

# Issue Brief

## 2007 Health Insurance Survey of Farm and Ranch Operators

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

### WHO IS UNINSURED?

#### EXECUTIVE SUMMARY

The 2007 Health Insurance Survey of Farmers and Ranchers collected information from over 2,000 non-corporate farm and ranch operators in Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, and South Dakota. Previous analyses of the survey data showed that while respondents were overwhelmingly insured, many still experienced financial hardship and accrued medical debt because of health care expenses. However, research also shows that people without insurance face even greater challenges in accessing and paying for affordable care. In our study, we categorized people as uninsured if they reported that they or a household member had been uninsured for some or all of the previous year.



This brief examines the characteristics of uninsured family farmers and ranchers and the impact of lack of insurance on their financial situation and ability to access care.

#### Key Findings

- Ten percent of survey respondents said they or a family member had not been insured for some or all of the previous year.
- Uninsured respondents were more likely to live alone than those with insurance. They were also more likely to say their principal occupation was farming or ranching.
- Uninsured respondents had lower incomes on average than insured respondents. They were almost four times as likely to have incomes under \$20,000 and half as likely to have incomes between \$40,000 and \$99,999 as those who had insurance.
- While out-of-pocket spending on health care did not differ significantly between uninsured and insured farmers and ranchers, the uninsured were more than twice as likely to report having to delay needed care (34% of the uninsured versus 15% of the insured).
- On a variety of measures, uninsured farmers and ranchers were more likely to experience financial hardship as a result of health care costs than those with insurance. Uninsured farmers and ranchers were:
  - More likely to have to draw on resources such as withdrawing from their savings or taking out loans to pay for medical care compared to those with insurance (40% versus 25% respectively);
  - More likely to spend more than ten percent of their income on out-of-pocket costs for health care (34% versus 29%);
  - More likely to report that health care costs contributed to financial problems (32% versus 22%);
  - More likely to accrue medical debt (32% versus 16%).

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The report 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 want to thank David Knopf, Director of the North Dakota NASS Field Office, for his overall management of the survey effort, and Jodie Sprague and her team of enumerators at the Montana NASS Field Office for their diligence in surveying farm and ranch operators. 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 health care coverage and access for rural Americans.

The survey effort was supported by our partners in the seven study states. We want to thank the following people:

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Previous analyses showed that farmers and ranchers disproportionately buy health insurance in the non-group market, where their premiums and out-of-pocket costs are higher than insurance obtained through employment. Still, over half of our respondents (54%) obtained insurance through their or a spouse's employment. As uninsured farmers and ranchers are more likely to live alone, they may not have the option of obtaining insurance through a spouse's employment and, as they are poorer than insured respondents, they may simply be unable to afford to purchase insurance on their own. Their lack of insurance clearly creates barriers to accessing care and contributes to financial problems that may negatively affect their businesses.

Policy makers need to consider options for providing uninsured farmers and ranchers with truly affordable access to care. This will include the need for subsidies for purchasing coverage, a ceiling on the percent of income people can be required to spend on health care, and/or much greater access to public coverage programs.

## INTRODUCTION

In 2007, The Access Project joined with Brandeis University and the University of North Dakota Center for Rural Health to gather data about the insurance status of farmers and ranchers; the source, type, and characteristics of their health insurance; and the financial burden health care expenses place on farm and ranch families. Data were collected through a telephone survey of 2,017 non-corporate farm and ranch operators in seven states: Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, and South Dakota. This survey was called the 2007 Health Insurance Survey of Farm and Ranch Operators. The survey was designed to exclude respondents under the age of 65. (For a description of the survey methodology, see Appendix A.)

The vast majority of survey respondents—90 percent—reported that they and all of their family members had been continuously insured in the previous year. This rate was much higher than the 72 percent of adults nationally who reported that they were insured all year.<sup>1</sup> Nonetheless, previous analyses of the survey data showed that many respondents were burdened by health care expenses. One in four respondents reported that health care expenses contributed to their financial problems<sup>2</sup> and one in five had outstanding debt that resulted from medical bills.<sup>3</sup> About 17 percent of respondents said they or a family member had delayed seeking needed care; most of these respondents said they had delayed care because of cost.

