Family medical care spending

The family is the typical consumer unit in private demand for general health and medical care. The "average" family spends about 5 percent of its income on such care. However, the real impact of medical care needs on the family budget appears not in average family spending but in the uneven incidence of sickness and disability, in the uneven distribution of medical charges and in the uneven ability of families to pay the costs incurred.

A nationwide survey, sponsored by the Health Information Foundation,[6] indicated that 53 percent of all families spent less than 5 percent of their income and 8 percent had no health or medical expenses. On the other hand, 2 percent of all families incurred expenses exceeding 50 percent of their income. More than 40 percent of the total medical costs of all families were incurred by 11 percent of the families, which had medical expenses greater than $495 a year.

The 1950 Bureau of Labor Statistics study of consumer spending[7] found an average medical care expenditure by all families of $197 a year, of which $163 was paid directly for medical service and $34 was paid for group health plans and insurance. Average medical care spending ranged from $91 for families with income less than $1,000 to $446 for families with income of $10,000 and over.

The more recent 1953 survey of the Health Information Foundation reported an average cost incurred for all personal health services of $207 per family, although the median charge was $110. The average charge incurred by families with some kind of health insurance was $237 and the average charge incurred by uninsured families was $154. The proportion of income paid out for personal health services ranged from a median of 6.1 percent for families with income under $2,000 to a median of 3.2 percent for families with income greater than $7,500.[8] However, average medical care outlays ranged from 11.8 percent for families with income under $2,000 to 3 percent for families with incomes of $7,500 and over. For families with incomes under $2,000 and without health insurance, medical care took an average of 13.4 percent of family income.[9] (See tables 3 and 4.)

Medical care needs clearly impose a major financial burden on low-income families. Large, unexpected, medical care expenses can have a catastrophic impact on family budgets. Some indication of unmet medical care needs can be found in the pattern of rising family spending on medical care as family income rises. This increase in spending would indicate the high order of importance placed on medical care for the family. However, spending on medical care as a proportion of family income declines as family income increases. This proportional decline would appear to indicate that families achieve some degree of satisfaction of their medical care needs as family income goes up.

[6] Odin W. Anderson, "Family Medical Costs and Voluntary Insurance: A Nationwide Survey." McGraw-Hill, 1956. p. xiii.
[7] U.S. Bureau of Labor Statistics, "Study of Consumer Expenditures Incomes and Savings," vol. XVIII. University of Pennsylvania, 1957, p. 9.
[8] Anderson, op. cit., p. xii.
[9] Ibid., p. 114.