.....	10,450	5,210	1,750	3,000	490	-----	-----	9,822	57.2	-----	106.4
1962.....	12,003	5,424	2,300	3,800	479	9,125	54.1	10,299	59.1	131.5	116.5
1963.....	12,320	5,626	2,400	3,800	494	-----	-----	11,308	63.8	-----	108.9
1964.....	12,538	5,766	2,500	3,800	472	-----	-----	( <sup>1</sup> )	( <sup>1</sup> )	-----	-----
1965.....	12,661	5,778	2,600	3,800	483	-----	-----	11,700	63.9	-----	108.2
1966.....	10,439	5,073	2,024	2,912	430	-----	-----	9,433	50.6	-----	110.7
1967.....	10,150	5,410	2,072	2,238	430	8,514	45.0	9,085	47.8	119.2	111.7
1968.....	11,115	5,424	1,931	3,258	502	<sup>4</sup> 9,280	48.5	10,162	52.6	119.8	109.4
1969.....	12,155	5,960	1,899	3,848	448	<sup>5</sup> 9,897	50.4	10,938	55.2	122.8	112.2
1970.....	12,749	6,336	2,027	3,885	501	<sup>6</sup> 10,422	51.3	11,410	56.1	122.3	111.7

<sup>1</sup> Data not available.

<sup>2</sup> See footnote 3, table 6.

<sup>3</sup> See footnote 4, table 6.

<sup>4</sup> Estimated on basis of percentage increase in gross enrollment from the preceding year.

<sup>5</sup> Estimated on basis of HIAA percentage increase in net enrollment from the preceding year.

<sup>6</sup> In the Current Medicare Survey of the Social Security Administration, 53 percent of those enrolled for supplementary medical insurance were reported as having private hospital insurance as of Jan. 1, 1971.

TABLE 9—Surgical benefits: Gross enrollment under private health insurance plans and estimates of the net number of different persons covered, by age and type of plan, 1960-70

[In thousands]

End of year	Gross enrollments					Net number of different persons covered, estimated by—				Gross enrollment as percent of net, estimated by—	
	Total	Blue Cross-Blue Shield	Insurance companies			Household surveys		HIAA		Household surveys	HIAA
			Group policies	Individual policies	Independent plans	Number	Percent of civilian population	Number	Percent of civilian population		
Under age 65											
1960	127,386	45,226	54,104	21,212	6,844	-----	-----	109,452	67.2	-----	116.4
1961	132,209	45,649	55,673	22,962	7,925	-----	-----	114,645	69.3	-----	115.3
1962	134,609	46,599	57,487	22,791	7,732	113,569	68.3	(1)	(1)	118.5	-----
1963	139,278	46,086	60,888	24,273	8,031	-----	-----	122,112	71.6	-----	114.1
1964	144,811	49,825	62,439	24,806	7,741	-----	-----	(1)	(1)	-----	-----
1965	150,946	51,348	64,957	26,539	8,102	-----	-----	130,100	74.5	-----	118.0
1966	157,504	53,613	68,574	27,479	7,838	-----	-----	137,448	78.1	-----	114.6
1967	163,643	56,020	72,583	26,965	8,075	134,061	75.4	142,828	80.3	122.9	114.6
1968	168,588	58,390	75,619	26,300	8,279	137,224	76.5	147,252	82.1	122.9	114.5
1969	178,716	60,499	79,571	27,196	9,450	142,502	78.8	153,304	84.6	123.6	115.3
1970	183,587	63,066	82,201	28,347	9,973	147,618	80.8	158,406	86.7	124.4	115.9
Aged 65 and over											
1960	6,732	3,040	1,400	1,800	492	-----	-----	7,852	46.6	-----	85.7
1961	7,894	3,725	1,700	1,900	569	-----	-----	8,306	48.4	-----	95.0
1962	9,832	4,277	2,300	2,700	555	7,792	46.2	(1)	(1)	126.2	(1)
1963	9,962	4,285	2,400	2,700	577	-----	-----	9,842	55.6	-----	101.2
1964	10,404	4,648	2,500	2,700	566	-----	-----	(1)	(1)	-----	(1)
1965	10,864	4,982	2,600	2,700	582	-----	-----	10,400	56.8	-----	104.5
1966	8,307	4,304	1,694	1,822	487	-----	-----	7,207	39.0	-----	114.3
1967	8,407	4,413	1,735	1,754	505	8,376	44.1	7,508	39.8	100.4	111.1
1968	9,059	4,889	1,796	1,901	473	9,021	46.7	8,473	43.8	100.4	106.9
1969	10,289	6,096	1,792	1,901	500	9,412	47.9	8,840	45.0	109.3	116.4
1970	10,316	6,044	1,932	1,781	559	10,052	49.4	9,444	46.4	102.6	109.2

1 Data not available  
 2 See footnote 3, table 6  
 3 See footnote 4, table 6  
 4 See footnote 4, table 8

5 See footnote 5, table 8  
 6 In the Current Medicare Survey of the Social Security Administration, 46 percent of those enrolled for supplementary medical insurance were reported as having private surgical insurance as of Jan. 1, 1971.

steadily over the decade, ranging from about 2 percent to 4 percent a year.

The picture is different for persons aged 65 and over. The number and proportion covered by private health insurance reached their maximums in 1965 and fell off with the advent of Medicare. Total enrollments for hospital care dropped only 18 percent by the end of 1966, however—an indication that the great majority of the aged with private health insurance retained their insurance, shifting to policies or plans complementary to Medicare. After a further slight decline in 1967, enrollment rose in 1968, 1969, and 1970. The percentage of the aged population with private insurance coverage also increased in those years.

The steadily broadening scope of benefits under private health insurance is shown in table 10, which gives data on net enrollment and percent of population covered by type of health care benefit. For all ages, coverage for X-ray and laboratory examinations, prescribed drugs, and private-duty nursing and visiting-nurse service has more than doubled since 1962; net enrollment for physicians'

office and home visits went up 61 percent; nursing-home care covered more than six times as many persons; and dental care jumped more than twelfefold.

The expansion in the areas of physicians' office and home visits, private-duty nursing, and, to some extent, X-ray and laboratory examinations and prescribed drugs comes largely through increased coverage under supplementary major medical and comprehensive insurance policies and extended-benefit contracts under Blue Cross-Blue Shield plans. Some of the expansion for X-ray and laboratory examinations and for prescribed drugs—and for dental care as well—came through self-insured employer-employee-union plans and community plans—both group practice and individual practice. It is clear, however, that all private health insurance organizations are tending to broaden the scope of their basic coverage.

