THE ACCESS PROJECT

No. 1 • September 2007

Issue Brief

2007 Health Insurance Survey of Farm and Ranch Operators

This is the first in a series of issue briefs examining healthcare costs and their consequences on farm and ranch families in the Great Plain states.

OVERVIEW OF FINDINGS

Introduction

Research has clearly documented that unaffordable medical bills and resulting medical debt affect significant portions of the United States population. A 2005 survey by the Commonwealth Fund found that more than one-third (34%) of adults ages 19 to 64 had medical bill problems in the past year. Although the uninsured are most at risk of having medical bill problems and medical debt, many people with insurance are vulnerable as well. The Commonwealth Fund survey found that more than a quarter of people ***continuously insured*** over the previous year had medical bill problems or medical debt.[1] Another study estimated that 15.6 million Americans were underinsured—that is, with insurance but at risk of having medical bill problems.[2]

In 2006 The Access Project, in collaboration with the Kansas Farmers Union, surveyed Kansas farmers about these issues.[3] The study revealed that while virtually all respondents and their family members were insured (95%), nearly a third (29%) of non-elderly respondents had medical debt. However, this study did not gather information about the source, type, or characteristics of respondents' health insurance, nor did it gather information about the financial burden of healthcare expenses on farm families more generally. The Access Project thus joined with the University of North Dakota Center for Rural Health and Brandeis University to gather these data systematically and on a larger scale. Data were collected through a telephone survey of over 2,000 non-corporate farm and ranch operators in seven states: Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, and South Dakota.

The impact of healthcare costs on non-corporate farm and ranch operators is significant for a number of reasons. First, family farms dominate U.S. agriculture. Most farms (98%) are family (non-corporate) farms, and they collectively generate 85 percent of the value of production.[4] The market value of agricultural products produced in the seven states included in this study accounts for more than one-quarter of the total U.S. agricultural market.[5] The agricultural economy also affects the rest of the states' economies—in Nebraska, for example, one in every four jobs is connected to agriculture.[6]

Many studies have shown that unaffordable medical bills and medical debt significantly affect families' overall financial stability. Healthcare expenses can lead to housing problems,[7] increased credit card debt,[8] ruined credit records,[9] and in the worst cases bankruptcy.[10] For farmers and ranchers, healthcare expenses have the potential to affect not only their families' economic security but the financial viability of their businesses, which in turn may impact the larger economy.

Second, as small business people and often as sole proprietors, farm and ranch operators are much more likely than the population at large to purchase insurance in the non-group, as opposed to the employer-sponsored, market.[11] Those who purchase insurance in the non-group market are more likely to face financial strains due to medical costs than other insured people. A 2006 study by the Commonwealth Fund found that almost twice as many adults covered by non-group insurance spent more than ten percent of their income on medical expenses and premiums as those covered by employer-sponsored insurance.[12] The impact of healthcare expenses on the lives and businesses of farmers and ranchers may thus have implications for other small business or self-employed populations.

The Access Project , 89 South Street, Suite 404, Boston, MA 02111
(617) 654-9911 www.accessproject.org

Authors

Bill Lottero, The Access Project
Carol Pryor, The Access Project
Mark Rukavina, The Access Project
Jeffrey Prottas, Brandeis University
Alana Knudson, Center for Rural Health at the University of North Dakota

About This Issue Brief

This issue brief provides key demographic and insurance findings from the survey. It discusses the age, ethnicity, and income of respondents, their health insurance status, the source of their insurance coverage, and whether healthcare expenses contribute to other financial problems, overall debt, and reduced access to healthcare.

Future Issue Briefs

Future briefs will examine findings in greater depth. Some issues they will address include:

- The relationship between specific insurance characteristics and out-of-pocket expenses.
- The levels and sources of out-of-pocket healthcare expenses.
- The contribution of demographic and insurance policy characteristics to financially burdensome healthcare costs.
- The financial, health, and access consequences of healthcare costs.
- Which farm and ranch families are most likely to accrue medical debt.
- Which farm and ranch families are most likely to be uninsured.

