*Federal employees health program—Experience for 3 contract years comparing individual Group Practice plans, nonmaternity in-hospital services, both options*

| Plan | 1960–61 | 1961–62 | 1962–63 |
|---|---|---|---|
| Blue Cross-Blue Shield | 672 | 826 | 865 |
| Indemnity | 657 | 708 | 767 |
| Group practice | 409 | 455 | 430 |

As Dr. George Baehr (chairman of the Hospital Code Committee of the Board of Hospitals of the City of New York, and who was director of clinical research at Mount Sinai Hospital) said in the Michael M. Davis lecture in May 1965:

"The difference of close to 50 percent in the utilization of hospital facilities under the two systems of medical care and payment for physicians' services may perhaps be ascribed in part to the number of surgical operations performed annually on Federal employees and their families under the two different systems of medical care:

"*Number of surgical operations performed*

| | *Per 1,000 persons* |
|---|---|
| All surgical procedures: | |
| Under Blue Cross-Blue Shield plans | 70.0 |
| Under Group-Practice plans | 39.0 |
| Tonsillectomies and adenoidectomies: | |
| Under Blue Cross-Blue Shield plans | 10.6 |
| Under Group-Practice plans | 4.0 |
| Female surgery (excluding D. & C.): | |
| Under Blue Cross-Blue Shield plans | 8.2 |
| Under Group-Practice plans | 5.4 |
| Appendectomies: | |
| Under Blue Cross-Blue Shield plans | 2.6 |
| Under Group-Practice plans | 1.4 |

"So great a difference in hospital utilization under the two systems of medical care and methods of payment upon the costs of medical care must undoubtedly be an important factor in the magnitude of personal consumer expenditures in the United States for private medical care, which in 1963 reached $23.7 billion. The ratio of personal expenditures for medical care to total personal consumption expenditures by the American people increased from 4.3 percent in 1948 to 6.3 percent in 1963. Of this sum, 29.2 percent represents hospital costs, 27.9 percent physicians' charges, and 26.5 percent drugs and appliances used for the care of the sick (19.9 percent for drugs and 6.6 percent for appliances). In New York City private citizens spend about $1 billion a year for personal health services through insurance and direct out-of-pocket payments and an additional $750 million a year is spent by the State and local governments for the health and medical care of residents of the city of all economic levels."

It would be appreciated if this could be made a part of the committee report.

Sincerely,

SHELBY SOUTHARD,
*Assistant Director, Washington Office.*

Mr. BARRETT. Thank you, Mr. Voorhis.

Now, Mr. Kingren.

## STATEMENT OF GIBSON KINGREN, REPRESENTING KAISER FOUNDATION HEALTH PLAN, INC.

Mr. KINGREN. Mr. Chairman and members of the subcommittee my name is Gibson Kingren, representing the Kaiser Foundation Health Plan, Inc.

The Kaiser Foundation Health Plan, a nonprofit organization, is the largest group practice prepayment health plan in the United States, providing medical services on a self-sustaining basis to more