Table 11 shows, for coverage of persons of all ages, the annual growth since 1955 in the number of persons under major medical policies of insurance companies and under supplementary major



medical and comprehensive extended-benefit contracts of Blue Cross-Blue Shield plans. In 1970 group insurance policies covered twelve times the number covered under individual insurance policies, with supplementary major medical coverage outnumbering comprehensive coverages 3 to 1. Almost seven times as many persons were covered under Blue Cross-Blue Shield supplementary major medical plans as the number covered under Blue Cross-Blue Shield comprehensive extended-benefit plans.

Beginning in 1967, major medical coverage has increased at a faster pace under Blue Cross-Blue Shield plans than under insurance policies. The growth rate under individual insurance policies, however, stepped up rapidly from 1966 to 1969, indicating that individual policies are frequently

purchased as a supplement to a basic Blue Cross-Blue Shield plan or a group insurance plan. In 1970 there was a slowdown in the growth rate that may be due to the excessive cost of these policies.

With minor exceptions—mostly in the area of drugs—-independent health insurance plans do not provide coverage of the major medical type. The community plans generally provide comprehensive physicians' services and usually complete coverage of hospital care. A very small number of the employer-employee-union plans have major medical coverage.

Considerable emphasis is now focused on promoting health maintenance organizations as a more effective approach to health care. Group practice plans are of special interest since they

TABLE 10—Estimates of the net number of different persons under private health insurance plans and percent of population covered, by age and specified type of care, 1962-70

End of year	Hospital care	Physicians' services				Dental care	Prescribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care
		Surgical services	In-hospital visits	X-ray and laboratory examinations	Office and home visits					
All ages										
Number (in thousands):										
1962	129,800	120,528	( <sup>1</sup> )	65,671	56,986	1,006	47,907	46,143	43,203	4,975
1965	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	79,500	68,400	3,100	53,200	56,000	60,100	9,900
1966	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	90,000	73,706	4,227	65,544	68,722	79,004	17,614
1967	146,131	142,437	( <sup>1</sup> )	92,480	78,565	4,679	71,201	76,080	81,771	18,754
1968	152,117	146,295	128,174	97,703	85,311	5,821	79,280	83,485	90,523	19,046
1969	157,305	152,314	133,914	125,002	84,511	8,510	89,805	91,211	100,343	28,044
1970	162,989	157,670	145,589	142,441	91,581	12,210	100,966	100,235	106,882	32,392
Percent of civilian population <sup>1</sup> :										
1962	70.0	65.0	( <sup>1</sup> )	35.0	31.0	0.5	26.0	25.0	23.0	3.0
1965	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	41.2	32.9	1.6	27.6	29.0	31.2	5.1
1966	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	48.0	37.9	2.2	33.7	35.0	40.6	9.2
1967	74.3	72.4	( <sup>1</sup> )	47.0	39.9	2.4	36.2	38.7	41.6	9.2
1968	76.5	73.6	64.5	49.2	42.9	2.9	39.9	42.0	45.5	9.6
1969	78.3	75.8	66.6	62.2	42.1	4.2	44.7	45.4	49.9	14.0
1970	80.3	77.7	71.7	70.2	45.1	6.0	49.7	49.4	52.6	16.0
Under age 65										
Number (in thousands):										
1967	137,617	134,061	116,656	88,926	75,785	4,596	69,363	73,857	79,302	15,873
1968	142,837	137,274	121,104	93,714	82,295	5,719	76,748	81,309	87,697	16,921
1969	147,408	142,902	126,190	117,472	77,916	8,385	86,880	88,024	96,885	23,962
1970	152,567	147,618	137,229	134,839	87,625	12,079	97,736	97,017	103,084	27,371
Percent of civilian population										
1967	77.4	75.4	65.6	50.0	42.6	2.6	39.0	41.5	44.6	8.9
1968	79.6	76.5	67.5	52.2	45.9	3.2	42.8	45.3	48.9	9.4
1969	81.3	78.8	69.6	64.8	43.0	4.6	47.9	48.5	53.4	13.2
1970	83.5	80.8	75.1	73.8	48.0	6.6	53.5	53.1	56.4	15.0
Aged 65 and over										
Number (in thousands)										
1967	8,514	8,376	5,905	3,554	2,780	83	1,838	2,223	2,470	2,881
1968	9,280	9,021	7,070	3,989	3,016	102	2,532	2,176	2,826	2,125
1969	9,897	9,412	7,724	7,530	6,595	125	2,925	3,187	3,468	4,082
1970	10,422	10,052	8,360	7,602	3,956	131	3,230	3,218	3,818	5,021
Percent of civilian population										
1967	45.0	44.0	31.1	18.7	14.6	0.4	9.7	11.7	13.0	15.2
1968	48.5	46.7	36.6	20.6	15.6	.5	13.1	11.3	14.6	11.0
1969	50.4	47.9	39.3	38.3	33.6	.6	14.9	16.2	17.6	20.8
1970	51.3	49.4	41.1	37.4	19.5	.6	15.9	15.8	18.8	24.7

<sup>1</sup> Data not available.

TABLE 11.—Number of persons covered under major medical policies of insurance companies and under supplementary major medical and comprehensive extended-benefits contracts of Blue Cross-Blue Shield plans, 1955-70

[In thousands]

End of year	Total	Insurance companies				Blue Cross-Blue Shield plans <sup>1</sup>		
		Group policies			Individual policies	Total	Supplementary major medical	Comprehensive extended benefit
		Total	Supplementary	Comprehensive				
1955.....	5,241	4,759	3,928	831	482			
1960.....	27,448	25,608	17,285	8,323	1,840	3,713	3,020	693
1961.....	34,138	31,517	22,281	9,236	2,821	5,059	4,015	1,044
1962.....	38,250	35,053	25,301	9,752	3,197	7,501	5,088	1,735
1963.....	42,441	38,699	28,248	10,451	3,742	(?)	(?)	(?)
1964.....	47,001	42,579	31,772	10,807	4,422	(?)	(?)	(?)
1965.....	51,946	47,269	35,988	11,281	4,877	<sup>2</sup> 14,600	(?)	(?)
1966.....	56,742	52,002	39,685	12,317	4,740	14,352	10,409	3,943
1967.....	62,226	57,447	43,899	13,548	4,779	16,279	12,408	3,871
1968.....	66,861	61,738	46,935	14,803	5,123	17,807	14,078	3,729
1969.....	72,292	66,630	49,875	16,755	5,662	20,328	16,666	3,662
1970.....	78,217	72,315	54,085	18,230	5,902	24,905	21,658	3,247

<sup>1</sup> Comparable data not available for earlier years; before 1965, data shown are for Blue Cross plans only, beginning 1965, data jointly developed by Blue Cross Association and National Association of Blue Shield Plans on unduplicated number of persons covered

<sup>2</sup> Data not available.