Project Funding

Generous financial support from the W. K. Kellogg Foundation, the Mid-Iowa Health Foundation, the Missouri Foundation for Health, the Iowa Department of Public Health, the Minnesota Office of Rural Health and Primary Care, the Nebraska Office of Rural Health, and Americans for Health Care made this project possible.

Finally, while farm and ranch operators have higher average incomes and significantly higher net worth than U.S. households as a whole, this may not always translate into immediately available cash. Much of the net worth of farm households is illiquid and not available to spend on consumption because it is largely based on assets necessary to continue farming.[13] While farm and ranch households have higher median household net worth than self-employed households generally, they also have lower median household incomes,[14] and they often experience great variations in income.[15] These circumstances may affect their ability to respond to healthcare expenses as they arise.

Study Data and Methods

The data for this project were collected through a telephone survey of farm and ranch operators. The survey was developed based on a review of the literature on health insurance and medical debt and on input from an advisory group of rural health policy experts. The survey gathered information about respondents and their families' health insurance status, the amounts of their insurance premiums and deductibles, the types of services their insurance covered, the financial burden of healthcare costs on families and businesses, and the existence of medical debt. It also gathered basic demographic information.

The sample population was drawn from the United States Department of Agriculture's National Agricultural Statistics Service current comprehensive list of farm and ranch operators in Montana, North Dakota, South Dakota, Nebraska, Minnesota, Iowa, and Missouri. Respondents had to be over 18 years of age and no older than 65. The sample was also limited to farmers and ranchers with individual or partnership type operations. The list was sorted at the state and county level to assure a representative geographic distribution.

An initial letter explaining the importance of the project was sent to each farm and ranch operator included in the sample. The letter was signed by David Knopf, the Director of the North Dakota Field Office of the National Agricultural Statistical Services, United States Department of Agriculture (USDA), who was the project manager for the data collection.

The survey instrument was pre-tested with farmers and ranchers in January 2007 and revised based on the pre-test results. Fielding of the final survey began in February 2007 and was completed in March 2007. The original sample of 3,184 was adjusted to reflect the 654 operators who were inaccessible either because their phone numbers were disconnected or because surveyors were unable to reach them after between seven and 16 dial attempts. A total of 2,017 farm operators responded to the survey. The response rate, based on the adjusted sample size of 2,530, was 78.5 percent. Descriptive and bivariate analyses were conducted.

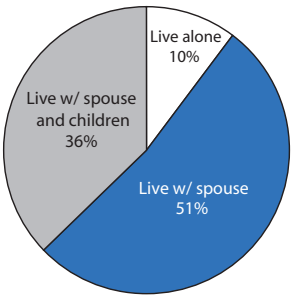
Findings

Demographics

The vast majority of the respondents were male (91%), Caucasian (97%), married (86%), and over the age of 44 (79%).

Over half of the respondents lived with their spouse only, while 36 percent said they lived with their spouse and one or more children. One out of ten respondents reported they lived alone. (See Fig. 1.) The median family size was two.

Fig. 1
Household Composition of Respondents



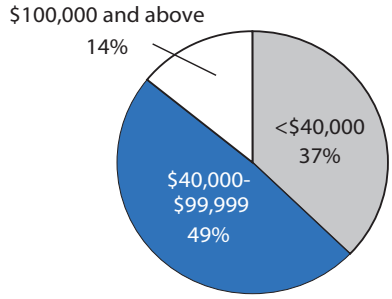
Structure of Business Operations

The sample was designed to exclude corporate farms and ranches, although five percent of respondents said that their businesses were incorporated. Ten percent owned their farm or ranch as a partnership, while over 80 percent were sole proprietors. Fifty-five percent of respondents reported that farming or ranching was their principal occupation, while 38 percent reported their principal employment was off the farm.

Income

Respondents' incomes covered a broad range. Most respondents had net household incomes between $40,000-$99,999. Thirty-seven percent reported incomes less than $40,000, while about 14 percent had incomes over $100,000. (See Fig. 2.) The median percentage of household income derived from farm and ranch operations was 50.

