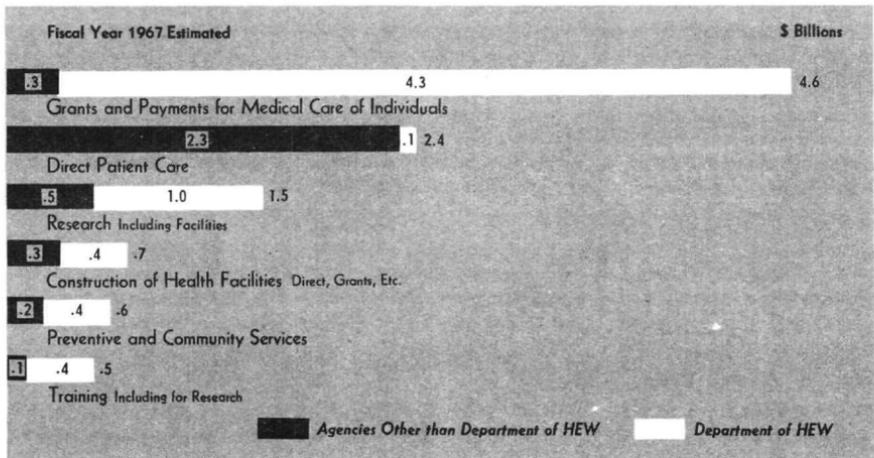


SPECIAL ANALYSIS H
FEDERAL HEALTH PROGRAMS

This analysis provides a comprehensive summary of expenditures for all the medical and health-related activities of the Federal Government. It includes those activities classified in the "health" function as well as health programs included in other groupings. Government cash payments to the public in this broad category will rise to an estimated total of \$10.3 billion in 1967. This total is derived from \$7.8 billion expenditures from administrative budget accounts and \$3.3 billion from trust funds, less interfund transfers of \$0.8 billion. This spending will finance a wide variety of activities—hospital care and medical treatment in Federal and non-Federal facilities, construction of health facilities, health research and training, and a multitude of preventive and community health and health-related programs in Federal, State, and local governmental institutions and by private hospitals, research organizations, and individual practitioners. The expenditures from administrative budget funds continue to be the largest segment of health spending and they will account for 7% of total administrative budget spending. However, the program for hospital insurance and supplementary medical benefits for the aged under the social security system will be financed through trust funds which will account for 29% of health expenditures in 1967.

Federal Expenditures, Medical and Health-Related Activities by Category



Recent trends in Federal health-related expenditures.—Health programs are among the oldest activities of the Federal Government, some of them predating the Constitution. The earliest were for medical care of soldiers, merchant seamen, and veterans. Around the beginning of the present century, the Federal efforts in health research and consumer protection, such as those under the Pure Food and Drug Act, made their appearance. Following World War II, the directly operated patient care programs of the Defense Department and Veterans Administration overshadowed the other segments of Federal health expenditure. Since that time, while expenditures for these programs increased moderately, the role of the Federal Government shifted rapidly to one of large-scale grant support for health infrastructure—at first hospital and other facility construction, medical research, and State and local community services for specific disease categories or health problems, and, subsequently, health manpower, especially physicians, dentists, and nurses, and, provision of a full range of facilities and services for comprehensive care to individuals or for specific problems such as water pollution. Today, with hospital and supplementary health insurance for the aged through the social security system and medical assistance payments for aged and other needy through welfare grants, the Government role has moved toward assuring to all citizens the availability and accessibility of high quality medical care, regardless of income.

Although this special analysis has not existed long enough to provide a long-term series of data, comparable information is available for fiscal 1958. The figures provide some perspective on the sharp change taking place. In 1958, obligations for health activities totaled \$3 billion, of which \$1.9 billion were by the Defense Department and Veterans Administration, largely for patient care in Federal facilities. By 1967, total expenditures will have grown to \$10.3 billion, and \$3.3 billion of this spending will be for the new program of care of aged patients who, traditionally, have not been Federal beneficiaries. Thus, these expenditures for the social insurance medical programs will exceed in 1967 the total Federal spending for health in 1958.

Another important change from the situation in 1958, reflecting the changing content of the Federal Government's health role, is the relative portion of the Federal health budget which is managed by the Department of Health, Education, and Welfare. In 1958, the programs of Health, Education, and Welfare accounted for \$0.8 billion of the \$3 billion Federal total. In 1966, the Department of Health, Education, and Welfare is expected to spend \$3 billion, 48% of the total of \$6.3 billion. Almost all of that spending is from administrative budget funds. In 1967, with the addition of the trust fund programs, HEW's total is expected to rise to \$6.6 billion (adjusted for interfund transfers), 64% of the total.

Distribution of Federal health programs by agency.—Eight Cabinet departments and more than a dozen other agencies conduct or support health programs. In addition, every agency finances health programs for Federal employees. Many of the health activities of these agencies are not classified in the "health, labor, and welfare" function, but are carried on as part of programs for other purposes and are classified in the functional categories according to the basic purpose served, such

as "national defense," "veterans benefits and services," etc. However, because these activities contribute to advancing the Nation's health, they are included in this analysis. Thus, while the regular functional classification shows expenditures of \$3.6 billion in 1967 for "health services and research"—all by the Department of Health, Education, and Welfare—the amounts included in this analysis are almost three times as large and cover many agencies. Table H-1 shows the expenditures for each agency.

As has been noted, 64% of all Federal budget and trust fund spending for health in 1967 will be by the Department of Health, Education, and Welfare. Spending by the Department of Defense is increasing by \$223 million, due to the military situation in Vietnam and resultant increase in personnel strength of the armed services, and will account for 14% of the total. The Veterans Administration is estimated to account for another 14%. The bulk of the health expenditures by the Department of Defense and the Veterans Administration are for the provision of direct care and treatment, most of which is provided in their own hospitals and clinics. These two agencies also have sizable expenditures for health facilities, for training, and for support of health research.

The Department of Health, Education, and Welfare, on the other hand, spends only a comparatively small portion of its health funds to provide direct medical care in Federal facilities, principally for merchant seamen and Indians in Public Health Service hospitals. About half of the Department's expenditures, or \$3.3 billion, will be from trust funds and will reflect the first substantial impact of the newly enacted program for health and medical care for older persons. The largest proportion of the Department's health care outlays from administrative budget funds continue to be for medical research and training and for grants to States and localities to cover medical expenses of public assistance recipients and assistance for medical care of the aged. The Department also spends substantial amounts through the Public Health Service for grants for construction of health facilities, for support of local and State community health, and for environmental health activities.

The remaining \$870 million of the estimated expenditures in 1967 will be made by more than 20 other departments and agencies. Among these, the largest single amount is for the Department of Agriculture for research and for meat and poultry inspection. Significant expenditures are also made by the Agency for International Development and the Department of State which support health activities in other countries, the Atomic Energy Commission with its substantial biomedical research activities in the radiological field, the National Aeronautics and Space Administration with research activities in space medicine, and the National Science Foundation which underwrites basic research in biosciences. The newly organized Department of Housing and Urban Development makes advances and loans for water and sewer facilities, for neighborhood health centers, and other health facilities. The newly enacted programs supporting health facilities and the 1965 expansion of water and sewer facilities programs account for the more than threefold increase in the Department's expenditures from 1966 to 1967.

Distribution of Federal health expenditures by category and by beneficiary group.—Table H-2 shows the distribution of the total Federal medical and health-related expenditures for the 3 fiscal years, 1965-67, by six categories. The preceding chart on estimated expenditures for 1967 depicts the distribution of the outlays in each category between the Department of Health, Education, and Welfare and all other agencies.

Of the total expenditures of \$10.3 billion in 1967 for medical and health-related purposes, \$7 billion, or about 68%, will be for provision of health care either directly in Federal facilities or financed by Federal grants or payments for services by non-Federal facilities. This is an increase of \$4.1 billion from 1965, \$3.4 billion of which is the change from 1966 to 1967, mostly because of the trust-funded programs of medical care for older people. These social security medical programs are causing a reversal in the previously established ranking of the two largest categories. Whereas direct patient care was the largest category of expenditure through 1966, the onset of large expenditures for the new programs for the aged make the nondirect care category the largest in 1967.

The direct care expenditures amount to \$2.4 billion, or 23%, of total expenditures. Most of this service is provided in hospitals of the Department of Defense, Veterans Administration, and the Department of Health, Education, and Welfare, which, in all, contain almost 10% of all hospital beds in the United States.

Table H-3 shows the number of hospitals, hospital beds, and the average daily number of patients during 1965-67. The number of individual patients during any year is, of course, many times the daily census because hospital stays average from 7 to 75 days for most agencies. In addition to this large number of inpatients, several million individuals each year receive outpatient care or treatment in the Federal facilities. The 1966 and 1967 increases shown in the data for the Department of Defense reflect increased military operations in Vietnam and supporting activities.

Over one-sixth of the population in the United States is potentially eligible for direct hospital care or medical treatment in Federal facilities. Approximately 22 million living war veterans, including some 2 million with service-connected disabilities, comprise the largest single group of eligibles, although for ailments not related to military service hospital care is provided only to the extent that the veteran certifies that he is unable to pay for his care in private facilities. Active duty and retired uniformed service personnel numbering 3.2 million and their 5.6 million dependents are also covered. Approximately 2.5 million Federal employees are entitled to treatment for in-line-of-duty disabilities, although such injuries are comparatively infrequent. Other eligible groups include 380,000 American Indians and natives of Alaska, 118,000 American seamen, 21,500 inmates of Federal prisons, and civilians in the Panama Canal Zone, narcotics addicts, and patients with leprosy.

The second category of expenditures, which will become the largest in 1967 and reach \$4.6 billion, or almost 45% of the total, is for grants and payments for hospital and health care in non-Federal facilities. Hospital insurance and supplementary medical benefits for the aged through social security accounts for 72% and grants by the Department of Health, Education, and Welfare for medical care

through public assistance continue to rise. During 1967, an estimated 19 million persons will be eligible although about 4.4 million are expected to receive benefits from the hospital insurance program and about 4.1 million from medical insurance. Medical cost for about 860,000 aged will be met through the special Federal-State program of medical assistance for the aged.

Under arrangements managed by the Civil Service Commission, health benefits are provided to over 2 million Federal civilian employees (90% of those eligible), and to 4.7 million of their dependents under the Federal Employees' Health Benefits Act. A similar program provides benefits for 227,000 retired Federal employees and their dependents. These payments are made from trust revolving funds into which are deposited both agency and employee contributions. Since the health benefits funds are revolving funds, with receipts offsetting expenditures, only the net effect of these transactions in the trust funds is included in the expenditures for this category. The Government's contributions, amounting to \$165 million in 1965, \$169 million in 1966, and \$174 million in 1967, are included in the administrative budget figures and are mostly classified in this category. Also included in this category are payments for care of Federal beneficiaries, principally by the Veterans Administration and the Department of Defense in those cases where Federal facilities are not available.

Of general benefit to the entire Nation are the infrastructure activities of the Federal Government such as health research, training, and health construction assistance, and the preventive and community services, all of which are discussed separately in following paragraphs. Expenditures for these activities will total \$3.3 billion in 1967, an increase of \$1.1 billion from 1965. These categories account for almost 21% of the increase over 1965 in total health outlays. The amount of increases over 1965 is greatest for health research and facilities (\$408 million), but the other categories will have higher rates of increase: Training (72%), preventive and community service activities (52%), and construction of health facilities (49%). Much of the increase in these programs reflects legislation enacted by the 88th and 89th Congresses for assistance to schools and to students in medicine, dentistry, and other health professions, for programs to combat mental retardation and promote mental health, for regional medical programs to combat heart disease, cancer, and stroke, and for increased Federal efforts for pollution control. Other expanding areas include activities relating to pesticides, community health, and foods and drugs.

About 73% of the \$1.4 billion in Federal expenditures for health-related research and research facilities are by the Department of Health, Education, and Welfare, particularly the National Institutes of Health, which alone account for \$815 million. The Department of Defense, the Atomic Energy Commission, the National Science Foundation, and the National Aeronautics and Space Administration also make sizable outlays for health research.

Training, including training for research, accounts for \$546 million in 1967 expenditures. Again, the Public Health Service, and especially the National Institutes of Health, is the major source, although the Department of Defense also spends significant amounts.

Of the \$635 million for preventive and community health services, \$247 million will be spent by the Public Health Service, the Food and

Drug Administration, and the Children's Bureau, all agencies of the Department of Health, Education, and Welfare. The Federal Government's programs of assistance to underdeveloped countries are also responsible for about \$100 million of the outlays and the Department of Agriculture programs account for most of the remainder.