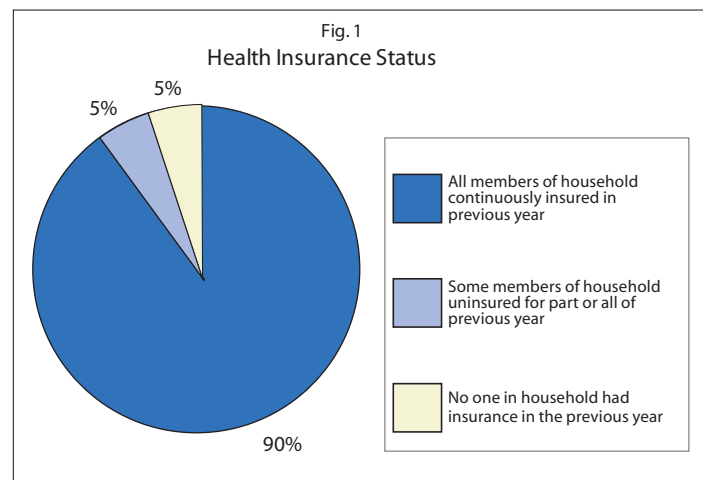
These results show that having health insurance does not necessarily protect people financially or guarantee access to care when they get sick. However, a large body of research documents that the uninsured are particularly challenged in their ability to access affordable care. According to the Census Bureau, in 2007 about 20 percent of the population between 18 and 64 years old were uninsured—that is, without insurance at any time during the previous year.<sup>4</sup> Studies have shown that not having insurance negatively affects access to care and health status. The uninsured are more likely to postpone or forgo care due to cost than those with coverage. More than half of uninsured adults do not have a regular source of care, which means that they are less likely to receive preventive care, or even standard care for chronic conditions. When hospitalized, they are less likely to receive services to diagnose their treatment, and more likely to die in the hospital, than those who have health insurance.<sup>5</sup>

In our study, ten percent of respondents said that they or a family member were uninsured during some or all of the previous year. It is not surprising that family farmers and ranchers have lower rates of uninsured than the population generally, as they have higher average incomes and higher net worth than U.S. households as a whole.<sup>6</sup> However, it is still important to understand which family farmers and ranchers are uninsured, so that policy makers can better target programs to assist them.

## FINDINGS

### Insurance Status

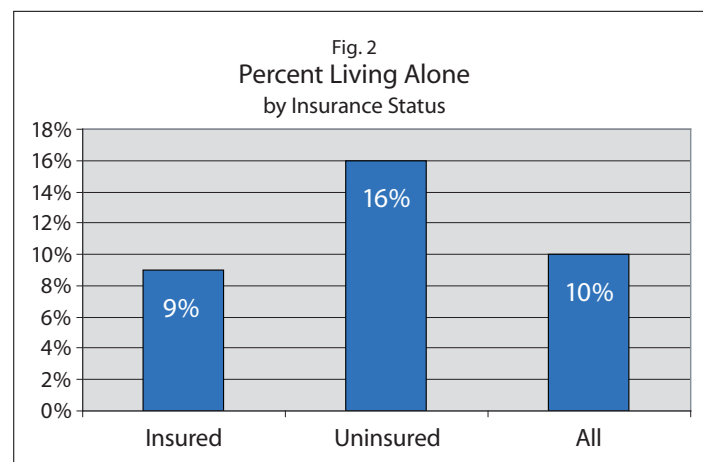
In this study, we defined as uninsured anyone who said that they or a family member had not been insured at any point during the previous year. Using this definition of uninsurance, we found that ten percent of survey respondents were uninsured. About half of this group said some of their household members had a time in the previous year without insurance, and about half said all members of their household had been uninsured during the entire previous year. Research indicates that people uninsured during any part of the year tend to have care utilization patterns similar to people who are uninsured for the entire year.<sup>7</sup>



### Respondent Characteristics

In the sample overall, most of the respondents were male (91%) and over the age of 44 (79%). There were no significant differences between the insured and uninsured with respect to these characteristics.

