The Access Project

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ISSUE BRIEF

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2008 Health Insurance Survey of California Farm and Ranch Operators

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, such as medical debt, inability to pay medical bills, life changes due to medical expenses, or being contacted by a collection agency. 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 one-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 one-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 and ranch 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 Great Plains states.[4] This survey protocol was then used to collect similar data from over 1,500 farmers and ranchers in California.

This brief presents an overview of findings from the California survey of farmers and ranchers. The sample was limited to farmers and ranchers with individual or partnership type operations; the great majority were sole proprietors. The survey asked about the insurance characteristics and healthcare expenditures of farmers or ranchers and their families; while some respondents may have employed workers or hired contract workers, the survey did not gather information about this population.

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.[5] Of the approximately 80,000 farms in California in 2002, more than 98 percent were family or individually operated.[6] California family farmers and ranchers produce $32 billion per year in value, while supporting over 1.1 million jobs,[7] about 7.4 percent of all employment in the state.[8]

Many studies have shown that unaffordable medical bills and medical debt significantly affect families' overall financial stability. Healthcare expenses can lead to housing problems,[9] increased credit card debt,[10] ruined credit records,[11] and in the worst cases bankruptcy.[12] 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.[13] 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. 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 recent study found that, among those with private non-group coverage, the percentage experiencing high financial burdens from healthcare expenses increased from 39 percent in 2001 to 53 percent in 2004, a rise of more than one-third.[14] 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.[15]

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.[16] While farm and ranch households have higher median household net worth than self-employed households generally, they also have lower median household incomes,[17] and they often experience great variations in income.[18] These circumstances may affect their ability to respond to healthcare expenses as they arise.

The burden of healthcare costs on California farm and ranch operators assumes particular importance in light of the recently failed effort to enact comprehensive health reform in the state and, in the face of a large state deficit, proposed state budget cuts that would reduce funding for programs that might ease the burden of healthcare costs. For example, the Governor's proposed budget would reduce funding to provide health coverage for high-risk medically uninsurable individuals who are denied health coverage in the private individual market. As California policymakers discuss interim steps that could pave the way to universal coverage, it will be important for them to understand the situation of the state's family farmers and ranchers and develop policy responses that address their issues and concerns.

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 California. 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 agricultural district 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 Vic Tolomeo, Director of the California Field Office of the National Agricultural Statistical Services, United States Department of Agriculture (USDA).

The survey instrument was pre-tested with farmers and ranchers in January 2007 and revised based on the pre-test results. Fielding of the California survey began in September and was completed in December of 2007. The original sample of 3,598 was adjusted to reflect the 870 operators who were inaccessible either because their phone numbers were disconnected or because surveyors were unable to reach them after at least 13 dial attempts. A total of 1,787 farm operators responded to the survey. The response rate, based on the adjusted sample size of 2,728, was 66 percent. Descriptive and bivariate analyses were conducted.

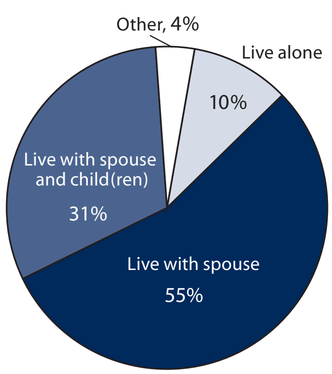
FINDINGS

Demographics

Most respondents in the survey were male (88%), married (86%), and over the age of 44 (89%). Almost all were Caucasian (91%); four percent were Hispanic, three percent were Asian/Pacific Islander, and one percent was Native American.

Over half of respondents (55%) lived only with their spouse, and one out of ten lived alone. 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 six percent of respondents said their businesses were incorporated. Nearly eight in ten respondents (79%) were sole proprietors, while 11 percent owned their farms or ranches as partnerships.

Respondents were almost equally divided between those who said their principal occupation was farming or ranching (43%) and those whose principal occupation was off the farm or ranch (44%). Twelve percent of respondents were retired.

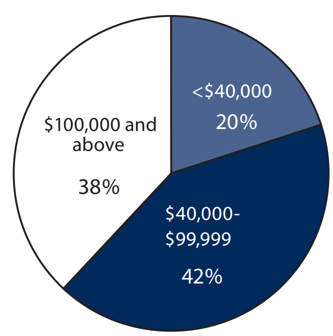
The median percent of income derived from farming or ranching for all of the respondents was 15, while the average percent of income was 33. However, among those who said their principal occupation was farming or ranching, the median percentage of income derived from farming or ranching was 62, while the average percentage was 70.