The Hill-Burton hospital construction program accounts for \$233 million out of \$672 million to be spent in 1967 for construction of facilities other than for research. The Veterans Administration's expenditures of \$68 million represent the seventh year of that agency's 15-year hospital replacement and modernization program. The Department of Defense will also spend \$115 million for construction.

Proposed legislation.—Legislation to fill significant gaps in Federal health programs has been proposed by the President. The 1967 budget includes net new obligational authority of \$94 million and net expenditures of \$26 million for the following items: (1) \$23 million in estimated expenditures for a new Federal-State partnership in health service programs, systems-oriented studies of the organization and delivery of medical care services, planning for accelerated modernization of obsolete hospital and health care facilities, training of medical technologists and allied health professionals, and the improvement of Federal health organization and career development; (2) \$24 million for the control of environmental pollution through the demonstration of water pollution control in selected river basins, increased research and development and increased training in pollution sciences, and improved water pollution enforcement authority; and (3) estimated savings of \$21 million in expenditures from the conversion of existing direct Federal loans to medical and nursing students to a system of loan guarantees with interest subsidy.

Table H-1. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS BY AGENCY (in millions of dollars)

Agency	1965 actual	1966 estimate	1967 estimate
ADMINISTRATIVE BUDGET			
Department of Health, Education, and Welfare:			
Public Health Service:			
National Institutes of Health.....	779.8	1,000.0	1,150.0
Other.....	603.7	737.1	880.0
Water Pollution Control Administration.....	100.9	121.0	181.5
Welfare Administration.....	628.3	920.8	929.2
Social Security Administration.....		37.0	844.0
Other.....	97.4	128.9	168.9
Total, Department of Health, Education, and Welfare....	2,210.1	2,944.8	4,153.6
Veterans Administration.....	1,265.7	1,343.0	1,386.5
Department of Defense:			
Army.....	463.3	563.7	748.7
Navy.....	200.6	255.1	287.0
Air Force.....	400.7	414.3	420.2
Other.....	1.7	2.1	2.5
Total, Department of Defense.....	1,066.3	1,235.2	1,458.4

Table H-1. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS BY AGENCY (in millions of dollars)—Continued

Agency	1965 actual	1966 estimate	1967 estimate
ADMINISTRATIVE BUDGET -Continued			
Agency for International Development	50.6	60.0	92.0
Atomic Energy Commission	90.1	95.4	102.6
Department of Agriculture	114.2	122.5	128.2
National Aeronautics and Space Administration	50.6	79.1	75.6
Department of Housing and Urban Development	39.8	27.2	87.1
National Science Foundation	25.9	35.1	35.9
Civil Service Commission	27.0	29.2	31.7
Office of Economic Opportunity	5.6	39.0	74.9
Department of State	19.5	21.9	23.8
Department of Labor	17.8	17.8	20.3
Department of Justice	7.8	7.7	8.0
Peace Corps	5.9	7.2	7.5
Panama Canal	7.3	7.8	7.8
Small Business Administration	8.3	8.5	10.3
Department of the Interior	4.4	4.9	4.9
General Services Administration	1.9	0.7	.....
United States Information Agency	0.4	0.4	0.4
Federal Aviation Agency	1.7	1.7	1.7
Military Assistance Program	15.0	15.0	20.0
Transitional grants to Alaska	0.9	0.3	.....
Contributions by Federal agencies to Federal employees' health benefits funds not included above	126.7	127.6	129.1
Total net budget expenditures for health	5,163.5	6,232.0	7,860.3
Interfund transactions .....	.....	-37.0	-844.0
TRUST FUNDS			
Department of Health, Education, and Welfare: Social Security Administration .....	.....	105.0	3,305.0
Civil Service Commission, net	-10.0	8.6	-7.9
United States Soldiers' Home	6.9	7.4	8.5
Railroad Retirement Board .....	.....	0.4	0.3
Total trust fund expenditures for health	-3.2	121.4	3,305.9
Total budget and trust fund expenditures for health	5,160.3	6,316.4	10,322.2

Table H-2. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY CATEGORY (in millions of dollars)

Category	1965 actual	1966 estimate	1967 estimate
Hospital and medical care in Federal facilities	2,022.0	2,209.9	2,397.9
Federal grants and payments for hospital and health care in non- Federal facilities	913.8	1,374.9	4,623.1
Medical research, total	1,040.1	1,320.6	1,448.3
(a) Conduct of research	(965.5)	(1,214.2)	(1,235.1)
(b) Research facilities	(74.6)	(106.4)	(123.2)
Training, including training for research	316.9	448.9	546.1
Prevention and community services	417.6	493.7	634.5
Construction of hospitals and health facilities	449.9	468.4	672.3
Total expenditures from administrative budget and trust accounts	5,160.3	6,316.4	10,322.2

Table H-3. FEDERAL HOSPITALS, OPERATING BEDS, AND PATIENT LOADS

	1965 actual	1966 estimate	1967 estimate
Number of hospitals:			
Defense.....	225	230	233
Health, Education, and Welfare.....	66	64	64
Veterans Administration.....	171	166	167
Other.....	35	35	35
Total.....	497	495	499
Number of operating beds:			
Defense.....	39,677	46,842	61,858
Health, Education, and Welfare.....	15,822	15,307	15,220
Veterans Administration.....	119,326	118,664	120,034
(Nursing home beds included in total).....	(208)	(1,645)	(3,000)
Other.....	3,159	3,159	3,159
Total.....	177,984	183,972	200,271
Average daily patient load:			
Defense.....	29,376	35,844	48,150
Health, Education, and Welfare.....	13,226	12,892	12,687
Veterans Administration.....	109,333	109,710	111,147
(Nursing home beds included in total).....	(150)	(1,510)	(2,790)
Other.....	2,055	2,119	2,144
Total.....	153,990	160,565	174,128

Table H-4. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS (in millions of dollars)

Agency and program	Func- tional code	1965 actual	1966 estimate	1967 estimate
ADMINISTRATIVE BUDGET FUNDS				
National defense:				
Department of Defense:				
Hospital and medical care of military personnel and their dependents, retired personnel and their families on a space available basis, and civilian employees and their dependents overseas.....	051	880.2	1,011.3	1,156.0
Research in preventive medicine, improved methods of caring for and rehabilitating the sick and injured, and studies relating to medical problems of military science.....	051	98.4	108.4	118.5
Professional and technical training of personnel.....	051	56.6	67.1	69.3
Construction of hospitals and medical facilities.....	051	31.1	48.4	114.6
Department of Health, Education, and Welfare: Stockpiling of medical supplies.....	059	12.6	10.0	10.0
Atomic Energy Commission: Research on the effects and use of radiation.....	058	89.3	94.6	101.7
Total, national defense.....		1,168.2	1,339.8	1,570.1

Table H-4. **FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS** (in millions of dollars)—Continued

Agency and program	Functional code	1965 actual	1966 estimate	1967 estimate
ADMINISTRATIVE BUDGET FUNDS—Continued				
International affairs and finance:				
Peace Corps: Assistance to underdeveloped countries particularly for nursing and malaria eradication projects.....	152	5.9	7.2	7.5
United States Information Agency: Medical care of Foreign Service officers who become ill abroad.....	153	0.4	0.4	0.4
Agency for International Development: Grants, loans, and other assistance to underdeveloped countries in meeting their most pressing health problems.....	152	50.6	60.0	92.0
Department of State:				
Contributions to international organizations, conferences, and medical and hospital care of Foreign Service personnel and their dependents.....	151	18.0	20.2	21.9
Assistance to refugees from Communist countries, except Cuba.....	152	0.5	0.7	1.0
Mutual educational and cultural exchange activities.....	153	1.0	1.0	0.9
Military assistance program: Medical personnel and construction.....		15.0	15.0	20.0
Total, international affairs and finance.....		91.4	104.5	143.7
Space research and technology:				
National Aeronautics and Space Administration: Research on health factors and human capabilities in advanced aerospace systems.....	251	50.6	79.1	75.6
Agriculture and agricultural resources:				
Department of Agriculture: Plant and animal research; meat and poultry inspections.....	355	114.2	122.5	128.2
Natural resources:				
Department of the Interior: Care of Aleut Indians in Pribilof Island, Alaska, and grant to territories and American Samoa.....	910	4.1	4.6	4.6
Commerce and transportation:				
Small Business Administration: Loans for construction and operation of nursing homes and other health-related facilities.....	506	8.3	8.5	10.3
Department of Housing and Urban Affairs:				
Advances and loans to local communities for construction of sewer, water, and other health-related facilities, and grants for urban services and community facilities.....	553	39.8	27.2	87.1

Table H-4. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS (in millions of dollars)—Continued

Agency and program	Functional code	1965 actual	1966 estimate	1967 estimate
ADMINISTRATIVE BUDGET FUNDS—Continued				
Health, labor, and welfare:				
Department of Health, Education, and Welfare:				
Freedmen's Hospital: Operation of a community teaching hospital serving Howard University Medical School.....	651	3.9	4.5	4.9
St. Elizabeths Hospital: Hospital care for the mentally ill in the District of Columbia.....	651	9.9	12.8	10.5
Public Health Service:				
Health services for Indians.....	651	62.2	66.7	72.5
Construction of Indian health facilities.....	651	9.2	8.0	14.0
Medical care of merchant seamen, narcotic addicts, and other Public Health Service beneficiaries.....	651	54.5	58.0	61.0
Quarantine activities.....	651	6.9	7.5	7.9
Grants and loans for construction of hospital and health facilities.....	651	200.5	205.6	257.6
Support of medical, dental, and nursing education and training.....	651	31.9	80.5	127.2
Accident and disease prevention and control.....	651	197.3	255.3	322.4
Proposed legislation: Support for planning health facilities and services, and for modernization of obsolete medical facilities; conversion of student loans to guaranteed loans.....				2.1
Scientific activities overseas.....	651	3.9	5.0	12.0
Construction of health facilities.....	651	16.5	25.0	23.0
Environmental health activities.....	651	52.1	67.3	83.7
National Institutes of Health:				
Research.....	651	587.3	749.2	815.0
Training.....	651	145.6	195.2	217.7
Water Pollution Control Administration.....	651	100.9	121.0	158.0
Proposed legislation: Clean river demonstration projects and expanded research and training.....				23.5
Welfare Administration:				
Grants for maternal and child welfare.....	651	72.1	142.4	164.2
Assistance to refugees and repatriated U.S. nationals.....	653	2.1	3.5	5.6
Public assistance grants for hospital and health care.....	653	554.0	775.0	759.4
Vocational Rehabilitation Administration: Rehabilitation grants and research and training in problems of handicapped individuals.....	659	38.9	56.2	80.6
Social Security Administration: General fund payments to trust fund.....	654		37.0	844.0
Food and Drug Administration: Enforcement of the pure food and drug laws.....	651	40.6	51.1	64.9
Department of Labor: Accident prevention and administration of Federal employees workmen's compensation program.....	652	6.8	6.9	7.3
Department of the Interior: Health research related to mine operation.....	652	0.3	0.3	0.3
Office of Economic Opportunity.....	655	5.6	39.0	74.9
Total, health, labor, and welfare.....		2,203.0	2,973.0	4,214.2

Table H-4. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS (in millions of dollars)—Continued

Agency and program	Functional code	1965 actual	1966 estimate	1967 estimate
ADMINISTRATIVE BUDGET FUNDS—Continued				
Education:				
Department of Health, Education, and Welfare:				
Practical nurse training	704	4.9	4.9	5.0
Defense educational activities	702	3.1	3.9	7.8
National Science Foundation: Support of basic research in health-related fields	703	25.9	35.1	35.9
Total, education		33.9	43.9	48.7
Veterans benefits and services:				
Veterans Administration: Hospital, domiciliary, and out-patient care of veterans including medical research and construction and modernization of facilities	804	1,265.7	1,343.0	1,386.5
General government:				
Department of Labor: Hospital and medical care for Federal employees injured in line of duty	906	11.0	10.9	13.0
Federal Aviation Agency: Research	501	1.7	1.7	1.7
Department of Justice: Medical care of prisoners	908	7.8	7.7	8.0
Civil Service Commission: Government contribution to Federal employees' health benefit funds for retired employees and annuitants	906	27.0	29.2	31.7
General Services Administration: Matching grant for a hospital in southeast Washington, D.C.	905	1.9	0.7	-----
Panama Canal: Medical and hospital care for civilian and military personnel, sanitation and quarantine	910	7.3	7.8	7.8
Transitional grants to Alaska	910	0.9	0.3	-----
Total, general government		57.6	58.3	62.2
Contributions by Federal agencies to employees' health benefits fund not included above		126.7	127.6	129.1
Total net administrative budget expenditures for health		5,163.5	6,232.0	7,860.3
Interfund transactions			-37.0	-844.0
TRUST FUNDS				
Civil Service Commission (revolving funds): Expenditures for employee health benefits	654	482.0	554.3	593.9
Receipts from employee and Government contributions		-492.1	-545.7	-601.8
Net expenditures from trusts revolving funds		-10.1	8.6	-7.9
Department of Health, Education, and Welfare: Social Security Administration: Expenditures for hospital and supplementary medical insurance	654		105.0	3,305.0
United States Soldiers Home: Hospital and domiciliary care of retired and disabled enlisted personnel of the Regular Army and Air Force	805	6.9	7.4	8.5
Railroad Retirement Board			0.4	0.3
Total net trust fund expenditures for health		-3.2	121.4	3,305.9
Total budget and trust fund expenditures for health		5,160.3	6,316.4	10,322.2

SPECIAL ANALYSIS H

FEDERAL HEALTH PROGRAMS

This analysis summarizes the medical and health-related expenditures of the Federal Government. It includes activities classified in the "Health, Labor and Welfare" function, as well as health programs which are undertaken and classified as part of another function such as "National Defense" or "Education."