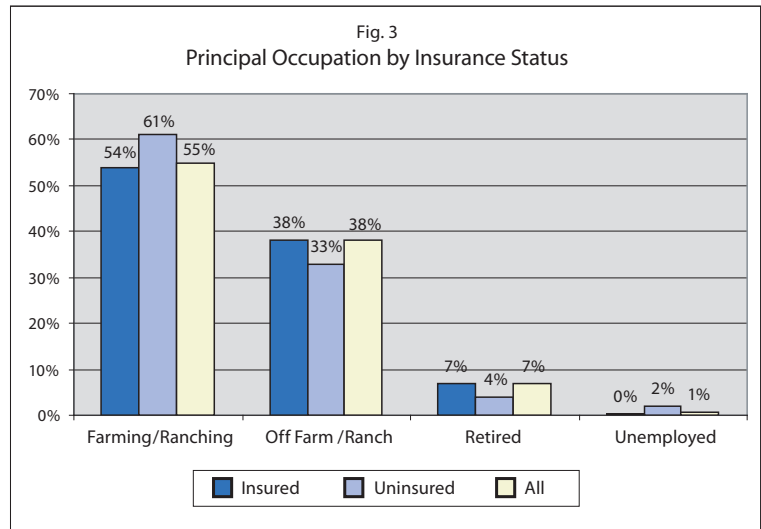
Overall, more than half of the respondents lived with a spouse, while 36 percent said they lived with their spouse and one or more children. The median family size was two. However the uninsured were somewhat more likely to live alone (16%) than those with insurance (9%).



### 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. The insured and uninsured did not differ significantly with regard to these characteristics.

However, the uninsured were more likely to report that farming was their principal occupation (61%) than those with insurance (54%). Conversely, 38 percent of the insured said their principal occupation was an off-farm or off-ranch job, compared to 33 percent of the uninsured.



The two groups did not differ significantly with respect to the percentage of income derived from farming or ranching.

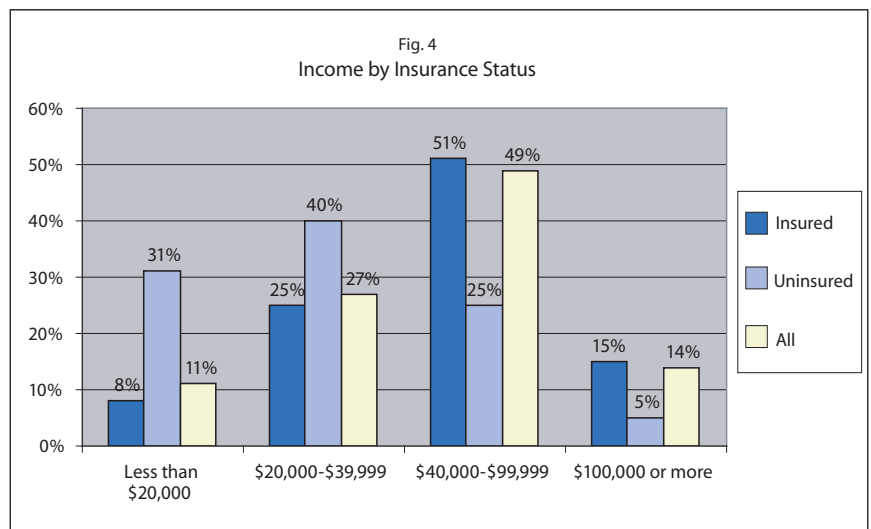
*“ My husband is self-employed and can’t afford insurance. ”*

### Income

In the sample overall, almost half of respondents had net household incomes between \$40,000 and \$99,999 (49%). Thirty-seven percent had incomes under \$40,000.

The uninsured were much more likely to have lower incomes than those with insurance. They were almost four times more likely to have incomes under \$20,000 a year (31%) than those with insurance (8%).

The uninsured were half as likely to have incomes between \$40,000 and \$99,999 (25%) than those who were insured (51%).



*“ We had to drop our health insurance at the end of 2006 and can no longer afford it. We now have no health coverage and just hope and pray nothing happens. ”*

## Health Status

Among insured respondents, 65 percent reported that they were in excellent or very good health. The uninsured reported themselves to be somewhat less healthy—only 54 percent said their health was excellent or very good.