Fig. 2
Respondent Household Income



Health Status

Almost two-thirds of the respondents (63%) said they were in excellent or very good health, and more than one quarter (28%) said they were in good health. Only nine percent reported they were in fair to poor health. Nationally, 12 percent of all adults (not just those under age 65) said they were in fair or poor health.[16]

Insurance Status

Over 90% of the respondents said all members of their households had been continuously insured during the past year. This was much higher than the 72 percent of adults nationally who reported that they were insured all year.[17] (The national survey asked about non-elderly adults only, not about all family members.) About five percent reported some family members had been without health insurance coverage during part of the past year. This was slightly lower than a national figure of nine percent of adults who were uninsured in the previous year.[18] Five percent of respondents said no one in their family had health insurance coverage during the past year. Eighty percent of the respondents with health insurance indicated that all members of the household were covered by the same insurance policy, while about 20% said family members were covered by different insurance policies.

Reasons for Not Having Health Insurance

Three out of four uninsured respondents reported that they did not have health insurance because the premiums were too expensive. (Uninsured respondents included those in households in which any or all family members were uninsured for part or all of the previous year.) Only three percent of the uninsured respondents said they did not have coverage because they did not see the value of health insurance.

> ***"It is difficult for an independent business to afford, especially in farming."***

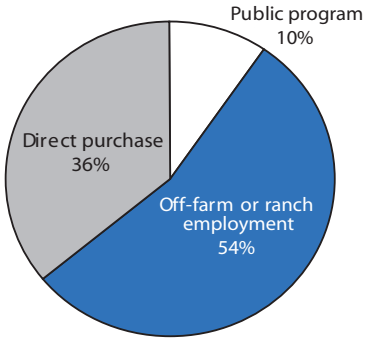
Sources of Health Insurance

More than half of the respondents received their health insurance through off-farm or off-ranch employment—either their own or their spouse's. About one-third of respondents purchased health insurance directly from an insurance agent. This is significantly higher than the national average; nationally, only eight percent of insured Americans purchase insurance in the individual market.[19] Other sources of health insurance included government sponsored health insurance such as Medicare, Veterans Administration benefits, and Medicaid. (See Fig. 3.)

> *"If I did not have to pay health insurance coverage, I could devote all my time to farming and make more money, but I have to work in town to afford health insurance coverage."*

> *"I have excellent coverage through my wife's employer. If I had to purchase it outright, I probably wouldn't be able to afford it."*

Fig. 3
Sources of Health Insurance
Among Those with Health Insurance



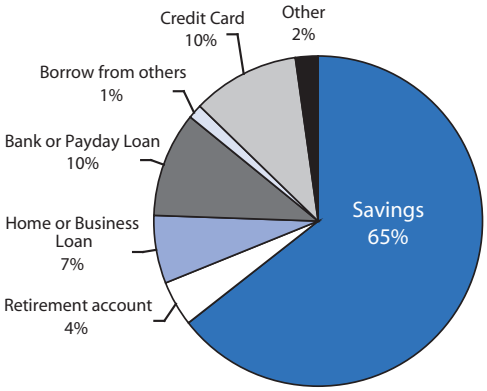
Sources of Payment for Healthcare Costs

Although almost all of the respondents had insurance, more than one quarter (26%) reported also having to pay out of pocket for health care. (Out-of-pocket expenses included deductibles, co-insurance, co-payments, and payments for uncovered services, but excluded premiums.) The mean amount that households spent on out-of-pocket expenses was about $1,700. Of those with out-of-pocket expenses, about two-thirds (65%) paid this money from their savings, ten percent borrowed money from a bank or payday lender, and ten percent incurred credit card debt. Other methods of payment included borrowing against a home or business (7%) and withdrawing money from retirement accounts (4%). (See Fig. 4.)