Under this broader categorization, Federal cash payments to the public will rise \$1.6 billion over 1967, to a total of \$12.4 billion in 1968. This spending will finance a wide variety of activities—hospital care and medical treatment in Federal and non-Federal facilities, medical research, training health manpower, construction of health facilities, and preventive and community health programs. Of total Federal payments to the public in 1968 for all purposes, 7.2% will be paid out for health and related programs. This compares with 6.7% in 1967 and 4.3% in 1966. In the 2-year period, 1966–68, it is estimated that these cash payments for health will more than double, with about 60% of the increase due to the enactment of Medicare.

Federal health expenditures constitute a significant proportion of the Nation's total outlay for health. Based on estimates developed by the Social Security Administration for fiscal year 1966, the Federal portion of health expenditures represented 14% of the Nation's total expenditure of about \$43 billion. With the expansion in health care programs financed out of Federal funds after 1966, particularly for the aged and the indigent, Federal expenditures in 1968 will represent an even larger percentage of the total national expenditure for health. Similarly, these recent Federal expansions in health care have resulted in a major redistribution in the purposes for which the Federal health dollar is spent. In 1963, 40% of the total Federal health expenditures of \$4.7 billion were for direct care provided in Federal facilities—primarily by the Department of Defense and the Veterans Administration. In 1968, on the other hand, while direct patient care will continue to increase, it will account for only 21% of the Federal health dollar.

Recent trends in Federal health expenditures.—The declining proportion of expenditures for direct health care reflects the changing role of the Federal Government in the provision of health services. The new and expanded Federal initiatives are illustrated under the following six headings:

a. Programs to remove the financial barriers to health care.

- Medicare, enacted in 1965, provides social insurance to cover hospital costs incurred by the aged. Practically all of our 19 million aged are protected. Medicare also established a voluntary system to insure against the costs of doctor bills—financed by

monthly premium payments by the aged and by a matching Federal contribution. Over 90% of our aged have enrolled in this voluntary program.

- Medicaid, also enacted in 1965, provides Federal grants to State programs paying for medical care for needy citizens. Some 28 States are now operating under this program, and by the end of 1968 it is expected that 48 States will have adopted this program and will help meet the medical costs of about 8 million people.

- The Head Start and Neighborhood Health Centers programs funded by the Office of Economic Opportunity, special infant and child health and maternity care programs supported by the Children's Bureau, and health centers financed under the Appalachian programs were all initiated in recent years to make quality medical care available to medically indigent persons.

b. Programs to meet the manpower, facility, and other resource requirements of the health care system.

- As a result of the Health Professions Educational Assistance Act of 1963, and subsequent amendments, the first-year enrollment of our medical schools will increase from 9,213 in 1963 to 10,020 in 1968. With this added enrollment, more than 700 additional doctors a year will be entering practice by 1972. Similarly, with help provided by the Nurse Training Act of 1964, the number of graduating nurses will increase by 17% from 32,800 in 1965 to 38,700 in 1968. The Allied Health Professions Personnel Training Act of 1966 is similarly designed to increase auxiliary health workers.

- The Community Mental Health Centers Construction Act, enacted in 1963, and subsequent amendments will have provided by 1968 construction aid to approximately 331 community mental health centers.

- Largely as a result of the report of the President's Panel on Mental Retardation and enactment of implementing legislation, obligations by the Department of Health, Education, and Welfare to construct university and community mental retardation service centers will reach \$25 million by 1968.

- As a result of the Heart, Stroke, and Cancer Amendments of 1965, a grid of about 53 Regional Medical Programs will span the country by 1968 to disseminate advanced diagnosis and treatment methods from university medical centers to physicians practicing at the community level.

- The Hill-Burton program was extended in 1964 for 5 years. The extension authorizes a total of \$1.34 billion in additional grants and loans to provide for construction or modernization of approximately 33,000 beds per year.

- Hospitals and other medical care facilities will have funds available for acquiring additional or replacing existing medical care resources as a result of Medicare payments covering depreciation of that portion of facilities and equipment devoted to health care for the aged.

c. Programs to improve the delivery of health care.

- Many of the programs listed above also are exploring ways to make our health care system more effective. In addition, there is a small but increasing amount of funds available, estimated at \$35

million in 1968, to develop new or more efficient methods of delivering health and medical care. This effort, principally by the Department of Health, Education, and Welfare, will increase from about \$15 million in 1966. Since there is relatively little comparable research privately supported, these expenditures cover most of this type of research in the health industry.

d. Programs to protect the consumer and to improve the quality of our physical environment.

- Under the authority of the Clean Air Act of 1963, and subsequent amendments, more than 150 State and local air pollution control agencies have received Federal assistance for establishing, developing, and improving programs of pollution control. Under the authority of the act, eleven Federal enforcement actions to abate interstate pollution have been undertaken and emission control standards have been promulgated and will be applied to all new automobiles beginning with the 1968 models.
- All of the drugs approved by Food and Drug Administration on the basis of safety alone since 1938 will, as a result of the Kefauver-Harris Amendments of 1962, be reevaluated on the basis of efficacy as well as safety. Under the Drug Abuse Control Amendments of 1965, a nationwide program has been inaugurated to stop the illegal production and traffic in dangerous drugs affecting the central nervous system.

e. Programs designed to improve the effectiveness of joint Federal-State-local government health efforts.

- As a result of Public Law 89-749, the Partnership-for-Health Act, State and local governments will be given financial assistance to establish comprehensive health planning units. In addition, six existing State formula grant programs will be consolidated to reduce the fragmentation of governmental effort. Special project grants will support efforts to meet specialized national or regional health problems and to encourage new approaches in furnishing health services.
- Assistance, mostly in the form of vaccines, was given to State and local governments under the Vaccination Assistance Act of 1962, as amended, to provide 250 million immunizations for preschool children against polio, diphtheria, whooping cough, tetanus, and measles.
- As a result of the Vocational Rehabilitation Amendments of 1965, States will on the average receive 75% of rehabilitation costs compared with an average of about 60% previously.

f. Programs to advance research in the cause, treatment, and prevention of diseases.

- Between 1960 and 1968, Federal expenditures for biomedical research will more than triple. New insights have been achieved in the prevention of rubella, leukemia, and other disabling diseases. Major development programs have been launched on programs to develop artificial organs, vaccines, and chemotherapeutic agents.

Distribution of Federal health programs by agency.—While over 20 agencies conduct or support health programs, 90% of total health expenditures is concentrated in 3 agencies. Table H-1 shows the expenditures for each agency.

Table H-1. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS BY AGENCY (in millions of dollars)

Agency	1966 actual	1967 estimate	1968 estimate
ADMINISTRATIVE BUDGET			
Department of Health, Education, and Welfare:			
Public Health Service:			
National Institutes of Health.....	738.8	929.9	989.2
National Institute of Mental Health.....	164.3	194.9	217.6
Other.....	633.5	866.2	1,095.2
Welfare Administration.....	863.8	1,196.7	1,407.9
Social Security Administration.....		971.8	917.6
Other.....	141.1	198.6	238.6
Proposed legislation (net).....			42.0
Total, Department of Health, Education, and Welfare.....	2,541.5	4,358.1	4,908.1
Department of Defense:			
Army.....	436.8	666.2	716.5
Navy.....	367.9	428.1	461.3
Air Force.....	398.7	440.7	445.7
Other.....	9.0	7.8	7.3
Total, Department of Defense.....	1,212.4	1,542.8	1,630.8
Veterans Administration.....	1,306.7	1,381.7	1,471.5
Agency for International Development.....	120.0	198.7	223.9
Atomic Energy Commission.....	93.9	98.6	102.8
Department of Agriculture.....	126.7	141.1	154.0
National Aeronautics and Space Administration.....	73.0	81.8	85.7
Department of Housing and Urban Development.....	27.5	28.6	103.0
National Science Foundation.....	24.2	25.0	25.0
Civil Service Commission.....	29.2	36.6	40.7
Office of Economic Opportunity.....	48.2	120.2	140.5
Department of Commerce.....	.5	3.8	25.2
Department of State.....	21.0	25.3	26.7
Department of Labor.....	30.4	48.9	71.4
Other agencies.....	60.4	74.9	66.3
Contributions by Federal agencies to Federal employees' health benefits funds not included above.....	139.8	185.1	189.1
Interfund transactions.....		-1,021.8	-991.6
Total net budget expenditures for health.....	5,864.3	7,329.4	8,237.1
TRUST FUNDS			
Department of Health, Education, and Welfare:			
Social Security Administration.....	64.5	3,525.8	3,971.6
Proposed legislation.....			200.0
Civil Service Commission, net.....	1.5	-3.0	-14.3
United States Soldiers' Home.....	7.2	8.4	10.1
Total trust fund expenditures for health.....	73.2	3,531.2	4,167.4
Total budget and trust fund expenditures for health.....	5,927.5	10,860.6	12,440.5

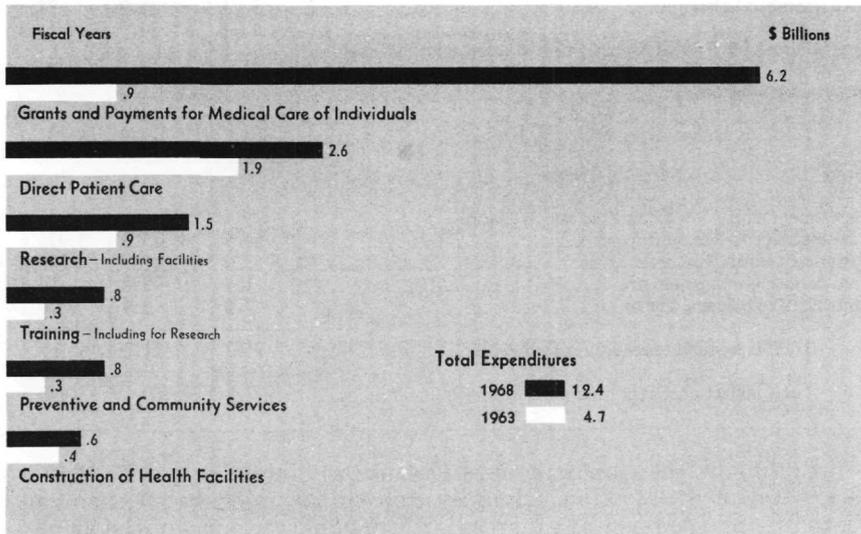
Spending by the Department of Defense will increase by \$88 million to a total of \$1.6 billion primarily due to the military situation in Vietnam and the resultant increase in personnel strength of the armed services, and will account for 13% of the total. The Veterans Ad-

ministration expenditures for health will approximate \$1.5 billion, an increase of \$90 million over 1967. The increase will provide new medical services such as intensive care units, open heart surgery, pulmonary emphysema units, clinical radioisotope facilities in many of the VA hospitals. VA expenditures will account for 12% of the total Federal payments for health.

In 1968, \$8.1 billion or 65% of all Federal expenditures for health will be spent by the Department of Health, Education, and Welfare. This compares with 42% in 1963. This sharp increase reflects the fact that nearly all of the major new programs identified in the previous section are managed by this Department. Unlike the Department of Defense and the Veterans Administration, the Department of Health, Education, and Welfare spends only a small portion of its health funds (2%) for direct care and treatment provided in its own hospitals and clinics. The major share of the Department's expenditures include \$4.2 billion from trust funds for health care services under Medicare, and \$1.2 billion from the administrative budget to support the Federal-State medical assistance program for the needy. Aside from these payments for health care, the Department's major spending efforts will support: medical research, training health personnel, construction of medical facilities throughout the country, and efforts to control the purity of food, drugs, and air.