<sup>3</sup> Data for Blue Cross plans plus an estimated 1,600,000 in Blue Shield plans not affiliated with Blue Cross

are a type of health maintenance organization and would be important links of any national health insurance scheme. Group practice as a method of organization and delivery of health care is being studied from the standpoint of improved quality of care and savings in cost—through better utilization of both hospital facilities and physicians' services—and as a source of comprehensive and preventive care. Since 1953 enrollment in group plans has roughly doubled for hospital care, surgical services, and dental care (table 12). In the last 4 years growth is estimated at 49 percent for hospital care, 34 percent for surgical services, 32 percent for in-hospital physicians' visits, and 31 percent for physicians' visits in office, clinic, and health center. The growth in prescription drugs enrollment has been

especially rapid during the 2 preceding years—about 24 percent each year.

On the question of hospital utilization, comparing the experience of the service and indemnity plans under the Federal Employees' Health Benefits (FEHB) program with the experience of prepayment plans has been enlightening. The following figures show that in 1968 enrollees in the

Type of plan	Hospital days per 1,000 covered persons
United States	
Blue Cross-Blue Shield.....	924
Indemnity.....	987
Group practice.....	422
Individual practice.....	471

Source: George S. Perrott, *The Federal Employees Health Benefits Program: Enrollment and Utilization of Health Services, 1961-1968*, U S Department of Health, Education, and Welfare, Health Services and Mental Health Administration, May 1971

TABLE 12.—Private health insurance enrollment under group-practice prepayment plans, by specified type of care, 1953-70

[In thousands]

Year	Hospital care	Physicians' services			Dental care	Drugs
		Surgical services	In-hospital visits	Office, clinic, or health center		
1953.....	1,802	2,410	2,607	2,853	452	(1)
1956.....	2,428	3,177	3,399	3,395	248	(1)
1959.....	2,526	3,280	3,400	3,694	318	(1)
1961.....	2,586	3,484	3,643	3,643	398	518
1964.....	2,695	3,604	3,176	3,844	438	889
1966.....	2,771	3,763	3,430	4,158	(1)	(1)
1967.....	3,060	4,130	3,760	4,480	(1)	(1)
1968.....	3,043	4,051	3,730	4,404	518	1,382
1969.....	3,730	4,750	4,210	5,050	870	1,720
1970.....	4,131	5,032	4,532	5,432	862	2,121

<sup>1</sup> Data not available.

FEHB's group-practice plans were hospitalized about half as many days as those in the nationwide service plan provided by Blue Cross-Blue Shield and less than half the days of those in the nationwide indemnity plan provided by the Aetna Life Insurance Company.

Hospital use among enrollees in individual-practice prepayment plans was only slightly higher than it was among those in group-practice plans. Individual-practice prepayment plans differ from group plans in that the participating physicians contract individually to provide services, they practice in separate locations, and they are usually reimbursed by the plan on a fee-for-service basis. The prepayment rather than fee-

TABLE 13.—Financial experience of private health insurance organizations, 1970

[Amounts in millions]

Type of plan	Total income	Subscription or premium income	Claims expense		Operating expense		Net underwriting gain		Net income	
			Amount	Percent of premium income	Amount	Percent of premium income	Amount	Percent of premium income	Amount	Percent of premium income
Total.....	(1)	\$17,184.8	\$15,743.5	91.6	\$2,402.5	14.0	-\$961.2	-5.6	(1)	-----
Blue Cross-Blue Shield.....	\$7,494.3	7,370.9	7,060.2	95.8	534.3	7.2	-223.6	-3.0	-\$100.2	-1.4
Blue Cross.....	5,225.6	5,147.1	5,009.3	97.3	290.0	5.6	-152.2	-3.0	-73.7	-1.4
Blue Shield.....	2,268.7	2,223.8	2,050.9	92.2	244.3	11.0	-71.4	-3.2	-26.5	-1.2
Insurance companies.....	(1)	8,746.0	7,656.0	87.5	1,786.1	20.4	-696.1	-8.0	(1)	-----
Group policies.....	(1)	6,774.0	6,510.0	96.1	867.1	12.8	-603.1	-8.9	(1)	-----
Individual policies.....	(1)	1,972.0	1,146.0	58.1	919.0	46.6	-93.0	-4.7	(1)	-----
Independent plans.....	1,096.4	1,067.9	1,027.3	96.2	82.1	7.7	-41.5	-3.9	-13.0	-1.2
Community.....	457.0	445.1	425.0	95.5	32.0	7.2	-11.9	-2.7	-----	-----
Employer-employer-union.....	559.0	544.5	536.0	98.4	42.0	7.7	-33.5	-6.2	-19.0	-3.5
Private group clinic.....	15.4	15.0	12.3	82.0	2.1	14.0	.6	4.0	1.0	6.7
Dental service corporation.....	65.0	63.3	54.0	85.3	6.0	9.5	3.3	5.2	5.0	7.9

<sup>1</sup> Data not available.

for-service financial arrangements and the prevention-oriented, comprehensive character of group practice plans largely account for the significantly lower rate of hospital use.

### FINANCIAL EXPERIENCE

In 1970 the subscription or premium income of all private health insurance organizations totaled \$17.2 billion (table 13). Claims or benefit expense amounted to \$15.7 billion or 92 percent of premium income. The organizations used \$2.4 billion for operating expense (14 percent of premium income) and had a net underwriting loss of 6 percent. Some of this underwriting loss was made up by income from investment of reserves.

Although insurance companies received almost \$9 billion in premium income and Blue Cross-Blue Shield plans a little more than \$7 billion, the operating expense of insurance companies was almost three times that of Blue Cross-Blue Shield plans (\$1.8 billion compared with \$0.5 billion). Low Blue Cross operating expense—5.6 percent of subscription income—accounted largely for the relatively low Blue Cross-Blue Shield rate. The operating expense ratio for individual business of 46.6 percent—almost four times the group rate—was responsible for the relatively high overall operating expense of insurance companies.

Blue Cross and insurance company group business had the highest claims ratios; they returned 97 percent of subscription income and 96 percent of premium income, respectively, in benefits. Individual business paid out only 58 percent of premium income in benefits.