> *"Medical costs are way out of line, the insurance company's cost have gone way beyond affordable, when income has stayed the same."*

> *"We just make the deductible and then the year is over, so we never really feel the benefit from having the insurance. We are paying everything at 100%. If the deductibles were lower and the cost not so high, it would benefit the farmers and ranchers."*

Fig. 4
Resources Used to Pay for Healthcare Costs
for Those Who Had Out-of-Pocket Costs



Financial Burden of Healthcare Costs

Almost one in four respondents indicated that healthcare expenses contribute to their financial problems. This is similar to figures suggested by national surveys; for example, one national survey found that 26 percent of continuously insured non-elderly adults had medical bill problems.[20]

Financial problems cited by respondents included difficulty paying other bills, difficulty paying the rent or mortgage, being forced to take off-farm or off-ranch employment, and delaying making investments in the farm or ranch.

> *"Insurance is a big strain on a farm family. If I have a bad year, I have to do without other essential things to pay for insurance."*

> *"My husband has to work to get health insurance. He wanted to farm more...the only reason he is a part-time farmer is because he has no choice—he has to have insurance."*

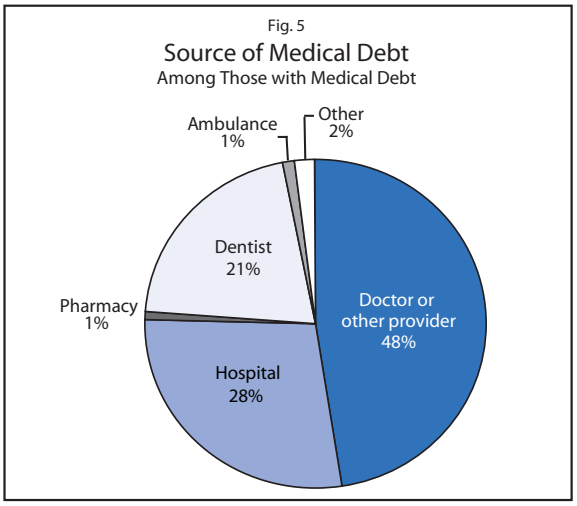
Medical Debt

About 20 percent of respondents reported that they had outstanding debt that resulted from medical bills. This was similar to national levels of medical debt—in 2005, 21 percent of non-elderly adults and 18 percent of continuously insured non-elderly adults reported having medical debt or medical bills being paid over time.[21] About 27% of respondents with debt owed money to hospitals and almost half had debts to individual providers, such as physicians and dentists. (See Fig. 5.)

> *"I had to add to my credit card bill when my second son was born."*

> *"I had to borrow against my retirement to pay off medical bills relating to the birth of my children."*

Fig. 5
Source of Medical Debt
Among Those with Medical Debt



Access to Care

About 17 percent of respondents said they or a household member delayed seeking needed health care. Of respondents who reported they had delayed seeking health care, about 70 percent (or 12 percent of the sample overall) indicated the primary reason for the delay was because they could not afford the cost of care. This was lower than the 37 percent of Americans, and 28 percent of continuously insured Americans, nationally who reported in 2006 that they or a family member put off medical treatment because of cost.[22]

Other reasons for delaying care included the demands of farm or ranch work and discomfort because of outstanding medical debts.

> *"The deductibles are too high so you don't go to doctors as often as you should go."*

> *"I put off going to the doctor because of the cost."*

Policy Implications

Non-corporate farm and ranch operators have higher incomes and net worth than the general population. They are also much more likely to have health insurance. Nonetheless, they appear to be financially burdened by healthcare expenses and to accrue medical debt at rates similar to the population as a whole.