The remaining \$1.3 billion of the estimated expenditures in 1968 will be made by some 20 departments and agencies. Among these, the largest amounts will be spent by the Agency for International Development for health activities in other countries and the Office of Economic Opportunity for care and treatment provided the poor, the Department of Agriculture for research and animal inspections, and the the Department of Housing and Urban Development primarily for construction of community health related facilities.

Federal Expenditures, Medical and Health-Related Activities by Category - 1963 and 1968



Distribution of Federal health expenditures by category.—Table H-2 shows total Federal health related expenditures for the 3 fiscal years 1966-68 by six functional categories. The preceding chart contrasts the 1963 and 1968 Federal outlays in these categories.

Table H-2. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY CATEGORY (in millions of dollars)

Category	1966 actual	1967 estimate	1968 estimate
Hospital and medical care in Federal facilities.....	2,199.0	2,504.6	2,614.7
Federal grants and payments for hospital and health care in non-Federal facilities.....	1,321.8	5,273.4	6,237.5
Medical research, total.....	1,167.3	1,385.0	1,450.8
(a) Conduct of research.....	(1,102.5)	(1,293.2)	(1,359.6)
(b) Research facilities.....	(64.8)	(91.8)	(91.2)
Training, including training for research.....	410.4	623.0	762.5
Preventive and community services.....	451.0	632.3	820.1
Construction of hospitals and health facilities.....	378.0	442.3	554.9
Total expenditures from administrative budget and trust accounts.....	5,927.5	10,860.6	12,440.5

Direct care expenditures are estimated at \$2.6 billion, or 21% of the total. Most of this pays for service in hospitals of the Department of Defense, Veterans Administration, and the Department of Health, Education, and Welfare which have about 11% of all the hospital beds in the United States. (Table H-3 presents for the 3 years the number of hospitals, beds and average daily patient load in Federal hospitals.) The people eligible for direct medical treatment in Federal installations are servicemen and retired military personnel and their dependents; veterans with service-connected disabilities; veterans with non-service-connected illness to the extent that beds are available, and the veteran certifies his inability to pay for care in private facilities. Aside from these, other eligible persons—though in much smaller numbers—include Federal employees injured on the job, American Indians and natives of Alaska, American seamen, inmates of Federal prisons, and narcotic addicts.

Expenditures for care in non-Federal facilities are estimated at \$6.2 billion in 1968 or 50% of the total expended by Federal health programs. About \$280 million of this total are expenditures by the Department of Defense and the Veterans Administration for their beneficiaries in those cases where Federal facilities are not available. But the largest share of these expenditures represent payments under

Medicare and the Medicaid program. The following tabulation summarizes the operations of these programs. (All figures in millions.):

	1966		1967		1968	
	Number of individuals receiving benefits	Federal expenditures	Number of individuals receiving benefits	Federal expenditures	Number of individuals receiving benefits	Federal expenditures
Medicare:						
For hospital bills.....		¹ \$65	4.3	\$2,480	4.7	\$2,876
For doctor bills.....			5.2	996	5.5	1,296
Medicaid.....	1.6	202	6.4	884	8.0	1,162

¹ Tooling up costs.

Health benefits are provided to more than 2.3 million Federal civilian employees and their 4.8 million dependents under insurance programs managed by the Civil Service Commission. A similar program provides benefits for 215 thousand retired employees and their dependents. These payments are made from trust revolving funds combining the premium deposits of the agencies and their employees. Since these are revolving funds, with receipts offsetting expenditures, only the net effect of trust fund transactions is included in the total for this category. The Governments' contribution however, amounting to \$170 million in 1966, \$223 million in 1967, and \$230 million in 1968 are included in this category.

Medical research expenditures are estimated at \$1,450 million or 12% of the Federal health expenditures. This category reflects the activities of many agencies, although the National Institutes of Health and the National Institute of Mental Health will spend \$895 million or about 60% of the total Federal medical research effort.

A comparison of current expenditures with 1960 graphically demonstrates the sharp increase which has taken place in the national medical research effort. Between 1960 and 1966 total national expenditures, both public and private, in support of medical research increased 150%, from \$830 to \$2,050 million. Projections indicate that a national level of effort approximating \$2.5 billion will be achieved in 1968. Since 1960, Federal expenditures have risen from \$444 million to \$1,450 million in 1968.

Health manpower training programs continue to expand, reaching \$762 million in 1968. The Public Health Service will spend 65% of this total for the construction of nurse training facilities, schools for the education of doctors, dentists, and other professional and allied health personnel and for student loans, scholarships, traineeships, and institutional support. The 1968 programs will support, via loans and scholarships, 16,400 medical, 5,900 dental, 28,000 nursing and about 1,200 students in other health service professions. Other agencies having major health training programs are the Department of Defense (\$75 million), the Department of Labor (\$55 million), and the Veterans Administration (\$39 million).

Preventive and community services account for \$820 million of total expenditures and are \$369 million above 1966. An important

change in the relation of Federal to State and community health programs will take place with the implementation of the Partnership for Health Act in 1968. This program will help the States develop integrated plans and programs combining services, facilities, and manpower in a concerted effort to solve high-priority health problems. In addition, it will substitute a new system of general support and project grants for a variety of categorical grants which have in the past fragmented the local system of health services. Aid to States and localities to control environmental hazards will also be expanded. Efforts to control air pollution, for example, will double in 1968 to a level of \$50 million.

Construction of hospitals and other health facilities will result in 1968 expenditures of \$555 million, an increase of \$113 million. Of this total, \$235 million will be for the construction of community facilities supported through Hill-Burton program construction grants. Defense construction accounts for \$55 million and VA construction for \$77 million of the total.

Table H-3. FEDERAL HOSPITALS, OPERATING BEDS, AND PATIENT LOADS

	1966 actual	1967 estimate	1968 estimate
Number of hospitals:			
Defense.....	234	237	235
Health, Education, and Welfare.....	63	63	65
Veterans Administration.....	165	167	167
Other.....	35	35	32
Total.....	497	502	499
Number of operating beds:			
Defense.....	45,127	57,577	60,899
Health, Education, and Welfare.....	14,714	14,660	14,676
Veterans Administration.....	118,486	118,852	119,929
Nursing home beds included in total.....	(1,475)	(3,000)	(4,000)
Other.....	2,623	2,623	2,584
Total.....	180,950	193,712	198,088
Average daily patient load:			
Defense.....	31,792	39,980	43,866
Health, Education, and Welfare.....	12,336	12,056	11,898
Veterans Administration.....	108,634	109,082	110,036
Nursing home beds included in total.....	(1,245)	(2,790)	(3,720)
Other.....	1,628	1,709	1,698
Total.....	154,390	162,827	167,498

Payments for health care services by population grouping.—Table H-4 distributes the estimated Federal expenditures for health care provided directly in Federal installations or via payments or grants for health care delivered by non-Federal facilities and medical practitioners—the sum of the first two lines of table H-2. As this tabulation represents the initial attempt at a population classification in this analysis, the figures should be viewed as trend indicators and as reasonable estimates.

Table H-4. ESTIMATED FEDERAL HEALTH CARE EXPENDITURES BY POPULATION GROUPS (in millions of dollars)

	Aged (65 and over)			Children and youth (0-21)			Other adults (22-64)		
	1966	1967	1968	1966	1967	1968	1966	1967	1968
Department of Health, Education, and Welfare:									
Medicare ¹	65	3,479	3,972						150
Medical assistance (includes Medicaid).....	689	728	785	21	123	221	60	188	177
Child and maternal health.....				65	104	133	16	33	50
Other HEW health programs.....	15	18	21	27	28	29	120	150	182
Office of Economic Opportunity.....	2	9	12	36	84	100	7	22	27
Veterans Administration.....	400	420	450				752	816	855
Department of Defense.....	22	28	30	328	417	453	686	874	950
Other Federal health programs.....	28	34	36	51	67	67	130	157	154
Total.....	1,221	4,716	5,306	528	823	1,003	1,771	2,240	2,545

¹ Under proposed legislation for the disabled there may be a small but not significant number of children covered in 1968.

The aged.—Because of prior studies made by the Department of Health, Education, and Welfare, firmer estimates can be made of the total—public and private—expenditures for health care for the aged than for other age groupings. In 1968, total public and private health care expenditures by or for the aged are estimated at about \$10 billion. Of this estimate, \$5.3 billion will be derived from Federal programs—primarily Medicare which is estimated to spend \$4.0 billion in 1968. This is a marked shift, as well as a significant dollar increase from 1966 health care expenditures on behalf of the aged which totaled about \$7.5 billion, of which only about 16% were expenditures from Federal programs. In addition to Medicare, the other major programs which provide or pay for health care for the aged are payments to vendors under the Federal-State medical assistance program, and the VA programs for eligible veterans. In 1968 almost 60% of the total Federal payments for health care will be spent on behalf of the aged.

Children and youth.—The rise in Federal expenditures for health care for this group, from \$823 million in 1967 to \$1 billion in 1968, stems primarily from expansion of the recently enacted Medicaid program which provides Federal grants to support State programs paying for the cost of care provided to needy individuals and their families. These expenditures are estimated at \$221 million in 1968 compared to \$123 million in 1967 and \$21 million in 1966. The Neighborhood Health Centers and the Head Start program financed by OEO as well as special programs financed by the Children's Bureau also pay for health care services to children. The OEO programs rise \$16 million over 1967 to \$100 million; the Children's Bureau expenditures are estimated at \$133 million in 1968, an increase of \$29 million

over 1967. Payments by the Department of Defense for servicemen and dependents under 21 rise from \$417 million in 1967 to \$453 million in 1968.

Other adults.—The 1968 expenditures of \$2.5 billion tallied in table H-4 for this group reflects the predominant emphasis of Federal programs serving beneficiaries legally entitled to care in Federal installations or under Federal auspices. The programs pay for health care given to servicemen, veterans, Federal employees and their spouses, and represent over three-fourths of the total spent for nonaged adults. Federal grants to support the State medical assistance program for needy adults are less than 8% of the total. Other Federal programs that will spend more than \$10 million in 1968 for health care for adults are OEO's Neighborhood Health Centers, the Vocational Rehabilitation program, and the maternal health programs of the Children's Bureau. The proposed extension of Medicare to cover the disabled will increase future Federal health care expenditures for adults in the 22-64 age group.

Proposed legislation.—The President's 1968 budget proposes legislation to improve the health status of our Nation.

It recommends extending the Medicare program to cover some 1.5 million disabled individuals. These people, like the aged, now receive monthly cash benefits from the Social Security and Railroad Retirement systems to replace lost earnings. Coverage under Medicare will extend to these people similar protection to meet the cost of health care. This legislation will also assure that payments made to hospitals for depreciation under Medicare will be used to replace facilities and equipment in accordance with State and community plans. In addition, the legislation will enable the Medicare system to reimburse Federal hospitals for services provided to its beneficiaries just as the system now reimburses State and local hospitals for similar services. The 1968 budget includes an increase of \$200 million in payments from the Medicare trust funds to cover the costs of health care to the disabled and the reimbursement payments to Federal hospitals.

The budget also includes expenditures of \$33 million for proposed legislation designed to improve the availability and quality of health care to needy children, including dental care. Particular stress will be given to requiring periodic diagnostic screening and followup treatment in the Federal-State Medicaid program, and to develop methods which utilize more effectively professional manpower and medical assistants in bringing health care to children.

Legislation also will be proposed to expand and strengthen the new Partnership for Health program. The 1968 budget includes expenditures of \$20 million for this purpose. Finally, as part of a proposed revision of the Federal-State public assistance program, legislative changes will be proposed to modify the Medicaid program so that its beneficiaries relate more closely to the beneficiaries receiving support under the cash assistance program.