**“ Insurance is hard to purchase with my existing health and financial problems. ”**

## Reasons for Not Having Health Insurance

Among uninsured respondents, three out of four said they did not have insurance because the premiums were too expensive. Another nine percent said they were unable to buy insurance. Only three percent said they did not have coverage because they did not see the value of insurance.

**“ I paid for years and years on a policy and hardly ever used it. Then it came down to either paying that premium or being able to eat, so we had to drop the policy and the health coverage. ”**

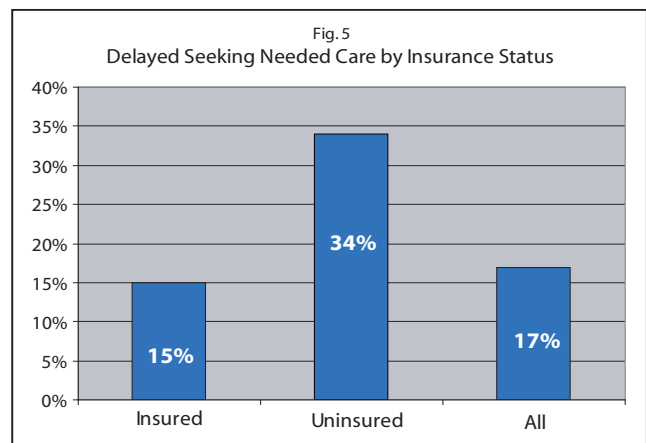
## Out-of-Pocket Health Care Costs

Over 90 percent of both the insured and the uninsured reported having some out-of-pocket health costs. The amount spent out-of-pocket did not differ significantly between the two groups. The insured spent on average \$3,053 on out-of-pocket costs (medical, dental, and prescription) while the uninsured spent \$3,401. Both groups spent an average of about \$700 out-of-pocket on prescription drugs. The uninsured spent more on average out-of-pocket for medical costs than the insured (\$2,018 versus \$1,618), and somewhat less on dental and vision costs (\$785 versus \$883), but these differences were not significant.

## Access to Care

Being uninsured had a clear impact on access to care. In the sample overall, 17 percent of respondents reported that they delayed seeking needed care. This included only 15 percent of those with insurance but 34 percent of those without insurance, a difference that was significant.

Among those who delayed care, rates of delaying hospital care and dental care were about the same for the insured and uninsured—approximately 15 percent in each group reported delaying hospital care and 45 percent dental care. Slightly less than two-thirds (62%) of the insured who delayed care said they delayed getting care from a physician, compared to three-quarters (75%) of the uninsured. Nine percent of the insured delayed filling prescriptions, compared to 21 percent of the uninsured.

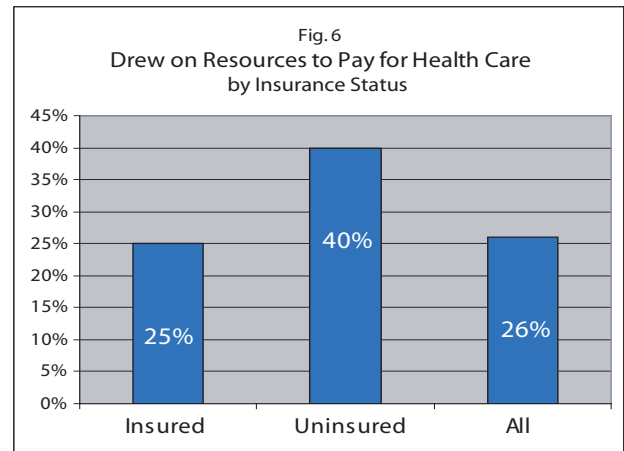


**“ It is difficult to afford individual policies when farming.... I currently do not have coverage and do not go to the doctor because of this. ”**

### Sources of Payment for Health Care Costs

We asked respondents if they had to draw on resources to pay for health care costs, such as using savings, withdrawing money from a retirement account, taking out a loan, or incurring credit card debt. Among all survey respondents, over one-quarter (26%) said they had to draw down resources. This percentage varied significantly between the insured and the uninsured. Twenty-five percent of the insured said they had to draw down resources, compared to 40 percent of the uninsured.