One factor that clearly differentiates farmers and ranchers from the rest of the population is that they tend to purchase health insurance on the individual, non-group market at much higher rates. Research has shown that people insured through the non-group market face special problems; they are more likely to pay higher premiums, have higher deductibles, have fewer benefits, and pay higher percentages of their income on health care than those with employer-sponsored coverage.[23] The fact that our survey respondents are better off than the population as a whole but still suffer serious problems related to the cost of health care may reflect, at least in part, their heavier reliance on the individual market for obtaining health insurance. The problems may be aggravated by the fact that farmers and ranchers tend to be older than the general population; research has shown that older adults who rely on the individual insurance market spend much more on premiums than their counterparts who have employer-sponsored coverage and Medicare, as well as higher out-of-pocket expenses.[24]

These findings assume a larger relevance as state and national policymakers, employers, the self-employed, and individuals who purchase health insurance on their own all struggle with ever-rising healthcare costs. In many cases, policy approaches that promise to restrain costs merely shift them on to the consumer. Those purchasing health insurance coverage are thus forced to trade comprehensive coverage for less costly premiums. Some policymakers support eliminating state-mandated benefits and allowing the sale of insurance policies with limited coverage, maintaining it will make insurance more affordable. However, this study and others make clear that affordability must take into account both the cost of premiums and the out of pocket expenses that policyholders incur if they experience illness or injury.

The Health Insurance Survey of Farm and Ranch operators gathered detailed information about the characteristics of respondents' health insurance policies, including the amount of the premiums, the level of deductibles, and the services covered. It also collected information about the sources and amounts of out-of-pocket costs not covered by insurance, as well as the barriers these costs create to getting needed care. This information will allow us, in future briefs, to investigate the characteristics of insurance that are most likely to leave people vulnerable to financially burdensome healthcare costs and reduced access to care. In addition, information collected about the consequences of these financial burdens will allow us to investigate the impact of inadequate insurance on respondents' financial stability, both with respect to their family budgets and their farm and ranch businesses.

The findings of this survey have implications for other self-employed populations and small business operators facing similar financial burdens resulting from inadequate insurance and increasing healthcare costs. In addition, other rural residents, who generally have fewer financial resources than farm and ranch operators, may be even more adversely affected by the rising cost of health care. Policymakers must carefully consider the impact of the increasing burden of healthcare costs on rural residents and their families, on rural businesses, and on rural economies generally, and look for solutions that will ease rather than aggravate this burden.

Acknowledgements

This report is a joint effort of The Access Project, the Center for Rural Health at the University of North Dakota, and Brandeis University. It is based on data gathered by the United States Department of Agriculture National Agricultural Statistics Service (NASS) under a contract with The Access Project.

We would like to thank David Knopf, Director of the North Dakota NASS Field Office for his assistance, encouragement and overall management of the survey effort. We also want to thank Jodie Sprague and her team of enumerators at the Montana NASS Field Office for their diligence in surveying farm and ranch operators. Steve Fournier at Brandeis University deserves special thanks for his assistance with the statistical analysis and his patience with and responsiveness to our request for data runs. We are particularly grateful to all of the farm and ranch operators who generously gave their time and willingly shared information. We hope that this report, based on their experiences, will be useful in improving the healthcare coverage and access for rural Americans.

This report could not have been written without the guidance and support of our partners in the seven study states. We are grateful to the following people:

- Doreen Chamberlin, Bureau Chief, Health Care Access of the Iowa Department of Public Health
- Kristin Juliar, Director, Montana Office of Rural Health/Area Health Education Center
- Barry Backer, Primary Care and Rural Health, Missouri Office of Rural Health, Department of Health and Senior Services
- Mark Schoenbaum, Director, Minnesota Office of Rural Health and Primary Care
- Dennis Berens, Director, Nebraska Office of Rural Health
- Bernie Osberg, Director, Office of Rural Health, South Dakota Department of Public Health
- Lynette Dickson, Director, North Dakota Office of Rural Health, Center for Rural Health, University of North Dakota

We would also like to thank Sara Collins of The Commonwealth Fund and Mary Wakefield, Kyle Muus and Garth Kruger of the Center for Rural Health for their helpful feedback on the survey instrument used to gather these data.

At The Access Project, we would like to thank Jesse McCormick, intern from Tufts University, who performed invaluable background research on the structure and finance of U.S. farms and the agricultural economics of the seven study states.