Table H-5. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS (in millions of dollars)

Agency and program	Functional code	1966 actual	1967 estimate	1968 estimate
ADMINISTRATIVE BUDGET FUNDS				
National defense:				
Department of Defense:				
Hospital and medical care of military personnel and their dependents, retired personnel and their families on a space available basis, and civilian employees and their dependents overseas.....	051	1,037.6	1,320.4	1,434.3
Research in preventive medicine, improved methods of caring for and rehabilitating the sick and injured, and studies relating to medical problems of military science.....	051	64.4	68.0	66.3
Professional and technical training of personnel.....	051	69.1	75.3	74.9
Construction of hospitals and medical facilities.....	051	41.3	79.1	55.3
Department of Health, Education, and Welfare: Stockpiling of medical supplies.....	059	15.1	9.0	10.0
Atomic Energy Commission: Research on the effects and use of radiation.....	058	93.9	98.6	102.8
Total, national defense.....		1,321.4	1,650.4	1,743.6
International affairs and finance:				
Peace Corps: Assistance to underdeveloped countries particularly for nursing and malaria eradication projects.....	152	11.0	11.0	11.2
United States Information Agency: Medical care of Foreign Service officers who became ill abroad.....	153	.3	.3	.3
Agency for International Development: Grants, loans, and other assistance to underdeveloped countries for their most pressing health problems and for family planning.....	152	120.0	198.7	223.9
Department of State:				
Contributions to international organizations, conferences, and medical and hospital care of Foreign Service personnel and their dependents.....	151	19.5	23.7	25.0
Assistance to refugees from Communist countries, except Cuba.....	152	.5	.7	.8
Mutual educational and cultural exchange activities.....	153	1.0	.9	1.0
Military assistance program: Medical personnel and construction.....	506	15.0	20.0	-----
Total, international affairs and finance.....		167.3	255.3	262.2
Space, research and technology:				
National Aeronautics and Space Administration: Research on health factors and human capabilities in advanced aerospace systems.....	251	73.0	81.8	85.7
Agriculture and agricultural resources:				
Department of Agriculture:				
Plant and animal research; meat and poultry inspections, consumer protection.....	355	126.7	141.1	154.0
Natural resources:				
Department of the Interior: Grants to territories and American Samoa; expanded research and training.....		8.9	6.6	7.8
Commerce and transportation:				
Small Business Administration: Loans for construction and operation of nursing homes and other health-related facilities.....	506	8.3	8.9	13.7

Table H-5. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS (in millions of dollars)—Continued

Agency and program	Functional code	1966 actual	1967 estimate	1968 estimate
ADMINISTRATIVE BUDGET FUNDS—Continued				
Housing and Urban Affairs:				
Department of Housing and Urban Development: Advances and loans to local communities for construction of health-related facilities, and grants for urban services and community facilities	553	27.5	28.6	103.0
Health, labor, and welfare:				
Department of Health, Education, and Welfare:				
Freedmen's Hospital: Operation of a community teaching hospital serving Howard University Medical School.....	651	4.4	6.2	7.0
Saint Elizabeths Hospital: Hospital care for the mentally ill in the District of Columbia	651	11.2	11.8	12.0
Public Health Service:				
Health services for Indians	651	65.6	72.0	73.5
Construction of Indian health facilities	651	9.1	14.2	17.2
Medical care of merchant seamen and other Public Health Service beneficiaries	651	57.3	60.9	58.5
Support of comprehensive health planning and services	651		4.5	88.0
Communicable and chronic disease programs	651	122.4	158.2	107.2
Grants and loans for construction of hospital and health facilities	651	202.3	228.4	275.0
Support of medical, dental, and nursing education and training	651	50.3	130.0	190.0
Health services and supporting activities	651	37.6	85.8	123.7
Scientific activities overseas	651	4.7	6.5	12.0
Construction of health facilities	651	17.2	31.4	32.0
Environmental health programs	651	57.1	74.3	97.5
Mental health research, training and service	651	164.3	195.6	218.9
National Institutes of Health:				
Research	651	625.8	755.8	783.6
Training	651	112.6	166.6	168.8
Regional medical programs	651	.3	7.5	36.8
Welfare Administration:				
Grants for maternal and child welfare	651	91.8	153.9	184.1
Assistance to refugees and repatriated U.S. nationals	653	2.1	4.2	5.8
Public assistance grants for hospital and health care	651	769.5	1,038.2	1,217.8
Research and training	651	.3	.4	.4
Vocational Rehabilitation Administration: Rehabilitation grants and research and training in problems of handicapped individuals	659	43.4	71.8	103.4
Social Security Administration: General fund payments to trust funds	654		971.8	917.6
Food and Drug Administration: Enforcement of the pure food and drug laws	651	45.2	57.0	62.0
Department of Labor: Bureau of Labor Standards	652	1.9	1.9	2.7
Department of Commerce:				
Economic Development Administration	507	.2	3.4	24.8
National Bureau of Standards	506	.3	.4	.4
Office of Economic Opportunity	655	48.2	120.2	140.5
Proposed legislation: To improve child health, to expand the Partnership for Health program, and to cover the disabled under Medicare	651			42.0
Total, health, labor, and welfare		2,545.1	4,431.8	5,022.2

Table H-5. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS (in millions of dollars)—Continued

Agency and program	Functional code	1966 actual	1967 estimate	1968 estimate
ADMINISTRATIVE BUDGET FUNDS—Continued				
Education:				
Department of Labor: Training of health personnel.....	652	18.2	35.4	56.6
Department of Health, Education, and Welfare:				
Practical nurse training.....	704	7.5	18.3	18.5
Other educational activities.....	701	14.4	24.5	25.7
National Science Foundation: Support of basic research in health-related fields.....	703	24.2	25.0	25.0
Total, education.....		64.3	103.2	125.8
Veterans benefits and services:				
Veterans Administration: Hospital, domiciliary, and outpatient care of veterans including medical research and construction and modernization of facilities.....	804	1,306.7	1,381.7	1,471.5
General government:				
Department of Labor: Hospital and medical care for Federal employees injured in line of duty.....	906	10.3	11.7	12.1
Department of Transportation: Federal Aviation Administration: Research and services.....	501	5.4	6.1	6.3
Department of Justice: Medical care of prisoners.....	908	7.5	7.8	12.1
Civil Service Commission: Government contribution to Federal employees' health benefit funds for retired employees and annuitants.....	906	29.2	36.6	40.7
General Services Administration: Matching grant for a hospital in southeast Washington, D.C.....	905	.7		
Panama Canal: Medical and hospital care for civilian and military personnel, sanitation and quarantine.....	910	11.9	14.2	14.9
Transitional grants to Alaska.....	910	.3		
Total, general government.....		65.3	76.4	86.1
Contributions by Federal agencies to employees' health benefits fund not included above.....		139.8	185.1	189.1
Interfund transactions.....			-1,021.8	-991.6
Total net administrative budget expenditures for health.....		5,864.3	7,329.4	8,273.1
TRUST FUNDS				
Civil Service Commission (revolving funds):				
Expenditures for employee health benefits.....	654	549.5	609.3	693.4
Receipts from employee and Government contributions.....		-548.0	-612.3	-707.7
Net expenditures from trust revolving funds.....		1.5	-3.0	-14.3
Department of Health, Education, and Welfare: Social Security Administration: Expenditures for hospital and supplementary medical insurance.....	654	64.5	3,525.8	3,971.6
Proposed legislation: To provide Medicare benefits to the disabled and to reimburse Federal hospitals for Medicare services.....	654			200.0
United States Soldiers' Home: Hospital and domiciliary care of retired and disabled enlisted personnel of the Regular Army and Air Force.....	805	7.2	8.4	10.1
Total net trust fund expenditures for health.....		73.2	3,531.2	4,167.4
Total budget and trust fund expenditures for health.....		5,927.5	10,860.6	12,440.5

SPECIAL ANALYSIS I

FEDERAL HEALTH PROGRAMS*

Federal expenditures for medical and health related activities will rise to \$15.6 billion in 1969, 8.3% of Federal expenditures for all purposes. Comparable figures for 1967 and 1968, respectively, are \$10.8 billion and 6.8%, and \$13.9 billion and 7.9%. This rise reflects trends in Federal programs as well as a shift in the relative shares of health expenditures borne by the Federal Government, State and local governments, and by private sources. In 1965, with national expenditures for health near \$39 billion, Federal expenditures represented approximately 12% of the total (State and local governments, 13%, and private sources, 75%). On the basis of preliminary data, total spending for health purposes in 1967 has reached a level of \$47 billion with Federal expenditures representing 23% of the total, State and local, 12%, and private sources, dropping to 65%.

The marked increase in the Federal share of national health expenditures is primarily attributable to its increasing role in paying for medical care services. In 1965 the Federal Government spent \$3 billion or 9% of the total national bill of \$35 billion for medical care services.¹ In 1967 reflecting the initial impact of Medicare and Medicaid the Federal Government spent \$7.8 billion or 18% of the \$42 billion spent by the Nation for medical care services. The Federal share may exceed 20% in 1969.

Table I-1 shows the distribution of Federal health expenditures by functional category. While the increase in Federal financing for health services is striking, it should be noted that all categories show increasing Federal support over the 3-year period, 1967-1969.

Development of health resources.—Federal programs aimed at enlarging the *health resources* of the Nation include biomedical research, health manpower development, medical and health facility construction programs and efforts directed toward improving the organization and delivery of health services. These programs will account for \$3.2 billion or 20% of total Federal health expenditures in 1969.

Health research.—Federal expenditures for biomedical research will rise to \$1,513 million in 1969, an increase of \$69 million over 1968. It is estimated that the 1969 Federal obligations will represent 65% of the national effort with industry supplying an additional 25% and the remaining 10% being financed by foundations and voluntary health agencies.

Of the Federal biomedical research expenditures, about 61% will support the efforts of educational institutions and nonprofit organizations, 25% will be utilized for direct Federal research activities, and 14% will support research conducted by private industry and others.

*This analysis summarizes the medical and health related expenditures of the Federal Government. It includes activities classified in the "Health, Labor, and Welfare" function as well as health programs which are undertaken and classified as part of another function such as "National Defense," "Education," or "Veterans Benefits and Services."

¹ As used in this analysis, medical care services excludes expenditures for construction, research, and training.

Table I-1. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY CATEGORY (in millions of dollars)

	1967 actual	1968 estimate	1969 estimate
Development of health resources, total.....	2,431	2,816	3,163
Health research.....	1,364	1,444	1,513
Training and education.....	594	732	782
Construction of hospitals and health facilities.....	391	481	642
Improving the organization and delivery of health services.....	82	159	226
Provision of hospital and medical services, total.....	7,831	10,382	11,693
Direct Federal hospital and medical services.....	2,552	2,684	2,783
Hospital and medical services, indirect.....	5,279	7,698	8,910
Prevention and control of health problems, total.....	540	682	700
Disease prevention and control.....	386	500	491
Environmental control.....	37	50	51
Consumer protection.....	117	132	158
Total expenditures and net lending from Federal and trust funds.....	10,802	13,880	15,556

As in the past, the Federal organizations with the major responsibility for medical and health related research will be the National Institutes of Health and the National Institute of Mental Health in the Department of Health, Education, and Welfare. Through the programs of the Institutes, the Federal Government provides support for the conduct of research, research training, the development of research facilities and other resources, and the dissemination and employment of new knowledge.

The primary mechanism for the support of research and development by NIH and NIMH continues to be the research project grant. In total, about 15,000 project grants will be supported in each of the 3 years. However, increasingly, these two organizations are pursuing larger collaborative research projects. For these purposes the contract is usually employed. In 1969 greater emphasis will be given to such projects as the artificial heart and kidney, organ transplants, vaccine and drug development, and fertility control.

Relatively, the largest increase in 1969 for research and development activities in HEW is for the air pollution program. A level of \$59 million is provided of which \$43 million will be for technology to control pollutants such as sulfur oxides from fossil fuels and emissions from auto exhausts. The remainder of the funds are spent primarily for determining the health and economic effects of air pollution.

In addition to the efforts of HEW, significant biomedical research activities are carried on under the auspices of the National Aeronautics and Space Administration, the Atomic Energy Commission, the Defense Department, and the Veterans Administration. While this research is directed to the primary missions of these individual agencies, the contributions have widespread application to health and medical problems of all.

Table I-2 provides a first attempt in this Special Analysis to classify Federal health research expenditures between "basic science" and "targeted research and development." In addition, estimates of targeted research and development are classified by selected program areas. As this tabulation represents the initial attempt at this classification, the figures should only be viewed as indicators of trends.

Table I-2.—FEDERAL EXPENDITURES FOR RESEARCH (in millions of dollars)

	1967 actual	1968 estimate	1969 estimate
Basic science.....	322	326	346
Targeted research and development.....	971	1,051	1,099
1. Neoplasms.....	147	155	155
2. Heart and circulatory system.....	126	136	139
3. Mental health.....	35	35	38
4. Neurological diseases and blindness.....	90	93	97
5. Air pollution and other environmental research.....	27	37	59
6. All other.....	547	595	611
Research facilities construction.....	71	67	68
Research, total.....	1,364	1,444	1,513

Training and education.—Growing levels of biomedical knowledge' increased demands for health services, and an expanding population continue to reinforce the need for more personnel trained in the health professions. Federal programs that are designed to help meet these national needs include: student loans and scholarship funds, financial aid for the construction of schools in the health professions, financial support for innovations and experiments in medical education, and training and education activities in conjunction with the medical programs of the Veterans Administration, the Public Health Service, and the Defense Department.

Through the efforts of these programs it is estimated that 318,000 students will receive training in 1969, supported by expenditures of \$691 million. As shown in table I-3, 29,700 physicians, dentists, and nurses graduating in 1969 and 15,765 paramedical trainees and other students graduating or otherwise completing their training will have received financial assistance from these programs. Additional physicians, nurses, and dentists in training have been included in the "all other" category.