Among the uninsured who drew down resources, most (66%) used family savings. Seventeen percent used retirement savings and 15 percent borrowed against their farm or ranch. More than one-quarter (28%) increased their credit card debt. However, these percentages should be viewed with caution as they are based on relatively small numbers.

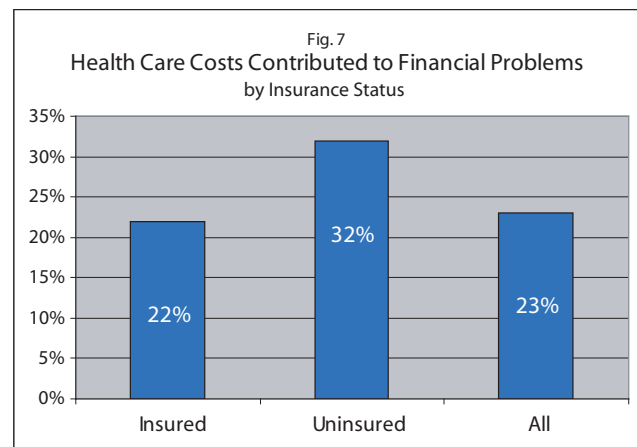


**“ The church pays our medical bills and then we pay them back.... We cannot afford insurance. ”**

### Financial Burden of Health Care Costs

In previous briefs, we analyzed whether health care costs were burdensome to families in two ways. The first is a generally employed measure that defines households as experiencing financial hardship if they spend more than 10 percent of their income on out-of-pocket medical and prescription drug costs. This analysis includes out-of-pocket costs only and excludes premiums paid by those with insurance.

About 30 percent of the sample overall experienced burdensome health care costs by this measure. This included 29 percent of those with insurance and 34 percent of those without insurance. (Because we gathered income data in categories, percentages of income are estimates.)



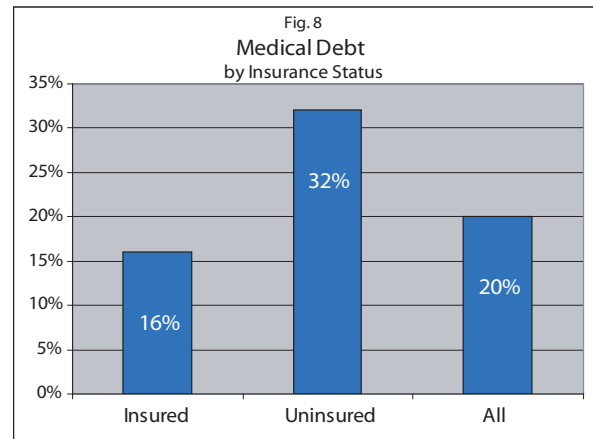
The survey also asked people if health care costs had contributed to financial problems. Our second method of assessing financial hardship defined households as experiencing hardship if they answered yes to this question. Nearly one-quarter of our sample overall (23%) fell into this category. The percentages for the insured and uninsured differed significantly. Among the insured, 22 percent of respondents said health care costs contributed to financial hardship, compared to 32 percent of the uninsured.

**“ These severe financial hardships—taking care of my husband, children, and a handicapped child—have been incredibly overwhelming at times. I wish I could have health care insurance. My husband gets disability and the kids are on the state plan. I don’t have anything. ”**

## Medical Debt

About 20 percent of our sample reported having debt that resulted from medical bills. The uninsured were much more likely to have debt than the insured (32% versus 16%.) (These figures exclude debt that resulted from getting dental care.)

Eleven percent of the uninsured with debt faced legal actions because of their debt, compared to only four percent of those with insurance. This difference was statistically significant.



*My husband's injury was so significant it forced us into bankruptcy because we had to live on credit cards. We still have medical bills.*



## DISCUSSION AND POLICY IMPLICATIONS

In previous briefs, we documented that for a large percentage of insured family farmers and ranchers, health insurance does not provide financial protection from high health costs if they get sick. This brief reports on a section of our sample for whom medical costs are an even larger burden: the uninsured.