> ***"I had to take employment far away from home in order to get a job with medical benefits."***

Income

The plurality of respondents had incomes between $40,000 and $99,999 (42%), while another 31 percent had incomes between $100,000 and $249,000. Twenty percent of respondents had incomes below $40,000, while seven percent had incomes of $500,000 or more.

Fig. 2
Household Income of Respondents



Health Status

More than two-thirds of respondents (69%) rated their health as excellent or very good. Only eight percent said they were in fair or poor health. Nationally, 12 percent of all adults (not just those under age 65) said they were in fair or poor health.[19]

Insurance Status

Ninety percent of respondents said all members of their household 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.[20] (The national survey asked about non-elderly adults only, not about all family members.) Five percent reported that 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.[21] Five percent of respondents said no one in their family had health insurance coverage during the past year.

Eighty-four percent of respondents with health insurance indicated that all members of the household were covered by the same insurance policy, while 16 percent said they were covered by different policies.

Reasons for Not Having Health Insurance

By far the major reason that the uninsured reported for not having health insurance was because the premiums were too expensive (78% of those without insurance). Only three percent of these respondents said they did not see the value of purchasing insurance.

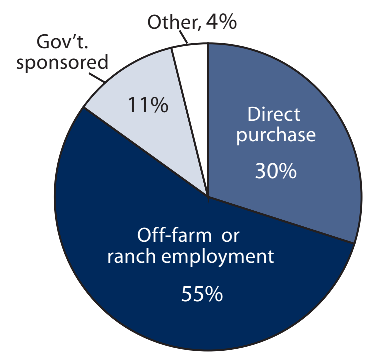
> *"The insurance is too high. There should be a way for self-employed workers."*

Sources of Health Insurance

More than half of respondents obtained health insurance through off-farm or off-ranch employment (55%). Slightly less than one-third (30%) purchased insurance directly from an insurance agent.[22] This is significantly higher than the national average; nationally only eight percent of insured Americans purchase insurance in the individual market.[23] Moreover, among those who said their principal occupation was farming and ranching, nearly half (48%) bought insurance in the individual market.

About one in ten respondents (11%) obtained coverage through a government-sponsored program such as Medicare, the Veterans Administration, or MediCal.

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



> *"We left the farm because we needed health insurance."*

Amount of Healthcare Expenditures

Including premiums and other out-of-pocket costs (such as deductibles, co-payments, prescription medications, and vision services, but excluding dental costs), families spent on average $7,661 annually on health care (with a median value of $5,750). Individuals (households of one) spent about $4,434 (median $3,000). If dental costs are included, families spent on average $8,817 and individuals spent $5,411.

Table 1 Annual premiums plus prescription, medical, and dental/vision out-of-pocket costs for families and single individuals				
	Mean	**Median**	**Minimum**	**Maximum**
Family (N=1574)	$8,817	$7,000	$0	$51,000
Single (N=180)	$5,411	$4,318	$0	$30,800

Levels of out-of-pocket spending were largely related to how respondents obtained their insurance. Controlling for age, health status, and prescription coverage, and excluding dental costs, families who purchased insurance directly from an agent spent about $4,664 more on premiums and out-of-pocket costs compared to those who obtained insurance through off-farm or off-ranch employment, and $3,426 more than those who obtained coverage through government-sponsored programs. (See Table A1 in the Appendix.)