Enlargement of the health education system will be supported by \$90 million of Federal expenditures in 1969, an increase of \$61 million over the 1967 level. As a result of these and previous expenditures, the spaces for first-year students will be increased as shown in table I-4.

In addition to the support provided for expansion of the medical education system and aid to students in the traditional medical professions, the Federal Government will support innovative efforts to improve curricula and develop new categories of ancillary health personnel. Revisions to expiring legislation will be proposed to increase and accelerate the output of health manpower.

The major support for students in the health professions is provided by grants from HEW, but further support of medical education and training will be provided as a byproduct of the direct medical care

Table I-3. FEDERALLY AIDED TRAINING AND EDUCATION

	Expenditures (in millions of dollars)			Numbers ¹ (in thousands)		
	1967	1968	1969	1967	1968	1969
Degree or certificate training:						
Research training.....	169	171	172	26.3	28.0	29.6
Physician training.....	42	53	57	15.3	18.7	18.4
Completing training.....				4.5	4.8	5.7
Dentist training.....	15	17	19	14.1	16.1	17.5
Completing training.....				4.9	5.4	5.6
Nurse training.....	29	37	36	26.6	42.8	47.4
Completing training.....				13.8	17.0	18.4
Other health professions training.....	57	79	80	8.2	11.6	14.5
Completing training.....				3.6	4.3	5.9
Paramedical training.....	16	19	25	4.2	3.7	4.0
Completing training.....				12.3	10.3	9.9
All other training.....	236	269	302	125.0	144.7	186.4
						317.8
Total.....	564	645	691	219.7	265.7	

¹ Numbers in any given year may reflect the impact of expenditures in prior years.

Table I-4. FEDERALLY AIDED HEALTH PROFESSIONS SCHOOL CONSTRUCTION

	Expenditures (in millions of dollars)			First year spaces added ¹		
	1967	1968	1969	1967	1968	1969
Medical schools.....	18	55	57	315	350	520
Dental schools.....	5	16	16	260	40	270
Other health professions schools.....	2	6	6	(²)	(²)	(²)
Nursing schools.....	4	10	10	790	1,230	790
Allied health professionals schools.....		1	1			(³)
Total.....	29	88	90			

¹ Numbers in any given year may reflect the impact of expenditures in prior years.

² Not available.

³ Spaces will be added after 1969.

service activities of other Federal agencies. For example, in 1969, an estimated 66,000 medical and paramedical personnel will be trained or continue their education as part of the ongoing medical service program of the Veterans Administration.

Construction of health facilities.—In 1969, \$428 million of Federal expenditures will support the construction or modernization of community hospitals and other health facilities and \$214 will be spent for the construction of hospitals and health facilities required for the medical service and health activities of Federal agencies.

Support for the expansion and modernization of non-Federal health facilities is provided primarily through the Hill-Burton program, and the Community Mental Health Centers Act. Since the enactment of the Hill-Burton legislation in 1946, 427,000 beds have been constructed

or modernized as a result of funds made available under the program. In 1969 alone, health facilities providing approximately 31,000 beds will be constructed or modernized with the support of Hill-Burton funds. By the end of 1968, 367 community mental health centers will have been constructed with Federal financial aid since the enactment of the authorizing legislation in 1963. An estimated 110 additional centers will come into being as a result of this program in 1969. Table I-5 shows facility construction trends over the last 3 years. The rising levels of support for nursing home or long-term care facilities construction and modernization reflect two program trends. The first of these trends is the increasing level of demand for specialized nursing home care, as an alternative to hospital care, which is brought about in part by the Medicare program support for extended medical care treatment provided in nursing homes. The second significant program trend is the development of a continuum of medical care facilities, ranging from intensive care to nursing home facilities.

Additional support for the construction of non-Federal health facilities is provided by grant and loan programs administered by the Small Business Administration, the Department of Commerce and the Department of Housing and Urban Development. The programs of the Small Business Administration and the Department of Commerce primarily support the construction of health care facilities. The activities of the Department of Housing and Urban Development support the construction of essential public facilities, including grants for the construction of basic water and sewer facilities which will contribute to the improved health of a community.

Table I-5.—HOSPITAL AND HEALTH FACILITY CONSTRUCTION

	Expenditures (in thousands of dollars)			Numbers ¹ (in thousands)		
	1967	1968	1969	1967	1968	1969
Federally supported construction of hospitals and other facilities:						
General hospitals.....	140	162	152	20.6	18.5	19.7
Long-term care facilities.....	46	51	63	9.8	11.6	11.8
Sewer and sanitation facilities.....	49	124	176	-----	-----	-----
Other.....	33	28	37	-----	-----	-----
Federal hospitals and health facilities:						
Hospitals.....	105	81	160	3.6	2.2	5.0
Nursing homes.....	2	7	1	.6	2.0	.4
Other facilities.....	15	28	53	-----	-----	-----
Total expenditures.....	390	481	642	-----	-----	-----

¹ Numbers in any given year may reflect the impact of expenditures in prior years, and include beds added, modernized, and replaced.

Organization and delivery.—A recent report by the Department of Health, Education, and Welfare noted that the total national expenditures for personal health care in fiscal 1967 reached \$40 billion. Per capita, this represents an increase over 1966, of 7% in current dollars. "In constant dollars however there was relatively no increase in per capita expenditures indicating that nearly all of the increases in personal health care expenditures was due to the rise in medical care prices."² These facts are confirmed by the Consumer Price Index for the 12-month period ending June 1967, which shows that the medical care component rose by 7.3% (more than 2½ times the 2.7% increase for all items in the index).

These trends in rising demand for health services and increasing prices are of national concern. The recent report of the National Advisory Commission on Health Manpower calls for major efforts to meet these challenges through more efficient utilization and coordination of health resources. The Federal Government has responded to these needs by establishing several programs that are designed to improve the organization and delivery of health services. In 1969, Federal expenditures for these purposes will rise to \$226 million, 42% above 1968 and 175% over 1967. Of the 1969 expenditures, 93% is estimated for programs in the Department of Health, Education, and Welfare. Most of the programs toward which these efforts are directed have been initiated in the Public Health Service which will spend an estimated \$191 million in 1969 primarily through the programs discussed below.

Federal grants under the *Partnership for Health* program will be increased by \$9 million in 1969, to a level of \$15 million, to help State and local governments initiate health planning units and expand those that already exist. These Federal grants will help create and support health planning units in virtually every State. Planning activities include ascertaining health levels, taking inventory of health resources, and determining additional resource requirements such as facilities, equipment, and manpower. In addition, these health planning units, in cooperation with the medical profession, will assess the distribution and use of health resources and evaluate the effect utilization of health services has on the health status of their populations.

The *Regional Medical Program*, initiated in 1966, will spend \$18 million in 1968 and will complete the initial planning phase for 54 regions of which 30 will move to operational phases. Expenditures of \$40 million in 1969 will support new and continued planning and are expected to result in operational programs covering the total population of the United States. This program has established cooperative arrangements between the medical profession and medical institutions in specific regions to make available to patients the latest advances in diagnosis and treatment of heart disease, cancer, stroke, and related diseases. In 1969, new emphasis will be directed towards implementing and operating under these arrangements and in focusing these voluntary professional arrangements toward efficient use of manpower and facilities.

² Department of Health, Education, and Welfare, Social Security Administration, Research and Statistics Note No. 21, Nov. 20, 1967. "Personal health care" is more limited than "Medical care services" and excludes general public health activities and expenditures by philanthropic agencies.

In the past, the Public Health Service conducted or, through grants and contracts, helped finance research in the organization, financing, and utilization of health services through a variety of programs and organizational units. The 1969 budget reflects the first full year focusing of these efforts under the proposed National Center for Health Services Research and Development. Expenditures for the Center—estimated at \$18 million in 1969—will be directed toward studies and experimental projects aimed at containing the rise in medical prices and improving the utilization of health resources. These will include demonstration models in delivery of comprehensive health services, use of health auxiliaries, and group medical practice.

Expenditures and activities classified under "Provision of Hospital and Medical Services" will also contribute towards improvement in the organization and delivery of health care. The Medicare and Medicaid programs, under authority enacted in 1967, will experiment with innovative reimbursement plans aimed at increasing incentives for more efficient medical practices. The OEO neighborhood health centers and the maternity and child centers created by the Children's Bureau will also experiment with new and improved methods of delivering health care, including the use of nonprofessional and paramedical personnel.

Expenditures for organization and delivery are classified in table I-6. Analytic studies, planning, and demonstration activities are common to all these programs, although in varying proportions. As analytic studies of systems models are developed and planning techniques can be fitted to regional and local needs, increasing expenditures are expected to be centered on demonstrations.

Table I-6. FEDERAL EXPENDITURES FOR IMPROVING THE ORGANIZATION AND DELIVERY OF HEALTH SERVICES (in millions of dollars)

	1967 actual	1968 estimate	1969 estimate
Analytic studies.....	18	35	46
Planning.....	17	23	45
Demonstrations.....	47	101	135
Total expenditures.....	82	159	226

Provision of services.—The category, "Provision of Hospital and Medical Services" includes (1) payments to or on behalf of individuals for hospital and medical care in non-Federal facilities and by private physicians, and (2) the expenses of health care facilities operated directly by the Federal Government. The major Federal programs which provide payments for health care are: health insurance for the aged (Medicare), medical assistance for the needy (Medicaid), maternal and child health programs, Office of Economic Opportunity health programs, and the Federal employees health benefits program. The direct care activities consist primarily of those health programs conducted by the Department of Defense, the Veterans Administration and the Department of Health, Education, and Welfare for their beneficiaries in Federal facilities. These agencies, however, also expend

substantial amounts to provide care for their beneficiaries under contract in non-Federal facilities. (See table I-7.)

In 1969, approximately two-thirds of the total Federal health budget will be expended to provide hospital and medical services to large segments of the American population. A total of \$11.7 billion will be for these purposes, an increase of \$1.3 billion over 1968 expenditures. The provision of services has been the fastest growing area of health expenditures in the Federal budget over the past few years, increasing 13% in 1969 over 1968 and almost 50% over 1967. These programs, discussed below, are estimated to account for 20% of the total national expenditures for personal health care from all sources.

Table I-7. PROVISION OF HOSPITAL AND MEDICAL SERVICES

	Expenditures (In millions of dollars)			Numbers treated (in thousands)		
	1967	1968	1969	1967	1968	1969
Provision of direct Federal hospital and medical services.....	2,552	2,684	2,783	-----	-----	-----
Inpatients treated.....	1,735	1,822	1,890	2,150	2,218	2,251
Clinic and physician visits.....	817	862	893	61,688	65,040	66,064
Provision of hospital and medical services, indirect.....	5,279	7,698	8,910	-----	-----	-----
Inpatients treated.....	3,854	5,235	6,059	14,816	14,992	15,110
Clinic and physician visits.....	1,425	2,463	2,851	(²)	(²)	(²)
Total.....	7,831	10,382	11,693	-----	-----	-----

¹ Incomplete reporting.

² Not available.

Medicare.—The aged, prior to Medicare, faced the twin spectres of reduced income and high frequency of expensive illness. The Nation's response to the health problems of the aged was a health insurance program for virtually all persons 65 and over, covering 90 days of hospital care, posthospital care in extended care facilities and services provided by home health agencies, as well as physicians' services.

The hospital insurance program is financed by an employer-employee payroll tax for persons covered by the social security and railroad retirement systems and by general fund payments for hospital services rendered to eligible aged persons not insured by either of these systems. The 1967 amendments increased the combined employer-employee payroll tax from 1% to 1.2% effective January 1, 1968. In 1969, an estimated 19.6 million persons will be eligible to receive the protection provided by the hospital insurance program. (The only significant population group not covered by the hospital insurance program are the retired Federal employees and their dependents who are eligible for the Federal employee health benefits program.) In 1969, total expenditures for hospitalization of the aged will exceed \$3.9 billion, an increase of \$500 million over 1968, reflecting anticipated increases in hospital charges and in admissions to hospitals and extended care facilities. An estimated 4.6 million aged will receive these services in 1969.

In addition to the hospital insurance program, Medicare made available, on a voluntary basis, a supplementary medical insurance plan covering mainly physician charges. In 1969, approximately 18.6 million persons, almost 95% of the aged, will be enrolled in the supplementary plan. The program is financed by monthly premiums (\$3 currently and \$4 effective April 1, 1968) by each enrollee matched equally by the Federal Government. In 1969, an estimated 7.6 million persons will benefit through payments of \$1.8 billion from the Supplementary Medical Insurance trust fund compared to 7.5 million persons and \$1.6 billion in 1968. The increase of \$211 million over 1968 expenditures results from an estimated 5% increase in physicians' charges, greater utilization of physicians' services by the aged and expanded benefits resulting from the 1967 amendments to the Social Security Act. In 1969, Medicare will account for 80% of all Federal health expenditures for the aged.