Research Partners

The Access Project (TAP) has served as a resource center for local communities working to improve health and healthcare access since 1998. The mission of TAP is to strengthen community action, promote social change, and improve health, especially for those who are most vulnerable. TAP conducts community action research in conjunction with local leaders to improve the quality of relevant information needed to change the health system. TAP's fiscal sponsor is Third Sector New England, a nonprofit with more than 40 years of experience in public and community health projects.

The Heller School for Social Policy and Management is a Graduate School of ***Brandeis University.*** It offers both Masters level and PH.D programs across a wide range of social policy with health policy as one of its largest components. The School has a strong commitment to advancing social welfare and is engaged in research dealing with the organization and financing of health care, behavioral health issues and in international health.

The Center for Rural Health at the University of North Dakota, established in 1980, is one of the nation's most experienced organizations committed to providing leadership in rural health on local, state and national levels. It has influenced the efforts of states across the country by developing innovative models for rural community development and local health system reform. In addition, the Center for Rural Health (CRH) is nationally recognized for its efforts to craft health policy-relevant research projects that are directly applicable to rural communities and providers.

Notes

[1] S. Collins et al., *Gaps in Health Insurance: An All-American Problem*, The Commonwealth Fund, April 2006.

[2] C. Schoen et al., "Insured but Not Protected: How Many Adults Are Underinsured?" *Health Affairs Web Exclusive*, June 14, 2005.

[3] W. Lottero et al., *Losing Ground: Eroding Health Insurance Coverage Leaves Kansas Farmers with Medical Debt*, The Access Project, August 2006.

[4] R.A. Hoppe et al., *Structure and Finances of U.S. Farms, Family Farm Report, 2007 Edition*, Economic Research Service, U.S. Department of Agriculture, June 2007.

[5] National Agricultural Statistics Services, *2002 Census of Agriculture*, U.S. Department of Agriculture, 2002.

[6] Twin Cities Development Association, *Agriculture in Scottsbluff/Gering: 2002 Census of Agriculture: Comparison of Nebraska to Area States*, www.tcdne.org/agriculture.htm, 2002-2003.

[7] R. Seifert, *Home Sick: How Medical Debt Undermines Housing Security*, The Access Project, 2005.

[8] C. Zeldin and M. Rukavina, *Borrowing to Stay Healthy: How Credit Card Debt is Related to Medical Expenses*, Demos, 2007.

[9] R. Seifert, *The Consequences of Medical Debt: Evidence from Three Communities*, The Access Project, 2003.

[10] D. Himmelstein et al, "Illness and Injury as Contributors to Bankruptcy," *Health Affairs Web Exclusive*, February 2005.

[11] K. McDaniel et al., *Small Business in Rural America*, The Main Street Economist, Center for the Study of Rural America, Federal Reserve Bank of Kansas City, May 2001.

[12] S. Collins et al., *Squeezed: Why Rising Exposure to Health Care Costs Threatens the Health and Financial Well-Being of American Families*, The Commonwealth Fund, September 2006.

[13] R.A. Hoppe et al., *Structure and Finances of U.S. Farms*, June 2007.

[14] *Agricultural Income and Finance Outlook*, Electronic Outlook Report, Economic Research Service, USDA, November 2006.

[15] C. A. Jones et al., *Economic Well-Being of Farm Households*, Economic Research Service, U.S. Department of Agriculture, March 2006.

[16] *Summary Health Statistics for U.S. Adults: National Health Interview Survey, 2005*, National Center for Health Statistics, December 2006.

[17] S. Collins et al., *Squeezed*, 2006.

[18] Ibid.

[19] Ibid.

[20] S. Collins et al., *Gaps,* 2006. In this survey medical bill problems included not being able to pay medical bills, being contacted by a collection agency, having to change one's way of life to pay medical bills, or having medical bills or medical debt being paid off over time.

[21] Ibid.

[22] ABC News/Kaiser Family Foundation/USA Today, *Health Care in America 2006 Survey*, Henry J. Kaiser Family Foundation, October 2006.

[23] S. Collins et al., *Gaps*, 2006.

[24] S. Collins et al., *Paying More for Less: Older Adults in the Individual Insurance Market*, The Commonwealth Fund, June 2005.