Blue Cross-Blue Shield income from invest-

ments of reserves reduced its 3-percent net underwriting loss to \$100 million. Individual business of insurance companies showed a net underwriting loss of 5 percent compared with a 9-percent loss in group business, but neither of these figures takes into account investment income.

For independent plans, a high claims ratio—96 percent of subscription income—together with an 8-percent operating loss ratio resulted in a net underwriting loss that was reduced to about 1 percent by investment income.

### Source of Data

The data for Blue Cross and Blue Shield plans are based on financial statements for all plans supplied by the Blue Cross Association and the National Association of Blue Shield Plans. Duplication resulting from the fact that six joint Blue Cross-Blue Shield plans report identical data to both national organizations has been eliminated. Data for Health Services, Incorporated, and for Medical Indemnity of America—insurance companies owned by the Blue Cross and Blue Shield associations, respectively—have been included.

The data on premium income and benefit expense of insurance companies were provided by HIAA. Premium income data come from the National Underwriter Company's annual survey of accident and health insurance and from HIAA's annual surveys of companies in this field. The division of group accident and health business between health care and wage loss is based on HIAA's annual survey of enrollment, premium income, and benefits paid under group business.

For individual business, the distribution is based on HIAA's annual survey of benefits paid. Operating expenses were estimated by applying operating expense ratios to premium income derived from the National Underwriter Company aggregates<sup>4</sup> to HIAA premium income.

Of the total premium and subscription income of all private health insurance organizations in 1970, 43 percent was received by Blue Cross-Blue Shield plans; 51 percent by insurance companies (with group business about three and one-half times the individual business); and 6 percent by independent plans (table 14). The insurance company share of total benefit expense was somewhat smaller than their share of premium income. For both Blue Cross-Blue Shield plans and the independent plans, the share of benefit expense was larger than their share of subscription income.

From 1948 to 1970 insurance companies have consistently received the largest share of all premium and subscription income. Beginning in

1955, their claims expenditures ran higher than that of Blue Cross-Blue Shield plans. Group business has accounted for much of the increase in benefit expenditures: in 1948 the group share was almost twice the individual share; in 1970 it was almost six times the individual share. From 1948 to 1964, independent plans showed a gradually declining share of subscription income and benefit expenditures. Since 1964, there has been a general leveling off to about 6 percent.

### Benefit Expenditures and Types of Care

Sixty-four percent of benefit expenditures by all private health insurance organizations went for hospital care; 31 percent for physicians' services; about 1½ percent for dental care; and 3½ percent for other types of benefits—mainly private-duty nursing and drugs (table 15). Blue Cross-Blue Shield plans spent more for hospital care—70 percent of benefit expenditures for all types of care—than did insurance companies (61

<sup>4</sup> *Argus 1971 Chart of Health Insurance*, page 112.

TABLE 14.—Percentage distribution of subscription or premium income and claims expense, by type of private health insurance organization, 1948-70

Year	Total	Blue Cross-Blue Shield plans			Insurance companies			Independent plans				
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	Total <sup>1</sup>	Community	Employer-employee-union	Private group clinic	Dental service corporation
Subscription or premium income												
1948.....	100.0	42.3	36.5	5.8	48.8	24.6	24.2	8.8	(2)	(2)	(2)	(2)
1950.....	100.0	44.4	33.8	10.6	46.8	25.8	21.1	8.7	(2)	(2)	(2)	(2)
1955.....	100.0	41.0	28.9	12.1	51.7	32.5	19.2	7.3	(2)	(2)	(2)	(2)
1960.....	100.0	42.5	30.4	12.1	51.8	36.0	15.8	5.7	(2)	(2)	(2)	(2)
1961.....	100.0	42.0	30.0	12.0	51.4	38.2	15.2	6.6	2.3	3.2	0.2	(2)
1962.....	100.0	42.1	29.9	12.2	51.4	38.5	14.9	6.5	2.2	3.8	.1	(2)
1963.....	100.0	42.2	30.2	11.9	51.4	38.2	15.2	6.4	2.3	3.6	.2	(2)
1964.....	100.0	42.1	30.0	12.1	51.8	38.7	15.1	6.1	2.2	3.7	.1	.1
1965.....	100.0	41.7	29.9	11.8	52.2	36.6	15.6	6.1	2.2	3.7	.1	.1
1966.....	100.0	41.0	29.2	11.8	52.0	37.7	15.2	6.1	2.3	3.5	.1	.2
1967.....	100.0	41.0	29.1	11.9	52.8	38.5	14.3	6.2	2.5	3.3	.1	.3
1968.....	100.0	40.2	28.4	11.8	53.7	40.0	13.7	6.1	2.5	3.2	.1	.3
1969.....	100.0	42.0	29.8	12.2	51.6	38.8	12.8	6.4	2.6	3.3	.1	.4
1970.....	100.0	42.9	30.0	12.9	50.9	39.4	11.5	6.2	2.6	3.1	.1	.4
Claims expense												
1948.....	100.0	50.8	44.4	6.4	37.6	24.4	13.2	11.6	(2)	(2)	(2)	(2)
1950.....	100.0	49.5	38.6	10.9	40.3	25.9	14.4	10.2	(2)	(2)	(2)	(2)
1955.....	100.0	45.2	32.8	12.4	46.5	33.8	12.7	8.3	(2)	(2)	(2)	(2)
1960.....	100.0	45.8	32.9	12.8	47.8	38.0	9.8	6.4	(2)	(2)	(2)	(2)
1961.....	100.0	45.4	32.8	12.6	47.5	38.1	9.4	7.1	(2)	(2)	(2)	(2)
1962.....	100.0	45.6	32.5	13.1	47.5	38.7	8.8	6.9	(2)	(2)	(2)	(2)
1963.....	100.0	45.6	33.2	12.4	47.7	38.3	9.5	6.7	(2)	(2)	(2)	(2)
1964.....	100.0	45.6	33.1	12.5	48.0	38.6	9.4	6.3	(2)	(2)	(2)	(2)
1965.....	100.0	44.8	32.7	12.1	48.9	39.1	9.8	6.3	2.3	3.8	0.1	0.1
1966.....	100.0	43.5	31.5	12.0	50.2	40.6	9.0	6.4	2.4	3.6	.1	.2
1967.....	100.0	42.8	31.0	11.7	50.7	41.9	8.8	6.5	2.6	3.5	.1	.3
1968.....	100.0	42.7	31.1	11.6	51.0	42.7	8.3	6.3	2.6	3.3	.1	.3
1969.....	100.0	45.2	32.7	12.5	48.2	40.9	7.3	6.6	2.7	3.4	.1	.4
1970.....	100.0	44.9	31.9	13.0	48.6	41.3	7.3	6.5	2.7	3.4	.1	.3

<sup>1</sup> Medical society data not included.