Medicaid.—Federal matching payments which defray 50% to 83% of State medical assistance payments on behalf of the poor and medically indigent will total \$1.8 billion in 1968 with 43 States and jurisdictions participating in the Medicaid program. Total expenditures, including State and local funds, are estimated at \$3.4 billion in 1968. In 1969, total Federal, State, and local medical assistance expenditures are estimated at \$4.2 billion, of which Federal grant payments are estimated at \$2.1 billion, \$360 million more than 1968. By the end of 1969, 48 States and jurisdictions are expected to be in the Medicaid program.

Increased Medicaid costs in 1969 are attributable to an anticipated rise in medical prices which is expected to account for about a third of the increase over the 1968 level. In addition, the number of individuals receiving Medicaid services will increase from 7.3 million in 1968 to 8.5 million in 1969.

The 1967 Social Security Amendments limit Federal Medicaid matching payments on behalf of the medically indigent to persons whose income does not exceed by more than one-third the State welfare payments under Aid to Families with Dependent Children. For States already in the program, the limitation does not become fully effective until January 1970, but is immediately effective for new States entering the Medicaid program.

OEO and Children's Bureau health programs.—In contrast to the overarching Federal financing mechanisms provided through the Medicare and Medicaid programs, the Children's Bureau and OEO health programs have focused their efforts on sponsoring medical resources which provide comprehensive medical services mainly for mothers and children and young adults living in low income areas. In 1969, about 50% of Children's Bureau health expenditures will be devoted to further development of comprehensive neighborhood health, maternity and infant care, and child health centers.

Health expenditures by OEO will increase from about \$111 million in 1967 to \$154 million in 1969 primarily through expansion of neighborhood health centers which will account for about 60% of OEO's health expenditures. By the end of 1967, 41 comprehensive centers

had been approved and at present 13 are in operation. All 41 will be operating by the end of 1968. The remaining OEO health expenditures cover health care services provided to children enrolled in its Head Start Program, to Job Corps enrollees, and to VISTA volunteers.

In 1969 the Children's Bureau will spend \$170 million for health care for mothers and children, \$29 million more than in 1968. The major portion of this increase will be aimed at health services to reduce the incidence of mental retardation, birth defects, and infant mortality, and to prevent or correct handicapping conditions among children.

A recent HEW report on maternal and child health programs indicated that dramatic reductions in infant mortality and handicapping conditions among children could take place through sharply focused efforts.³ Accordingly, the 1969 budget requests \$55 million—\$25 million more than in 1968—for 54 maternity and infant care centers and family planning clinics strategically located in low income areas. To prevent and correct chronic illnesses in school and preschool children, the budget for 1969 requests \$42 million—\$5 million more than in 1968—to finance 59 comprehensive children and youth health care centers. Almost 2 million children in low income areas are eligible to receive preventive and corrective health treatment in these centers. Another approach authorized by the 1967 amendments adds \$15 million to the crippled children's program to step up health screening activities which locate and treat handicapping illnesses in young children.

Financing health benefits for Federal employees.—Health benefits are provided to more than 2.7 million Federal civilian employees and their 5.8 million dependents under insurance programs managed by the Civil Service Commission. A similar program provides benefits for retired employees and their dependents. These payments are made from trust revolving funds utilizing the premium deposits of the agencies and their employees. The Government's contribution amounts to \$233 million in 1967, \$251 million in 1968, and \$257 million in 1969.

Providing medical care directly to Federal beneficiaries.—With the expansion of hospital and medical care programs financed through Federal funds, particularly for the aged and indigent, the share of total Federal expenditures allocated for the direct provision of health care in Federal facilities has declined from 40% in 1963 to 18% in 1969. In spite of the major shift in the proportions, this category remains a major program element, with expenditures totaling \$2.8 billion in 1969, an increase of 3.6% over 1968.

The three agencies primarily concerned with direct provisions of health care, the Department of Defense, Veterans Administration, and the Department of Health, Education, and Welfare, operate 542 hospitals containing 188 thousand beds, over 11% of all hospital

³ Department of Health, Education, and Welfare, Office of the Assistant Secretary for Program Coordination, "Maternal and Child Health Care Programs," October 1966.

beds in the United States. Together, these agencies expend over 98% of the funds in this category.

The Department of Defense, with 311 hospitals and 63,000 beds, will make medical care available to over 9 million servicemen, their dependents, and retired military personnel and their dependents.

With the enactment of legislation in 1967 broadening the use of community medical facilities for dependents and retired military personnel, expenditures by the Department of Defense for care provided in community hospitals and by private physicians will almost double, increasing from \$106 million in 1967 to an estimated \$200 million in 1969. In total, expenditures for care provided in both military medical facilities and community facilities will increase by \$46 million in 1969 over 1968 to a total of \$1,536 million.

To accomplish the medical care mission of the Veterans Administration, that agency will maintain and operate 166 hospitals containing 110,000 beds, 63 nursing home care units with 4,000 beds, 18 domiciliary/restoration care facilities, and 203 outpatient clinics—constituting one of the largest medical care systems in the world. The agency provides care to veterans with service-connected disabilities and veterans with non-service-connected illness to the extent that beds are available and the veteran certifies his inability to pay for care in private facilities. In 1969 the VA will treat 767,000 patients in 110,000 beds, an increase of over 2% from 1967. In addition, outpatient medical visits are expected to increase from 5.4 million in 1967 to 5.6 million in 1969. Expenditures are estimated to rise from \$1.2 billion in 1967 to \$1.3 billion in 1969.

Other persons eligible for care in the 65 hospitals and a variety of outpatient clinics operated by HEW include 400,000 American Indians and natives of Alaska, and about 500,000 seamen, Federal employees injured on the job, narcotic addicts, and persons committed or voluntarily presenting themselves for mental treatment in St. Elizabeths Hospital in Washington, D.C. Under recent legislation, Federal employees and their families stationed in remote locations where private health care facilities are unavailable may utilize hospitals of the Public Health Service on a reimbursable basis. In 1969, HEW will expend approximately \$117 million to provide direct care for these groups, an increase of 7% over 1968.

Family planning.—As pointed out by HEW's program analysis, "Maternal and child health care programs," voluntary family planning programs, by matching births with the spacing and number of children desired by parents, could significantly reduce infant mortality at a comparatively low cost. Out of the funds included for provision of health services, Federal expenditures for family planning in this country are expected to double in 1969 to a total of \$73.8 million. Almost all of the increase is in services and counseling, which rises from \$25.2 million in 1968 to \$60.6 million in 1969, largely through a major expansion in family planning services provided by Children's Bureau and OEO programs. These funds can provide family planning services to about two-thirds of a universe of 5 million women which a recent report to HEW on family planning⁴ identifies

⁴ Oscar Harkavy, "Implementing DHEW policy on family planning and population," September 1967, p. 3.

Table I-8. ESTIMATED FEDERAL EXPENDITURES FOR FAMILY PLANNING (in millions of dollars)

	1967	1968	1969
Domestic:			
Total services and counseling	18.1	25.2	60.6
HEW.....	11.8	14.2	41.0
OEO.....	4.1	7.0	15.0
Other.....	2.2	4.0	4.6
Total research and training	10.0	11.2	13.2
HEW.....	9.6	10.8	12.8
Other.....	.4	.4	.4
Total expenditures (domestic)	28.1	36.4	73.8
International: Services, research and training (primarily AID)	1.1	14.3	23.4

as needing assistance in obtaining such services. Research and training in the family planning field increases by about 18% in 1969 to a total of \$13.2 million. Virtually all of the \$2 million increase is due to expanded research activities by PHS. The 1969 increase of \$9.1 million in international family planning mainly reflects further expansion of AID activities.

Table I-9. ESTIMATED HEALTH CARE EXPENDITURES BY POPULATION AND INCOME GROUPS (in millions of dollars)

	1967	1968	1969
Total, all recipients	7,831	10,382	11,693
aged (65 and over).....	4,379	6,310	7,125
other adults (19-64).....	2,535	2,893	3,174
children and youth (0-18).....	917	1,179	1,394
Indigent, total ¹	3,178	4,100	4,749
aged (65 and over).....	1,968	2,560	2,872
other adults (19-64).....	850	1,012	1,194
children and youth (0-18).....	360	528	683
Non-indigent, total	4,653	6,282	6,944
aged (65 and over).....	2,411	3,750	4,253
other adults (19-64).....	1,685	1,881	1,980
children and youth (0-18).....	557	651	711

¹ Indigency as defined by OEO poverty guidelines.

Distribution of health expenditures by age groups and economic status.—Table I-9 estimates the Federal expenditures only for the hospital

and medical services category as distributed among three major age groups and between indigent and nonindigent persons. Funds expended for categories relating to the development of health resources and for the prevention and control of health problems are designed to serve the entire Nation and are not normally allocable by population group or income.

The age distribution in table I-9 indicates that the largest health expenditure increase in percentage terms will be for children and youth, rising 17% in 1969 from \$1.2 to \$1.4 billion. In absolute terms, however, the largest increase will be for the aged, rising from \$6.3 billion in 1968 to \$7.1 billion in 1969. The distribution of expenditures between indigent and nonindigent indicates that 40% of Federal expenditures for the provision of hospital and medical services will aid the poor. In 1969, \$4.7 billion will be spent to provide or finance health care services for the needy, an increase of \$634 million over 1968 and a 49% increase over 1967.

The aged.—Of the total 1969 expenditures for the provision of health services both directly in Federal facilities and indirectly through Federal payments for care, approximately 61% or \$7.1 billion, will be on behalf of the aged. This is an increase of \$805 million or 13% over 1968.

While the proportion of the Nation's aged who are in the indigent category is expected to decline from 39% in 1967 to 34% in 1969 (partly because of the increased cash benefits provided in the 1967 Social Security Amendments), the amounts expended for the indigent aged will rise by \$900 million over 1967 largely due to increases in medical costs and greater utilization of services.

Medicare—the major health program for the aged—seeks to remove barriers to receipt of hospital and physician services. During the first year of the program, utilization of hospital services increased by about 20% over the pre-Medicare level. Physician services to the elderly have also shown some increases, as have use of extended medical care in nursing homes and home health services providing posthospital care. Medicare also seeks to ease the burden of medical costs upon the aged and their families. In 1966, the year immediately preceding Medicare, just under 70% of all hospital and medical services for the aged were financed from private sources—mainly the aged themselves or their families. In 1967, the first year of Medicare, 70% of these costs were borne by public sources, Federal, State, and local. It is estimated that Medicare's share of all public and private medical care expenditures for the aged will rise from 40% in 1967 to almost 50% in 1969.

In addition to Medicare, Medicaid payments for the aged are estimated at \$864 million in 1968 and \$936 million in 1969. Although the aged constitute only about 35% of all Medicaid recipients, they account for over 44% of all payments, reflecting the higher cost of treating illness affecting older people, especially the high cost of recuperative care in skilled nursing homes.

An additional \$339 million will be spent by the VA and the DOD to provide medical care for aged veterans and retired military personnel and their spouses, mainly in hospitals and clinics operated by those agencies. This is an increase of \$14 million over 1968 expenditures.

Children.—Health care service expenditures for children are expected to be \$1.4 billion in 1969, an increase of \$215 million over the 1968 level. Of the 1969 increase, \$136 million is attributable to Medicaid expansion, and \$33 million to infant care, early casefinding and follow-up treatment in the Children's Bureau and OEO health programs. These three programs account for over half the total Federal expenditures for children. The DOD dependent medical care program provides almost all of the remaining funds. About 75% of the 1969 increase will be for services to needy children. Between 1967 and 1969 expenditures for indigent children are estimated to rise by 90%, or \$323 million. The increases for children and youth reflect the very considerable unmet health needs in this category. To help meet these needs, legislation will be proposed for a child health program to provide, over the next 5 years, for families unable to afford it—access to health services from prenatal care of the mother through the child's first year.

Other adults.—The 1969 expenditures of \$3.2 billion for other adults consist mainly of programs serving persons entitled to care in Federal installations. These programs pay for health care rendered to veterans, servicemen and Federal employees, as well as eligible spouses. A total of \$2.2 billion is expended for these groups, representing 68% of the total spent for nonaged adults. Federal Medicaid payments for needy adults will be \$475 million in 1969, representing 15% of total expenditures for adults. Other Federal programs spending more than \$40 million in 1969 for health care for adults are OEO's neighborhood health centers, the Vocational Rehabilitation program, and the maternal health programs of the Children's Bureau. These programs, plus payments by Medicaid, and approximately \$500 million of the health care funds expended by the Veterans Administration, comprise the \$1.2 billion which will be spent in 1969 to provide hospital and medical care to needy adults.

