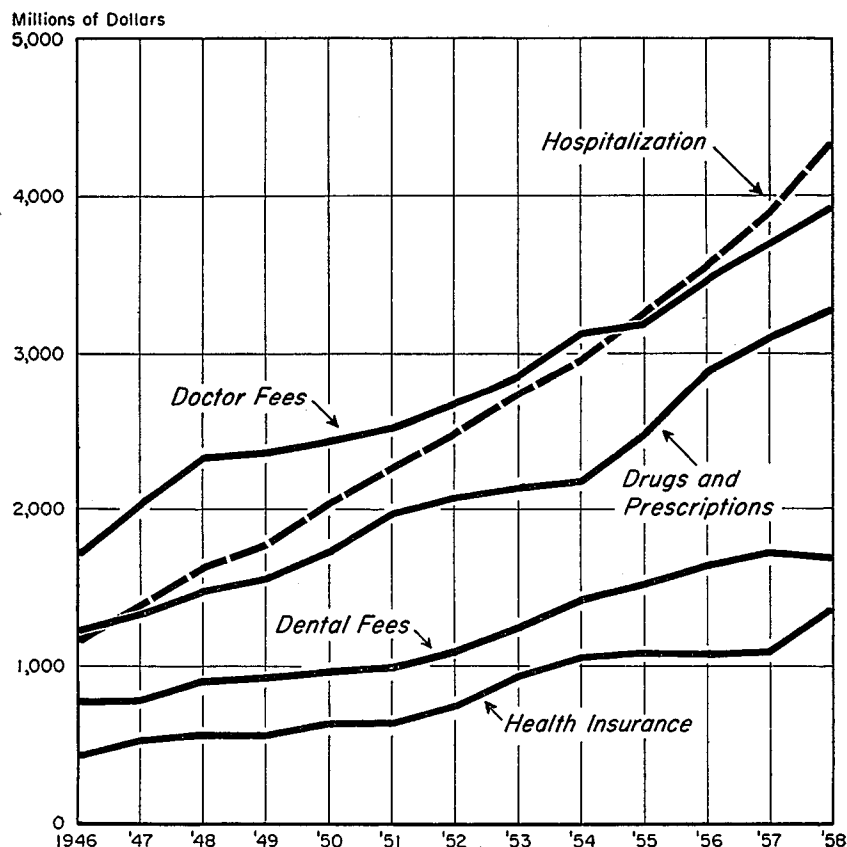


Rising national income and new health consciousness provide partial explanations for increases in private demand for medical care. However, increases in private spending for hospitalization and health insurance indicate the nature of this demand. The increase in spending for hospitalization reflects the central role of hospitals in supplying medical care. The growth of prepayment and health insurance spending represents a new approach to the problem of financing medical care, a new approach to adjust supply and demand. This new approach has created a new component in total private demand for medical care since the end of World War II. Some aspects of this component will be discussed below.

CHART 2. Personal consumption spending (for medical care).



*Source: Commerce Department