<sup>2</sup> Data not available.

<sup>3</sup> Less than 0.05 percent.

TABLE 15.—Benefit expenditures of private health insurance organizations, by specified type of care, 1970

[Amounts in millions]

Type of plan	Total benefit expenditures	Hospital care	Physicians' services	Dental care	Prescribed drugs (out-of-hospital)	Private-duty nursing	Visiting-nurse service	Nursing-home care	Vision care	Other types of care
Amount of expenditures										
Total.....	\$15,743.5	\$10,007.8	\$4,908.2	\$240.1	\$310.1	\$139.8	\$4.5	\$12.1	\$2.8	\$118.1
Blue Cross-Blue Shield.....	7,060.2	4,933.7	1,969.8	3.8	66.9	11.1	4.5	11.7	1.0	57.7
Blue Cross.....	5,009.3	4,815.1	129.0	1.8	27.8	4.7	3.6	11.6	.4	15.3
Blue Shield.....	2,050.9	118.6	1,840.8	2.0	39.1	6.4	.9	.1	.6	42.4
Insurance Companies.....	7,656.0	4,645.1	2,488.8	147.0	199.7	128.7	(1)	(1)	(1)	46.7
Group policies.....	6,510.0	3,857.7	2,181.7	147.0	198.0	79.7	(1)	(1)	(1)	45.9
Individual policies.....	1,146.0	787.4	307.1	-----	1.7	49.0	(1)	(1)	(1)	.8
Independent plans.....	1,027.3	429.0	449.6	89.3	43.5	(1)	(1)	.4	1.8	13.7
Community.....	425.0	131.0	268.0	14.0	9.5	(1)	(1)	.2	1.5	.8
Employer-employee-union.....	536.0	297.0	172.0	20.0	34.0	(1)	(1)	.2	.2	12.6
Private group clinic.....	12.3	1.0	9.6	1.3	(?)	(1)	(1)	-----	.1	.3
Dental service corporation.....	54.0	-----	-----	54.0	-----	-----	-----	-----	-----	-----
Percentage distribution										
Total.....	100.0	63.6	31.2	1.5	2.0	0.9	(?)	0.1	(?)	0.7
Blue Cross-Blue Shield.....	100.0	69.9	27.9	(?)	.9	.2	0.1	.2	(?)	.8
Blue Cross.....	100.0	96.1	2.6	(?)	.6	.1	.1	.2	(?)	.3
Blue Shield.....	100.0	5.8	89.8	.1	1.9	.3	(?)	(?)	(?)	2.1
Insurance Companies.....	100.0	60.7	32.5	1.9	2.6	1.7	(1)	(1)	(1)	.6
Group policies.....	100.0	59.3	33.5	2.3	3.0	1.2	(1)	(1)	(1)	.7
Individual policies.....	100.0	68.7	26.8	-----	.1	4.3	(1)	(1)	(1)	.1
Independent plans.....	100.0	41.8	43.8	8.7	4.2	(1)	(1)	(?)	.2	1.3
Community.....	100.0	30.8	63.1	3.3	2.2	(1)	(1)	(?)	.4	.2
Employer-employee-union.....	100.0	55.4	32.1	3.7	6.4	(1)	(1)	(?)	(?)	2.4
Private group clinic.....	100.0	8.1	78.1	10.6	-----	(1)	(1)	-----	.8	2.4
Dental service corporation.....	100.0	-----	-----	100.0	-----	-----	-----	-----	-----	-----

<sup>1</sup> Included in other types of care

<sup>2</sup> Less than \$50,000

<sup>3</sup> Less than 0.05 percent

percent) and independent plans (42 percent). Independent plans paid out 9 percent of benefits for dental care, compared with 1.2 percent spent by insurance companies and less than one-half of 1 percent by Blue Cross-Blue Shield plans. Independent plans spent 44 percent of their income for physicians' services compared with 33 percent by insurance companies and 28 percent by Blue Cross-Blue Shield plans.

### Benefit Expenditures Per Enrollee

Table 16 gives some idea of the relative expenditures made by the various private health insurance organizations for their enrollees. In 1970, Blue Cross-Blue Shield plans led the other carriers with an average \$65.38 per year for hospital care benefits per person enrolled for this type of benefit. For those enrolled with insurance companies for this benefit, the average expenditure was \$36.81. The average per person was \$52.76 in the independent plans. The lowest annual expenditure—\$18.11 per person—was made by insurance companies under individual policies.

These averages reflect (1) the high utilization rate of hospital care under Blue Cross-Blue Shield contracts that provide more days of coverage and more comprehensive coverage of hospital costs than group policies of insurance companies, (2) the generally meager coverage under individual insurance policies, and (3) the relatively lower utilization rates under community group-practice plans.

For physicians' services, community plans led the other carriers with a per capita expenditure of \$54.69: most community plans provide virtually complete coverage of in-office, home, and hospital visits. Blue Cross-Blue Shield plans spent \$28.50 per person enrolled, and \$10.19 per person covered was spent under individual policies of insurance companies. The enrollment for surgical insurance was used in making these calculations.

### Trends

Data are presented in table 17 on the premium income and benefit expenditures of private health insurance organizations from 1948 to 1970. Pre-

TABLE 16.—Benefit expenditures of private health insurance organizations per person enrolled for specified benefits, 1970

Type of plan	Hospital care	Physicians' services
Blue Cross-Blue Shield.....	\$65 38	\$28. 50
Blue Cross.....	68 01	33. 30
Blue Shield.....	47.03	28 22
Insurance companies.....	33. 81	21 78
Group policies.....	46. 64	25 93
Individual policies.....	18. 11	10 19
Independent plans.....	52. 76	42. 69
Community.....	45. 17	54 69
Employer employee union.....	57. 12	31. 27

mium income for all plans rose only slightly faster in 1970 than in previous years, but there was a marked shift in gains among the carriers. In 1970 insurance companies showed the sharpest rise—16 percent—compared with 9 percent the previous year. Blue Cross-Blue Shield plans increased at about the same rate as in the previous year—18–19 percent. Group business accounted for most of the jump; it rose almost twice as fast as it had in 1969. Individual business increased at about the same rate as in the previous year.