The uninsured farmers and ranchers in this survey were similar to those with insurance with respect to gender and age, but they differed in certain important demographic characteristics. The uninsured were more likely to live alone than the insured, more likely to say their principal occupation was farming or ranching, and more likely to have lower incomes. They also reported a somewhat lower health status than those with insurance.

While farmers and ranchers are uninsured at much lower rates than the U.S. population as a whole, the characteristics of those who are uninsured are in many ways similar to the uninsured generally. For example, most uninsured people in the United States come from working families (81%),<sup>8</sup> and they are much more likely than the insured to have annual incomes under \$20,000.<sup>9</sup>

Among insured farmers and ranchers, slightly more than half of respondents (54%) obtained insurance through off-farm or off-ranch employment—either their own or their spouse's. As uninsured farmers and ranchers were more likely to live alone, for many gaining insurance through a spouse's employment may not have been an option.

In our sample overall, we found that farmers and ranchers who had insurance purchased it in the non-group market at rates much higher than the population as a whole (36% versus 8% respectively.) This reflects one of the special vulnerabilities of rural populations, where residents are much more likely to be self-employed than those residing in urban areas and thus without access to employer-sponsored coverage.<sup>10</sup> We also found that high premiums and out-of-pocket costs were strongly correlated with purchasing insurance in this market. As the incomes of uninsured farmers and ranchers were on average lower than those with insurance, they may have had an especially



*The insurance is just too expensive for a poor farmer to afford.*



difficult time obtaining insurance in the non-group market. They may thus represent a group that is simply too poor to purchase insurance on their own.

In fact, most of the uninsured in our sample (75%) said they did not have insurance because the premiums were too expensive, while another nine percent said they were unable to buy coverage. Very few (3%) said they did not have insurance because they did not see the value of it. This is consistent with findings from a study of rural residents, who cited cost as the number one reason for not being able to acquire insurance.<sup>11</sup>

***I would like to have the state make available an insurance package for those of us unable to obtain insurance through normal channels.***

Out-of-pocket medical, dental, and prescription costs did not differ significantly between the insured and the uninsured. This may reflect the fact that the uninsured experienced much greater barriers to accessing care than those with insurance, so they may simply have been less likely to obtain needed care. More than a third (34%) of those without insurance said they delayed seeking needed care, compared to 15 percent of the insured. The uninsured were especially likely to have delayed getting needed care from a physician or filling a prescription compared to those with insurance. Again, uninsured farmers' and ranchers' increased likelihood of delaying care reflects the experiences of uninsured people generally, who are four times more likely to postpone care due to cost than those with insurance.<sup>12</sup>

Although the out-of-pocket costs for the insured and uninsured were not significantly different, the uninsured, because they were poorer, were more likely to experience financial hardship because of health care costs. They were much more likely than the insured to say they had to draw down resources to pay for care (40% vs. 25% respectively). They were also more likely to spend more than ten percent of their income on out-of-pocket health care costs, more likely to say that health care costs contributed to their financial problems, and more much more likely to have medical debt. This is characteristic of the uninsured generally, who are more likely than those with insurance to report problems dealing with medical bills.<sup>13</sup> The types of financial problems uninsured farmers and ranchers experienced had the potential not only to undermine their financial stability, but also to threaten their farm and ranch businesses. Problems included having difficulty paying off farm or ranch loans, having to delay making needed investments in their farm or ranch, or being forced to spend more time working off of the farm or ranch.

As policymakers at the state and national levels continue discussions about how to provide access to affordable insurance coverage for everyone, it is important that they provide truly affordable options for those without access to employer-sponsored coverage, especially those with lower incomes. Such options must prohibit excluding people from insurance based on their health status or setting premiums based on health status. In addition, insurance offered to this population must take into account the cost of premiums and out-of-pocket health care expenses with respect to affordability. It must also be affordable in terms of the resources people have available to spend on health care. For currently uninsured family farmers and ranchers, this will surely include the need for subsidies, a ceiling on the percent of income people are required to spend on health care, and/or much greater access to public programs.