Prevention and control of health problems.—Programs designed to prevent and control health problems will increase to \$700 million, as compared to \$682 million in 1968 and \$540 million in 1967.

Table I-10. FEDERAL EXPENDITURES FOR THE PREVENTION AND CONTROL OF HEALTH PROBLEMS (in millions of dollars)

	1967	1968	1969
Disease prevention and control.....	386	500	491
Environmental control ¹	37	50	51
Consumer protection.....	117	132	158
Total, prevention and control of health problems.....	540	682	700

¹ Excludes expenditures for air pollution and other environmental research which are included in the medical and health-related research category. Table I-2, \$27 million in 1967, \$37 million in 1968, and \$59 million in 1969.

Disease prevention and control.—Under the Partnership for Health program, \$76 million, an increase of \$16 million over 1968, will be made available for block formula grants to provide financial support to States for establishment and maintenance of public health services

developed and executed in a manner consistent with the State comprehensive health plan. In addition, \$89 million will be made available for project grants to nonprofit organizations and institutions and State and local health agencies to meet health needs of limited geographic scope (such as rat control programs), or of specialized regional or national significance. The disease prevention and control programs in other countries supported by the Agency for International Development will be continued in 1969.

In addition, expenditures of \$60 million will ensure that the national capability to deal with outbreaks of communicable diseases will be maintained. Another \$30 million will support research and community demonstration efforts to upgrade our ability to deal with long-term chronic debilitating diseases such as emphysema, chronic bronchitis, and arthritis.

Environmental control.—In the last few years the quality of the environment has taken on increased importance. This can be demonstrated in terms of anticipated national expenditures from all sources for air pollution control equipment which will more than double between 1967 and 1969; rising from \$325 million to \$700 million in 1969.⁵ Unless steps are taken to control the amount of pollution discharged into the air, by 1980 the sulfur and nitrogen oxides emitted are estimated to increase by one-third over present levels. Without the controls put on 1968 automobiles and all later models, the hydrocarbons and carbon monoxide emitted to the atmosphere are estimated to increase by about 50% during this same 12-year period. As table I-11 illustrates, the auto emissions removed by control devices, while increasing, are still not sufficient to create a downward turn in auto emissions released to the atmosphere. As older cars are replaced, the full impact of controls being installed on post-1967 automobiles can be expected to cause a decline in the level of auto exhaust pollutants.

Table I-11. SELECTED AUTO EMISSIONS KEPT OUT OF THE AIR¹
(In millions of tons per year)

	1966	1967	1968	1969
Auto emissions released to the atmosphere:				
Hydrocarbons.....	10	11	11	11
Carbon monoxide.....	62	65	66	67
Auto emissions removed by control devices:				
Hydrocarbons.....	1	2	3	4
Carbon monoxide.....	*	1	6	11

* Less than 500 thousand tons.

¹ Unpublished data furnished by the National Center for Air Pollution Control, HEW.

Controlling pollution is both a social and scientific problem. The Air Quality Act of 1967 provides the national framework designed to obtain clean air for all severely polluted areas in the country. The initiative is left with the States to set enforceable air quality standards consistent with recommendations of the Secretary of HEW. Provision is made for standard-setting by the Secretary for nationally desig-

⁵ Unpublished data furnished by the National Center for Air Pollution Control, HEW.

nated air quality control regions in the absence of appropriate State action.

The development of devices and techniques to prevent and control air pollution is a difficult scientific problem. Devices developed to accomplish this task must be practical and economical to avoid a serious disruption of the economy, especially in the fuel and power generating industries. To find such economically feasible control technology is the objective of a \$68 million research program to be undertaken in 1968 and 1969.

On May 26, 1966, the President issued an executive order directing Federal agencies to take the lead in air pollution by abating the pollution from their own facilities. Implementation of the 5-year plans developed as a result of this executive order will begin in 1969. Expenditures of \$21.6 million will fund 89 projects in 1969 which will eliminate the more serious air pollution problems at Federal facilities.

Another environmental problem is the disposal of solid wastes such as trash, garbage, and industrial processing wastes. Increased research is supported to develop ways of greatly reducing the amount of such wastes produced, using wastes as resources rather than discarding them, and disposing of the remaining wastes in the most efficient and healthful manner. Legislation extending the solid waste program will be proposed.

Consumer protection.—Consumer protection is also an important part of the prevention and control of health problems. The Department of Agriculture will substantially increase its activities in 1969 to assure the wholesomeness of meat and poultry meat products shipped in interstate commerce. The Food and Drug Administration's consumer protection activities will be strengthened, including its National Center for Drug Analysis which is designed to ensure the purity, potency, and effectiveness of the Nation's drug supply. Eventually the results from this activity should provide more reliable data on the equivalency of similar drugs. In addition, the Clinical Laboratories Improvement Act of 1967 provides for developing and enforcing standards for the quality and accuracy of performance of the estimated 1,000 diagnostic laboratories transacting business in interstate commerce.

Legislation will be proposed to ensure the quality and wholesomeness of fish, assure the safety of our community water supplies, protect against hazardous radiation from electronic equipment, and strengthen FDA's capacity to ensure safe and adequate medical devices.

EXPENDITURES FOR HEALTH ACTIVITIES BY AGENCY

The following tables distribute the health-related expenditures of Federal agencies by the functions used in this analysis. Based on their major purposes, most of these agencies are assigned in the budget document to functions other than Health. The tables, therefore, also indicate the budget document functional code. Breaking out the health activities of these agencies, functionally assigned elsewhere in the budget document, accounts for the \$15.6 billion reported in this analysis for "health" compared to the \$10.7 billion reported in the budget document. Furthermore, this analysis incorporates a more detailed breakdown within "health" than is used in the budget document. Expenditures for health within each appropriation account are assigned to the various functional components used in this analysis. Finally, expenditures reported in this analysis cannot be added to those reported in other special analyses such as Education; in some cases the same expenditure is reflected in both analyses.

Table I-12. FEDERAL EXPENDITURES AND NET LENDING FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY AGENCY, 1967 (in millions of dollars)

	Functional code	Health research	Training and education	Construction	Organization and delivery	Direct Federal hospital and medical services	Indirect Federal hospital and medical services	Prevention and control of health problems	Total
Department of Health, Education, and Welfare.....		996.0	414.9	220.7	65.0	114.8	4,784.6	286.8	6,882.8
Public Health Service:									
NIH.....	651	773.0	163.2		4.4			1.5	942.1
NIMH.....	651	69.0	90.3	.9	19.6	8.5		29.9	218.5
Other.....	651	117.0	133.4	218.1	34.9	106.0	18.7	184.5	812.6
Food and Drug Administration.....	651	10.0	.8	.6				46.7	58.3
Social and Rehabilitation Service.....	651, 654	27.0	19.0	1.1	6.1	.3	1,370.2		1,423.7
Social Security Administration.....	651						3,395.7		3,395.7
Other.....	701		8.2					24.2	32.5
Department of Defense.....	051	77.8	80.3	49.7		1,226.1	106.0	19.3	1,559.2
Veterans Administration.....	804	47.1	52.4	56.9	1.3	1,181.5	37.2		1,376.4
Department of State.....	151	1.5	13.7	.8	8.8	1.8	.3	110.0	136.9
Agency for International Development.....	152	(1.5)	(10.4)		(8.8)	(1.7)		(93.3)	(115.7)
Atomic Energy Commission.....	058	98.6	.7						99.3
Department of Agriculture.....	355	37.4						103.5	140.9
National Aeronautics and Space Administration.....	251	84.9							84.9
Department of Housing and Urban Development.....	553			48.4	6.8				55.2
National Science Foundation.....	703	15.1							15.1
Civil Service Commission.....	906						36.6		36.6
Office of Economic Opportunity.....	655						103.0		103.0
Department of Commerce.....	507	1.1		2.9					4.0
Department of Labor.....	652	.2	31.0				12.1	1.8	45.1
Other agencies.....		4.0	.6	11.6		27.5	2.7	18.4	64.8
Agency contributions to employee health benefit funds.....							196.8		196.8
Total expenditures for health, 1967.....		1,363.7	593.6	391.0	81.9	2,551.7	5,279.3	539.8	10,801.0

Table I-13. FEDERAL EXPENDITURES AND NET LENDING FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY AGENCY, 1968 (in millions of dollars)

	Functional code	Health research	Training and education	Construction	Organization and delivery	Direct Federal hospital and medical services	Indirect Federal hospital and medical services	Prevention and control of health problems	Total
Department of Health, Education, and Welfare.....		1,056.0	539.8	248.3	144.0	109.2	7,106.1	389.6	9,593.0
Public Health Service:									
NIH.....	651	811.0	165.3		23.9			2.0	1,002.2
NIMH.....	651	70.3	99.5		55.7	9.5		35.6	270.7
Other.....	651	130.9	238.9	243.6	53.1	99.4	33.6	253.3	1,052.7
Food and Drug Administration.....	651	10.8	.9	3.3				50.4	65.4
Social and Rehabilitation Service.....	651, 654	33.0	23.2	1.4	11.3	.3	2,008.2	20.9	2,098.3
Social Security Administration.....	651						5,064.3		5,064.3
Other.....	701		12.0					27.4	39.4
Department of Defense.....	051	86.6	91.0	26.1		1,305.1	175.0	20.3	1,704.1
Veterans Administration.....	804	47.5	60.3	58.0	2.0	1,235.5	38.5		1,441.8
Department of State.....	151	1.2	14.0	.5	9.5	4.9	.3	133.9	164.3
Agency for International Development.....	152	(1.2)	(10.6)		(9.5)	(4.8)		(113.7)	(139.8)
Atomic Energy Commission.....	058	99.5	.7						100.2
Department of Agriculture.....	355	36.9						116.0	152.9
National Aeronautics and Space Administration.....	251	96.1							96.1
Department of Housing and Urban Development.....	553			123.7	3.3				127.0
National Science Foundation.....	703	14.0							14.0
Civil Service Commission.....	906						40.8		40.8
Office of Economic Opportunity.....	655						111.0		111.0
Department of Commerce.....	507	1.0		6.3					7.3
Department of Labor.....	652	.3	25.2				12.1	2.3	39.9
Other agencies.....		4.5	.8	18.1		29.4	3.2	19.5	75.5
Agency contributions to employee health benefit funds.....							210.6		210.6
Total expenditures for health, 1968.....		1,443.6	731.8	481.0	158.8	2,684.1	7,697.6	681.6	13,878.5

Table I-14. FEDERAL EXPENDITURES AND NET LENDING FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY AGENCY, 1969 (in millions of dollars)

	Functional code	Health research	Training and education	Construction	Organization and delivery	Direct Federal hospital and medical services	Indirect Federal hospital and medical services	Prevention and control of health problems	Total
Department of Health, Education, and Welfare.....		1,088.0	566.0	261.2	211.4	116.7	8,242.7	372.3	10,858.3
Public Health Service:									
NIH.....	651	822.0	166.4		44.1			1.9	1,034.5
NIMH.....	651	72.0	102.3		64.7	10.8		39.4	289.2
Other.....	651	143.9	252.2	251.7	82.0	105.6	38.6	246.0	1,119.8
Food and Drug Administration.....	651	11.2	1.0	5.1				51.4	68.7
Social and Rehabilitation Service.....	651, 654	38.9	29.1	4.4	20.6	.3	2,419.2	6.2	2,518.7
Social Security Administration.....	651						5,784.9		5,784.9
Other.....	701		15.0					27.4	42.4
Department of Defense.....	051	92.7	92.6	104.1		1,335.6	200.1	21.2	1,846.3
Veterans Administration.....	804	53.2	81.1	63.5	2.0	1,291.1	38.9		1,529.8
Department of State.....	151	1.5	15.5	.2	11.0	8.4	.3	140.8	177.7
Agency for International Development.....	152	(1.5)	(11.8)		(11.0)	(8.3)		(118.9)	(151.5)
Atomic Energy Commission.....	058	104.2	.7						104.9
Department of Agriculture.....	355	43.9						141.8	185.7
National Aeronautics and Space Administration.....	251	110.2							110.2
Department of Housing and Urban Development.....	553			176.4	1.3				177.7
National Science Foundation.....	703	13.5							13.5
Civil Service Commission.....	906						40.8		40.8
Office of Economic Opportunity.....	655						154.0		154.0
Department of Commerce.....	507	1.1		7.1					8.2
Department of Labor.....	652	.3	25.3				12.7	2.6	40.9
Other agencies.....		4.4	.9	29.9		31.0	3.9	21.7	91.8
Agency contributions to employee health benefit funds.....							216.2		216.2
Total expenditures for health, 1969.....		1,513.0	782.1	642.4	225.7	2,782.8	8,909.6	700.4	15,556.0