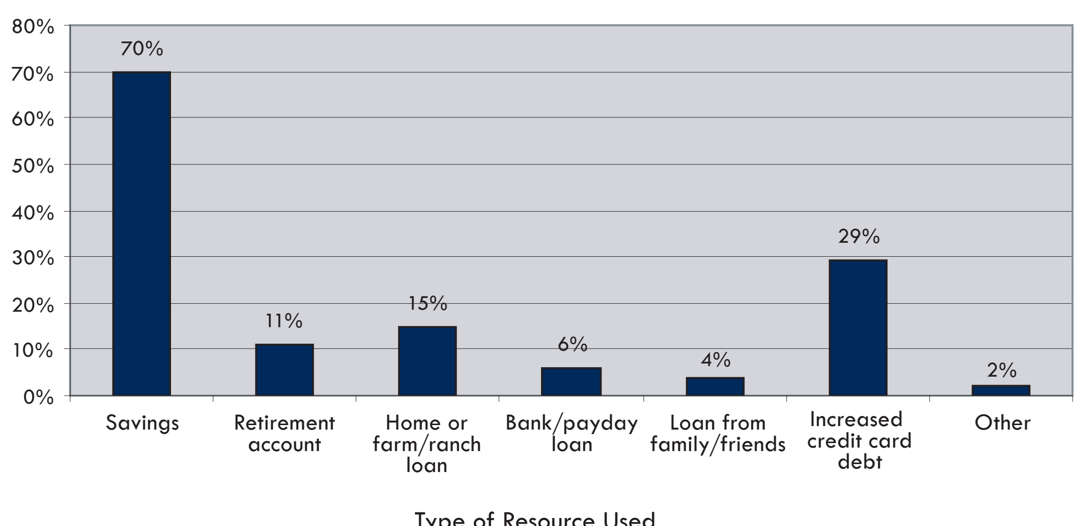
“Health care is spinning out of control. It costs $5,000 for three months of family health insurance.”

Sources of Payment for Healthcare Costs

Even though almost all respondents had health insurance, about one-quarter (26%) had to dip into their financial resources to pay for health care. Of these, seven out of ten had to use family savings, almost three out of ten (29%) increased their credit card debt, 15 percent borrowed against their home or business, and more than one in ten (11%) withdrew money from a retirement account.

Fig. 4

Resources Used to Pay for Health Care Among Those Who Used Resources*



*Multiple answers possible

“We don’t owe our medical provider any money. We owe the credit card company.”

Financial Burden of Healthcare Costs

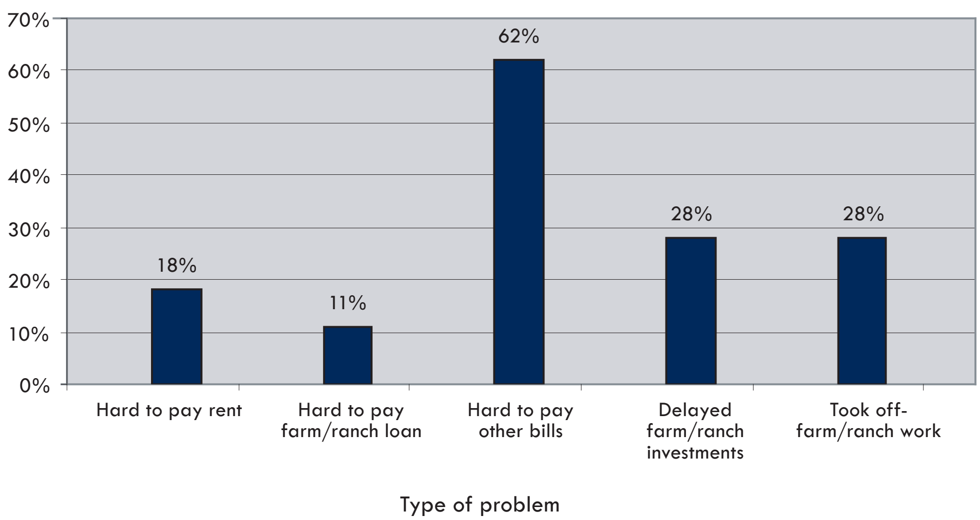
Two in ten (20%) respondents indicated that healthcare expenses contributed to their financial problems. This is slightly less than figures suggested by national surveys; one national survey found that 26 percent of continuously insured non-elderly adults had medical bill problems.[24]

"[The insurer] is raising the rates regularly, especially after Robert had surgery."

Of the respondents who said that healthcare expenses contributed to financial problems, nearly two-thirds (62%) said that paying for health care made it hard to pay other bills, and more than one-quarter (28%) said it forced them to delay making investments in their farm or ranch. More than one-quarter (28%) also said they had to take on an off-farm or off-ranch job to pay for healthcare. More than one in ten (11%) said healthcare expenses made it difficult for them to repay a farm loan.

Fig. 5

Financial Problems Because of Paying for Health Care Among Those With Financial Problems



*Multiple answers possible

"Health care costs are way too expensive. Health insurance doesn't cover much of the cost...I have to pay about $600 per month for prescriptions and all. The service they provide doesn't seem equivalent to the cost."