***Insurance is too expensive, so my brother and I have never been covered.... I'd like to see a group policy offered to farmers with subsidies for [those with] lower incomes.***

## APPENDIX A: STUDY DATA AND METHODS

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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 health care 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 under age 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 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 tested with farmers and ranchers in January 2007 and revised based on the 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 79.7 percent.

*All quotes in this report are verbatim responses of survey respondents to open-ended questions.*

## APPENDIX B: STATE LEVEL COMPARISONS

The following table presents results by state of key findings from the 2007 Health Insurance Survey of Farm and Ranch Operators.

**Table B1: State Comparisons of Key Indicators**

	IA	MN	MO	MT	NE	ND	SD	ALL
Income <\$20,000	11%	8%	7%	15%	11%	11%	11%	11%
Income \$40,000-\$99,999	59%	52%	53%	44%	44%	47%	44%	49%
Age 45-64	74%	79%	74%	76%	70%	70%	70%	73%
Health excellent or very good	71%	64%	59%	63%	67%	63%	58%	63%
Proportion of income from farm/ranch (average)	46%	45%	25%	41%	55%	59%	56%	48%
Everyone in household insured	93%	94%	90%	83%	92%	92%	90%	91%
Some or all uninsured for part or all of year	7%	6%	10%	17%	8%	9%	10%	9%
Insurance through direct purchase on non-group market	40%	36%	20%	35%	45%	44%	42%	36%
Health care costs >10% of income	41%	44%	33%	48%	49%	49%	45%	44%
Health care costs contribute to financial problems	18%	20%	20%	31%	28%	23%	26%	24%
Drew down resources to pay for health care	20%	25%	25%	36%	30%	25%	24%	26%
Median amount spent per household on health care (premiums and out-of-pocket costs)	\$6,150	\$6,317	\$5,200	\$8,600	\$7,300	\$7,530	\$6,875	\$6,700
Median amount spent per household on dental/vision out-of-pocket costs	\$744	\$936	\$630	\$1,011	\$914	\$996	\$823	\$873

## ENDNOTES

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- <sup>1</sup> S. Collins, *Squeezed, Why Rising Exposure to Health Care Costs Threatens the Health and Financial Well-Being of American Families*, The Commonwealth Fund, September 2006.
- <sup>2</sup> C. Pryor et al., *Issue Brief No. 3, 2007 Health Insurance Survey of Farm and Ranch Operators: Who Experiences Financial Hardship Because of Health Care Costs*, The Access Project, September 2008.
- <sup>3</sup> B. Lottero et al., *Issue Brief No. 1, 2007 Health Insurance Survey of Farm and Ranch Operators: Overview of Findings*, The Access Project, September 2007.
- <sup>4</sup> *Income, Poverty, and Health Insurance Coverage in the United States: 2007*, U.S. Census Bureau, August 2008.
- <sup>5</sup> Cited in *Covering the Uninsured: Options for Reform*, Henry J. Kaiser Family Foundation, September 2008.
- <sup>6</sup> R.A. Hoppe et al., *Structure and Finance of U.S. Farms*, June 2007.
- <sup>7</sup> Duchon, L, et al., *Security Matters: How Instability in Health Insurance Puts US Workers at Risk*, Commonwealth Fund, Dec 2001.
- <sup>8</sup> *Covering the Uninsured: Options for Reform*, Kaiser Family Foundation, September 2008.
- <sup>9</sup> C. Schoen et al., "How Many Are Underinsured? Trends Among U.S. Adults, 2003 and 2007," *Health Affairs*, June 10, 2008.
- <sup>10</sup> J. Blankenau et al., *The Causes and Consequences of the Rural Uninsured and Underinsured*, Center for Rural Affairs, April 2009.
- <sup>11</sup> Ibid.
- <sup>12</sup> *Covering the Uninsured*, op.cit.
- <sup>13</sup> C. Schoen, op.cit. In this study, 51% of the uninsured reported medical bill problems, compared to 21 percent of the adequate insured and 45 percent of the underinsured. The percentage of all adults with medical bill problems was 33.



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