Benefit expenditures for all plans rose faster in 1970 (20 percent) than the previous year (15 percent). The disparity was greatest among insurance companies—21 percent in 1970 compared

with 9 percent in 1969. The benefit expenditures of other carriers increased at relatively the same rate as they had in the previous year.

Benefit expenditures also rose faster than premium income except for Blue Cross-Blue Shield plans. For all plans, benefits rose 20 percent compared with a 17-percent rise in premium income in 1969. The difference was greatest among the insurance companies, where benefits rose 21 percent compared with a 16-percent rise in premium income, and among the independent plans, where benefits rose 20 percent compared with a 14-percent rise in subscription income.

Despite the shift in the growth pattern of income and benefit expenditures, the distribution by carrier changed very little. In 1970 insurance companies received 51 percent of the premium income of all private health insurance plans, compared with 52 percent in 1969 (table 14). Blue Cross-Blue Shield income accounted for 43 percent of total income of all plans, up from 42 percent the previous year. Independent plans received about 6 percent—the same as in 1969. The relative shares in benefit expenditures remained about the same. Insurance companies paid out al-

TABLE 17.—Subscription or premium income and benefit expenditures of private health insurance organizations, 1948–70  
(In millions)

Year	Total	Blue Cross-Blue Shield plans			Insurance companies			Independent plans
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	
Income								
1948.....	\$862 0	\$365.0	\$315 0	\$50 0	\$421.0	\$212 0	\$209.0	\$76 0
1950.....	1,291.5	574 0	436 7	137.3	605 0	330.3	272 0	112.5
1955.....	3,149.6	1,232 4	910.7	381 7	1,626.9	1,022 5	604 4	230.3
1960.....	5,841.0	2,482 1	1,773 0	709.1	3,027.0	2,104 0	923 0	331.9
1961.....	6,673.3	2,805 1	2,004 4	800 7	3,427.0	2,414 0	1,013 0	441.2
1962.....	7,411.1	3,118 0	2,212.8	905 8	3,810 0	2,708 0	1,102 0	482 5
1963.....	8,053.6	3,399.4	2,438.7	960.7	4,136.0	2,913 0	1,223 0	518 2
1964.....	8,983.6	3,785.1	2,697.6	1,087.5	4,652.0	3,207.0	1,355 0	546.5
1965.....	10,001.3	4,169.0	2,903.7	1,175.3	5,224 0	3,665 0	1,559 0	608.3
1966.....	10,564 1	4,327.8	3,085 9	1,241.9	5,595.0	3,987.0	1,608 0	641.3
1967.....	11,105 3	4,555.3	3,230 0	1,325.3	5,858 0	4,270 0	1,588.0	692.0
1968.....	12,898 7	5,187.1	3,665 0	1,522 1	6,933 0	5,159 0	1,774.0	778.6
1969.....	14,657 7	6,155 6	4,365.2	1,790.4	7,569 0	5,685.0	1,884.0	933.1
1970.....	17,184 8	7,370.9	5,147.1	2,223 8	8,746.0	6,774 0	1,972.0	1,067.9
Benefit expenditures								
1948.....	\$606 0	\$308 0	\$269.0	\$39.0	\$228.0	\$148 0	\$80 0	\$70.0
1950.....	991.9	490 6	382.9	107.7	400 0	257.0	143.0	101.3
1955.....	2,536.7	1,146.7	832.2	314.5	1,179.0	858.0	321.0	210 0
1960.....	4,996.3	2,287.1	1,646.2	640.9	2,389 0	1,901.0	488.0	320.2
1961.....	5,965 4	2,585 4	1,867.1	718.3	2,706.0	2,170 0	536.0	404.0
1962.....	6,343.8	2,893 6	2,064.5	829.1	3,012 0	2,453.0	559.0	438.2
1963.....	6,979 3	3,179 5	2,317.3	862.2	3,332 0	2,671.0	661.0	467.8
1964.....	7,832 1	3,574 4	2,592.8	981.6	3,763 0	3,024 0	739.0	494.7
1965.....	8,728 9	3,912 9	2,853 4	1,059.5	4,265 0	3,413 0	852.0	551.0
1966.....	9,141 8	3,975.4	2,882.2	1,093.2	4,585.0	3,711.0	874.0	581.4
1967.....	9,544 8	4,082.8	2,963.1	1,119.7	4,837.0	3,998 0	839.0	625.0
1968.....	11,343.6	4,840 6	3,529.2	1,311 4	5,791.0	4,841.0	950.0	712.0
1969.....	13,068.5	5,903 1	4,271.4	1,631.7	6,306.0	5,340.0	957.0	850.4
1970.....	15,743.5	7,060.2	5,009.3	2,050 9	7,656.0	6,510.0	1,146.0	1,027.3

most 49 percent of all benefit expense of private health insurance organizations, the Blue Cross-Blue Shield share was about 45 percent, and independent plans expended 6½ percent.

The stabilized growth pattern in Blue Cross plans resulted in a decrease in the claims expense ratio in 1970 to 97 percent and a corresponding decrease in the underwriting loss to 2½ percent (table 18). A sharper rise in claims expense than in income brought Blue Shield claims up to 93 percent of premium income and its underwriting loss up to 4.3 percent (table 19). In 1969 the ratio of benefits to subscription income had been 98 percent for Blue Cross plans and 91 percent for Blue Shield plans. Their net underwriting losses had been 3.6 percent and 2.5 percent, respectively.

Because the claims expense of insurance companies increased almost 6 percentage points more than premium income, their claims expense ratio rose from 83.3 percent in 1969 to 87.5 percent in 1970. Their 4.6-percent underwriting loss went up to 8 percent (table 13).

Claims expense under group business amounted to 96 percent of premium income (94 percent in 1969) and operating expense was 13 percent of premium income. The 2-percent rise in claims expense pushed up the net underwriting loss to 9 percent (table 13). This loss was replaced to some degree by income from investment of reserves but largely by gains in group disability and group life insurance.

Under insurance companies' individual policies the claims ratio of 58 percent was higher than the 1969 ratio of 51 percent; the operating-expense

ratio was 47 percent, compared with 46 percent in 1969. A small underwriting gain that occurred in 1969 was wiped out by the 1970 5-percent underwriting loss. Again, this loss was lessened to some degree by income from investment of reserves.

The trend in the distribution of benefit expenditures of private health insurance organizations from 1950 to 1970 is delineated in table 20. The 1970 distribution shows little change from that of the immediately preceding years.