Medical Debt

Thirteen percent of respondents said they had debt resulting from medical or dental bills. This was less than 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.[25]

Among those with debt, the average amount of medical debt was $4,276 (median $1,000) and the average amount of dental debt was $1,760 (median $1,000).

More than four in ten of those with debt (44%) said they owed money to a hospital; also, more than four in ten (43%) said they owed money to a dentist. Nearly four in ten said they owed money to a health care provider.

"The premiums and payments are way too high. Being in debt for medical bills becomes a way of life."

Access to Care

Sixteen percent of respondents said they or a household member had delayed seeking needed health care. Among these respondents, about two-thirds (65%, or about 11% of the overall sample) said the primary reason for delaying care was because they could not afford the cost. 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.[26]

Among respondents in this survey who had delayed care, 57 percent delayed a doctor's visit, 45 percent delayed a dental visit, and 18 percent delayed hospital care.

> *"My main health care [concerns] are mostly bronchial related. Because of financial conditions we try to avoid going to the doctor."*

> *"[We] are in the process of changing medical insurance plans so we didn't seek medical care... [We] knew our new medical insurance company would look back six months to see if there was a pre-existing medical condition."*

DISCUSSION AND 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, significant percentages of respondents reported being financially burdened by healthcare expenses and having medical debt. This suggests that ever increasing healthcare costs are having a negative impact even on the insured and on families that are higher up the income ladder.

On average, farm and ranch families reported spending $8,817 on health insurance premiums and other out-of-pocket expenses (such as expenditures for prescriptions, dental, and vision services); this translates into spending of over $700 a month. Over half of survey respondents (54%), the overwhelming majority of whom lived in families, had household incomes between $20,000 and $99,999. For many families, average overall healthcare expenditures thus constituted between 9 and 44 percent of their income. (Those with healthcare expenses greater than ten percent of their income are generally considered to be underinsured.[27])

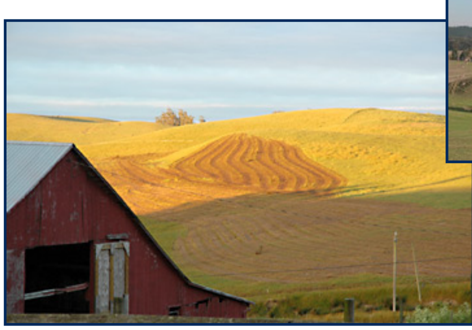
One factor that clearly differentiates farmers and ranchers from the rest of the population is that they tend to purchase health insurance on the individual, non-group market at much higher rates. Research has shown that people insured through the non-group market face special problems; they are more 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.[28] These findings are borne out by this study. Three in ten respondents—including nearly half of those who said farming or ranching was their principal occupation—reported obtaining health insurance through direct purchase. This compared to less than one in ten nationally.

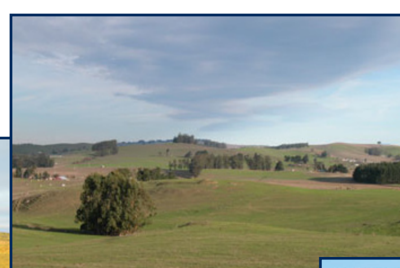
Controlling for age, health status, and prescription coverage, those who purchased their insurance directly spent approximately $4,664 more on insurance premiums and other out-of-pocket healthcare expenses than those who obtained insurance through off-farm or ranch employment. The fact that our survey respondents are better off than the population as a whole but still suffer serious problems related to the cost of health care thus reflects, at least in part, their heavier reliance on the individual market for obtaining health insurance.

These 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 and have higher out-of-pocket expenses than their counterparts who have employer-sponsored coverage or Medicare.[29]

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 consumers, forcing them to trade comprehensive coverage for less costly premiums. A bill currently being considered by the California legislature, for example, proposes allowing small businesses to purchase insurance products that would be exempted from some state regulatory requirements and minimum coverage standards.[30] However, this study and others make clear that reducing premiums by increasing out-of-pocket costs does not make insurance more affordable; 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.

Other approaches that the legislature is considering may be more responsive to the needs of family farmers and ranchers, as well as of other self-employed people and small business operators, all of whom face a growing financial burden resulting from inadequate insurance and increasing healthcare costs. These include legislation that would standardize and set minimum benefit standards for insurance policies sold in the non-group market,[31] and a bill to make the state's high risk pool more affordable for people who have "pre-existing conditions," as non-group insurance policies for self-employed people in this situation are often unavailable or exorbitantly expensive.[32] Finally, a bill to create a statewide public insurer has the potential to offer the self-employed a more affordable option than those currently available in the private, non-group market.[33] In any case, as state policymakers consider these and other approaches to reforming the healthcare system, they must carefully consider their impact on farmers and ranchers and their families, on rural small businesses, and on small businesses generally, and look for solutions that will not only expand coverage but will also ease the financial burden of rising healthcare costs on the insured as well as the uninsured.





APPENDIX

The following table presents the result of a regression analysis of families' total healthcare expenditures as a function of source of insurance, health status, age and prescription drug coverage.

Table A1: Regression Results for Families

Dependent variable: total healthcare expenditures
(premiums + medical costs + prescription costs)
Independent variables: source of insurance, health status, age, prescription coverage

Family	Unstandardized Coefficients				95% Confidence Interval	
	B	SE	t	Sig.	Lower	Upper
(Constant)	9258.37	1332.10	6.95	0.000	6645.37	11871.37
Government-sponsored insurance [a]	-3426.16	672.41	-5.10	0.000	-4745.14	-2107.17
Off-farm/ranch insurance [a]	-4664.57	348.44	-13.39	0.000	-5348.05	-3981.10
Age 35-44 [b]	649.36	1313.95	0.49	0.621	-1928.04	3226.76
Age 45-54 [b]	2347.70	1252.38	1.87	0.061	-108.92	4804.33
Age 55-64 [b]	2952.64	1244.65	2.37	0.018	511.18	5394.09
Age 65 plus [b]	1578.24	1340.26	1.18	0.239	-1050.77	4207.26
Prescription coverage	307.35	522.01	0.59	0.556	-716.60	1331.30
Health excellent [c]	-1606.04	405.96	-3.96	0.000	-2402.36	-809.73
Health very good [c]	-1298.15	372.19	-3.49	0.001	-2028.23	-568.06

[a] **Government-sponsored and off-farm/ranch insurance values are relative to purchase from an agent.**

[b] **Impact of age categories is relative to those under age 35.**

[c] **Impact of health status is relative to those reporting health as "good" or worse.**

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] The Access Project published two briefs describing and analyzing the findings from the survey in the Great Plains states. B. Lottero, et al., *The 2007 Health Insurance Survey of Farm and Ranch Operators: Overview of Findings*, The Access Project, September 2007. C. Pryor et al., *2007 Health Insurance Survey of Farm and Ranch Operators: How Farmers and Ranchers Get Health Insurance and What They Spend for Health Care*, The Access Project, December 2007. Both briefs can be found on The Access Project website, www.accessproject.org.

[5] 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.

[6] *California State Fact Sheet*, USDA Economic Research Service, March 21, 2008.

[7] *Protecting California Family Farms*, Farm Bureau.

[8] *Measure of California Agriculture, 2000*, California Farm Bureau Federation, www.cfbf.com/info/moca.cfm.

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

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

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

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

[13] 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. K. Thiede Call et al., "Health Insurance Coverage and Access to Care Among Rural and Urban Minnesotans," *Rural Minnesota Journal*, Spring 2007.

[14] J. Banthin et al., "Financial Burden of Health Care, 2001-2004," *Health Affairs*, January/February 2008.

[15] 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.

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

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

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

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

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

[21] Ibid.

[22] The survey asked respondents whether they had various kinds of insurance, such as Medicare, Veterans Benefits or health insurance obtained through an off-farm job or their spouse's job. It also asked if they had insurance "that you purchased from an insurance agent or company." As the survey sample was designed to exclude corporate farms and nearly 80 percent of the respondents identified themselves as sole proprietors, we categorized people who said they purchased from an agent or company as having individual, non-group insurance. It is possible that some of these respondents had small group insurance, although it is unlikely that they constitute a significant part of the sample. If some respondents had small group rather than individual, non-group coverage, it would probably result in an underestimate rather than on overestimate of the total healthcare expenses of those in the individual market.

[23] Ibid.

[24] 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.

[25] Ibid.

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

[27] See for example E. Ziller et al., "Out-of-Pocket Health Spending and the Rural Underinsured," *Health Affairs*, November/December 2006.

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

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

[30] California SB 972.

[31] California SB 1522.

[32] California AB 2.

[33] California SB 1622.

ACKNOWLEDGEMENTS

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Photos courtesy of Steve Quint.

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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.

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