### Net Cost of Private Health Insurance

In 1970 the net cost of private health insurance to the American public was \$1.4 billion, down from \$1.6 billion in the preceding year. This amount is the difference between earned premium or subscription income and benefit expenditures (claims expense). It represents the retentions by the carriers to cover operating expenses, profits, and such additions to reserves not accounted for by deductions from premium income or inclusion in claims expense. Retentions of Blue Cross-Blue Shield plans amounted to \$311 million, compared with \$252.5 million a year ago. Most of the increase was accounted for by Blue Cross plans; their retentions jumped 47 percent over 1969, compared with a 9-percent rise in retentions by Blue Shield. Approximately \$1.1 billion was retained by insurance companies (compared with \$1.3 billion in 1969) and \$41 million by independent plans (down from \$74 million in 1969). It should be pointed out that insurance companies

TABLE 18.—Financial experience of Blue Cross plans, 1950-70<sup>1</sup>

[Amounts in thousands]

Year	Reserves	Earned sub- scription income	Total earned income	Claims expense	Operating expense	Total net income or loss	As percent of subscription income			Net income as percent of total income
							Claims expense	Operating expense	Under- writing gain or loss	
1950	\$116,531	\$433,770	\$436,964	\$383,331	\$36,281	\$17,371	88.4	8.4	3.3	4.0
1955	254,407	916,690	925,197	836,546	58,368	30,283	91.3	0.4	2.4	3.3
1960	363,253	1,783,172	1,802,789	1,654,951	90,821	57,017	92.8	5.1	2.1	3.2
1961	410,658	2,011,062	2,035,740	1,872,939	99,269	63,531	93.1	4.9	1.9	3.1
1962	454,826	2,230,747	2,257,523	2,108,084	107,204	47,235	94.3	4.8	.9	2.1
1963	492,872	2,467,195	2,497,377	2,343,231	115,228	38,918	95.0	4.7	.4	1.6
1964 <sup>2</sup>	511,112	2,731,380	2,766,829	2,624,302	124,969	17,558	98.1	4.6	-.7	.6
1965 <sup>2</sup>	561,906	3,031,470	3,074,551	2,887,187	134,559	52,805	95.2	4.5	.3	1.7
1966	649,633	3,121,111	3,168,187	2,912,733	154,132	101,322	93.3	4.9	1.7	3.2
1967	797,575	3,270,022	3,327,677	2,996,779	177,632	153,266	91.6	5.4	3.0	4.6
1968	801,389	3,711,798	3,776,487	3,571,797	211,698	-7,008	96.2	5.7	-1.9	-2.2
1969	711,274	4,419,296	4,489,266	4,322,341	256,227	-89,302	97.8	5.8	-3.6	-2.0
1970	651,655	5,385,835	5,467,512	5,220,662	302,463	-55,613	96.9	5.6	-2.5	-1.0

<sup>1</sup> Data in all years exclude Health Services, Inc., and are not adjusted for duplication between Blue Cross and Blue Shield

<sup>2</sup> Includes Puerto Rico.

TABLE 19.—Financial experience of Blue Shield plans, 1950-70<sup>1</sup>

[Amounts in thousands]

Year	Reserves	Earned sub- scription income	Total earned income	Claims expense	Operating expense	Total net income or loss	As percent of subscription income			Net income as percent of total income
							Claims expense	Operating expense	Under- writing gain or loss	
1950	\$34,954	\$140,817	\$141,594	\$111,039	\$18,653	\$11,902	78.8	13.2	7.9	8.4
1955	164,705	399,781	404,294	331,068	43,610	29,616	82.8	10.9	6.3	7.3
1960	228,634	741,164	761,529	670,776	76,245	4,508	90.5	10.3	-0.8	1.6
1961	236,101	837,773	848,992	752,695	82,741	13,556	89.8	9.9	0.3	1.6
1962 <sup>2</sup>	266,536	974,086	985,373	868,816	91,136	25,421	89.2	9.4	1.5	2.6
1963 <sup>2</sup>	289,440	1,086,356	1,101,745	977,147	99,662	24,936	89.9	9.2	0.9	2.3
1964 <sup>2</sup>	317,528	1,209,394	1,227,557	1,095,713	108,691	23,153	90.6	9.0	0.4	1.9
1965 <sup>2</sup>	347,266	1,318,915	1,338,907	1,190,486	115,940	32,481	90.3	8.8	0.9	2.4
1966	398,374	1,399,890	1,413,185	1,226,383	129,864	56,938	88.2	9.3	2.5	4.0
1967	509,094	1,489,640	1,519,309	1,261,650	148,750	108,909	84.7	10.0	5.3	7.2
1968	578,390	1,709,548	1,747,867	1,481,070	180,154	86,643	86.6	10.5	2.8	5.0
1969	555,079	2,007,970	2,054,671	1,834,495	222,514	-2,438	91.4	11.1	-2.5	-1.1
1970	491,066	2,320,877	2,369,600	2,165,572	254,726	-50,698	93.3	11.0	-4.3	-2.1

<sup>1</sup> Data in all years exclude Medical Indemnity of America and are not adjusted for duplication between Blue Cross and Blue Shield

<sup>2</sup> Includes Jamaica

<sup>3</sup> Includes Puerto Rico but excludes Jamaica

pay premium taxes of 2-3 percent (varying from State to State) from which Blue Cross-Blue Shield plans and independent plans are generally exempt. These plans do, however, carry the full cost of administration. Under most large group insurance policies the employer performs much of the administrative work, including determination of eligibility and review and payment of claims.

Over the years, consumers have been able to buy health insurance on increasingly advantageous terms in the sense that they get back increasingly more of their premium or subscription

dollar in benefits. Evidence of this trend is the steady decline in the retention ratio—retentions as a percent of premium income (table 21). In 1948 the retention rate for all private health insurance organizations was 30 percent; in 1970 it was 8 percent. This decline is the result of two main factors: (1) The steady drop in the retention rates of both Blue Cross-Blue Shield plans—although the Blue Cross plans edged up this year—and group insurance business and (2) the steady decline in the relative importance of insurance company individual business with its very high retention rates. Retention rates for independent plans dropped from 8 percent in 1969 to 4 percent in 1970. Community plans and employer-employee-union plans are lowering their retention rates, and private group clinics and dental corporations are showing considerably higher retention rates.

TABLE 20.—Benefit expenditures of all private health insurance organizations, by specified type of care, 1950-70

Year	Total	Hospital care	Physicians' services	Other types of care
Amount (in millions)				
1950	\$992	\$680	\$312	(1)
1955	2,536	1,679	857	(1)
1960	4,996	3,304	1,593	\$99
1961	5,695	3,786	1,796	133
1962	6,344	4,197	1,992	155
1963	6,980	4,642	2,153	185
1964	7,832	5,187	2,427	218
1965	8,729	5,790	2,680	259
1966	9,142	5,993	2,831	318
1967	9,545	6,133	2,964	447
1968	11,344	7,329	3,477	538
1969	13,069	8,356	4,029	684
1970	15,744	10,008	4,908	828
Percentage distribution				
1950	100.0	68.5	31.5	(1)
1955	100.0	64.2	33.8	(1)
1960	100.0	66.1	31.9	2.0
1961	100.0	66.1	31.5	2.3
1962	100.0	66.2	31.4	2.4
1963	100.0	66.5	30.8	2.7
1964	100.0	66.2	31.0	2.8
1965	100.0	66.3	30.7	3.0
1966	100.0	65.6	31.0	3.5
1967	100.0	64.3	31.1	4.7
1968	100.0	64.6	30.7	4.7
1969	100.0	63.9	30.8	5.3
1970	100.0	63.6	31.2	5.2

<sup>1</sup> Included in physicians' services.

### Proportion of Consumer Expenditures Met by Insurance

Forty percent of consumer expenditures for personal health care was met by private health insurance benefits in 1970.<sup>5</sup> This figure does not include the net cost of obtaining health insurance protection—the difference between health insurance premiums or subscription costs and benefits—since prepayment expense is regarded as a non-personal health care expenditure.

<sup>5</sup> See Barbara S. Cooper and Nancy L. Worthington, *National Health Expenditures, Calendar Years 1929-70* (Research and Statistics Note No. 1), Office of Research and Statistics, 1972.



TABLE 21.—Retentions<sup>1</sup> of private health insurance organizations as a percent of subscription or premium income, 1948-70<sup>2</sup>

Year	Total	Blue Cross-Blue Shield plans			Insurance companies			Independent plans <sup>3</sup>			Private group clinic	Dental service corporation
		Total	Blue Cross	Blue Shield	Total	Group policies	Individual policies	Total	Community	Employer-employee-union		
1948	29.7	15.6	14.6	22.0	45.8	30.2	61.7	7.9	(*)	(*)	(*)	(*)
1950	23.2	14.5	12.3	21.6	33.9	22.8	47.4	10.0	(*)	(*)	(*)	(*)
1955	19.5	11.3	8.6	17.6	27.5	16.1	46.9	8.8	(*)	(*)	(*)	(*)
1960	14.5	7.9	7.2	9.6	21.1	9.6	47.1	3.5	(*)	(*)	(*)	(*)
1961	14.7	7.8	6.8	10.3	21.0	10.1	47.1	8.4	(*)	(*)	(*)	(*)
1962	14.4	7.2	5.7	11.0	20.9	9.4	49.3	9.2	(*)	(*)	(*)	(*)
1963	13.3	6.5	5.0	10.3	19.4	8.3	46.0	9.7	(*)	(*)	(*)	(*)
1964	12.8	5.6	3.9	9.7	19.1	8.3	45.5	9.5	(*)	(*)	(*)	(*)
1965	12.7	6.1	4.7	9.9	18.4	6.9	45.3	9.4	8.2	10.2	10.7	6.9
1966	13.5	8.1	6.6	12.0	18.1	6.9	45.6	9.3	8.0	10.2	11.8	6.5
1967	14.0	10.4	8.3	15.5	17.4	6.4	47.2	9.7	8.4	10.8	13.3	6.2
1968	12.1	6.7	3.7	13.8	16.5	6.2	46.4	8.6	6.2	9.7	5.8	17.2
1969	10.8	4.1	2.2	8.9	16.7	5.9	49.2	7.9	6.9	8.2	12.9	10.8
1970	8.4	4.2	2.7	7.8	12.5	3.9	41.9	3.8	4.5	1.6	18.0	14.7

<sup>1</sup> Amounts retained by the organizations for operating expenses, addition to reserves, and profits

<sup>2</sup> Derived from table 17.

<sup>3</sup> Data by type of plan before 1965 not available.

The proportion of expenditures met by private health insurance varies with the type of care. For hospital care, it met 73 percent of consumer expenditures in 1970 compared with 71 percent the preceding year, but this proportion is still low when compared with 76 percent of hospital expense met by insurance in 1968. Apparently inflation was still kicking up hospital costs faster than benefits could adjust. For physicians' services the proportion met by private health insurance was 48 percent in 1970, compared with 43 percent in 1969. For other types of health care the proportion remained about the same—5.5 percent. Except for the limited gain with respect to hospital care, the proportions of expenditures met by private health insurance continued the upward trend of previous years, as shown below.

The estimates of consumer expenditures for health care include some items that are not covered by health insurance—nonprescribed drugs,

various drug sundries, and sunglasses. If these kinds of health care expenditures were to be deducted from consumer health care expenditures, the proportion of such expenditures met by insurance would be probably 3 or 4 percentage points higher than shown above. If, however, health insurance premiums were included as consumer expenditures for personal health care, the proportion covered by insurance benefits would be lower.

### Proportion of Total National Expenditures Met by Insurance

Total national expenditures for personal health care (excluding expenditures for insurance premiums and administrative expenses of public programs as well as research and construction) amounted to \$61.8 billion in 1970.<sup>6</sup> Twenty-five and one-half percent of this amount (as compared with 24 percent in 1969) was met by private health insurance, 38 percent came from direct out-of-pocket payments by consumers, 35 percent was met by public funds, and 1.5 percent came from philanthropy. Thus, in 1970, private payments by consumers—out-of-pocket and through private health insurance—made up approximately 63 percent of the total national expenditures for personal health care.

Year	Total	Hospital care	Physicians' services	Other types of care
1950	12.2	37.1	12.0	(*)
1955	21.7	56.0	25.0	(*)
1960	27.8	64.5	30.0	1.3
1961	29.9	66.2	32.7	1.7
1962	30.9	68.2	33.0	1.9
1963	31.7	67.2	33.6	2.1
1964	31.5	68.1	32.2	2.3
1965	31.8	71.2	32.8	2.3
1966	31.5	69.0	33.9	2.6
1967	32.6	73.3	35.8	3.5
1968	36.9	76.1	41.0	4.3
1969	37.5	71.5	43.5	4.9
1970	40.3	73.2	48.1	5.5

<sup>1</sup> Included in physicians' services

<sup>6</sup> *Op. cit.*