

Issue Brief

2007 Health Insurance Survey of Farm and Ranch Operators

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

WHO HAS MEDICAL DEBT AND WHAT ARE THE CONSEQUENCES?

EXECUTIVE SUMMARY

The 2007 Health Insurance Survey of Farmers and Ranchers collected information from over 2,000 non-corporate farm and ranch operators in seven Great Plains states. Previous analyses of the data showed that while respondents were overwhelmingly insured, 18 percent nonetheless had debt that resulted from unaffordable medical bills. This brief examines the characteristics of farmers and ranchers who had medical debt and the impact of the debt on their financial situation and ability to access care.

- The following groups were most likely to accrue medical debt:



- Married people with children (22% of whom had medical debt) compared to those living alone (5% had medical debt).
- Lower income people (incomes under \$40,000 a year) compared to higher income people (23% vs. 16%).
- People reporting good, fair, or poor health (25% had medical debt) compared to those who said they were in excellent or very good health (13%).
- Those who were uninsured at some time during the year compared to those who were continuously insured (32% vs. 16%).

- The average amount of medical debt was \$6,598 and the median amount was \$1,100.
- People with medical debt spent almost twice as much out-of-pocket for health care as those without medical debt (\$5,222 vs. \$2,629).
- People with medical debt were more than twice as likely to report delaying care as those without medical debt (31% vs. 14%).
- People with medical debt were much more likely to report that they had to draw down resources to pay for care (51%) and that health care costs contributed to financial problems (52%) compared to those without medical debt (21% and 17% respectively).

Reinforcing national findings, this study shows that those most at risk of having medical debt are lower and moderate income people and those who are uninsured or underinsured. In addition, people with children and those in poorer health are at greater risk of having medical debt compared to people living alone and those in better health. The consequences of the debt for farmers and ranchers are similar to those for the population generally—reduced access to care and financial problems such as having to use up savings, take out loans, or increase credit card debt in order to pay for care.

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This study also suggests that it is not only those with catastrophic health care costs who have medical debt; 60 percent of people with debt in this study owed less than \$2,000. However, this debt may represent the “tip of the iceberg,” as people with medical debt are more likely have high out-of-pocket costs and to have used up existing resources before accruing debt than those without medical debt.

The findings indicate that health system reforms that only protect people from catastrophic debt will not be sufficient; people need to be protected from lower levels of debt as well, through adequate subsidies to purchase insurance, limits on out-of-pocket costs, and limits on the percent of income people are required to spend on health care. Special attention needs to be paid to people in poorer health, especially those with chronic illnesses. Policymakers should consider eliminating or lessening co-payments and other out-of-pocket costs for people with chronic illnesses, especially for treatments that are known to be effective.

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 age 65 and older. (For a description of the survey methodology, see Appendix A.)

The prevalence and negative consequences of medical debt have been well documented. In 2007, more than one in four (28%) non-elderly adults were paying off medical bills over time, an increase from 21 percent in 2005. For more than a third of those with debt, the debt had been incurred more than a year previously. Adults who are uninsured have a greater likelihood of incurring medical debt, but insurance doesn't guarantee protection; more than a third of underinsured adults (those with high out-of-pocket costs or deductibles relative to income) had medical debt, as did nearly one in five insured people who were not underinsured. The consequences of the debt were often serious—among those with medical debt or other medical bill problems, nearly 4 in 10 used up all of their savings to pay the bills, one in three took on additional credit card debt, and one in 10 had to take out a loan or mortgage against their home.¹

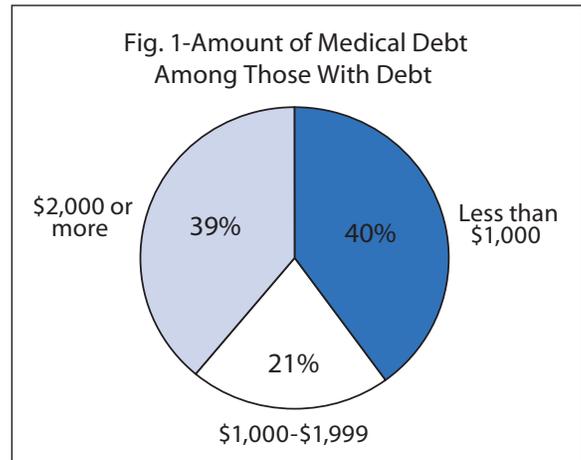
In our survey of farm and ranch operators, the vast majority of respondents—90 percent—reported that they and all of their family members had been continuously insured in the previous year. This rate was much higher than the 72 percent of adults nationally who reported that they were insured all year.² Nonetheless, one in four respondents reported that health care expenses contributed to their financial problems.³ Moreover, 18 percent had outstanding debt that resulted from medical bills.⁴ This brief analyzes the characteristics of family farmers and ranchers who had debt resulting from unaffordable medical bills and the impact of the debt on their financial situation and ability to access care.

FINDINGS

Prevalence and Amount of Medical Debt

Eighteen percent of survey respondents said they had debt that resulted from unaffordable health care costs for medical care or prescription medications. (This percentage does not include people whose only medical debt resulted from receiving dental care.)

The average amount of medical debt was \$6,598 and the median amount was \$1,100. The large difference between the average and median reflects the uneven distribution of the amount of medical debt, with a minority of families carrying very high debt. As the median indicates, 50 percent of those with medical debt owed \$1,100 or less. Sixty-one percent owed less than \$2,000.



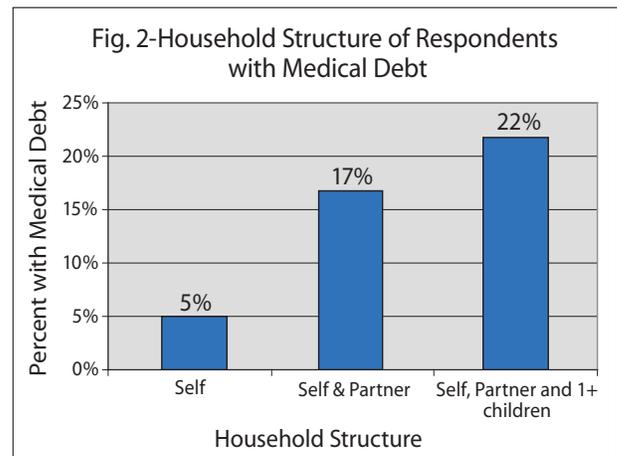
“ *My wife had surgery in 2006, which is the current debt we are carrying forward. We still owe about \$1,300 of that \$2,000 out-of-pocket expense.* ”

Who Has Medical Debt?

Demographic 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 those with and without medical debt with respect to gender or age.

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. Those who were married, and especially those who had children, were more likely to have medical debt than people who lived alone. Twenty-two percent of respondents who lived with a spouse and one or more children had medical debt compared to only five percent of people who lived alone.



“ *We had to add to our credit card bill when our second son was born... They demanded full payment up front, so I had to put the birth expense on my credit card.* ”

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.

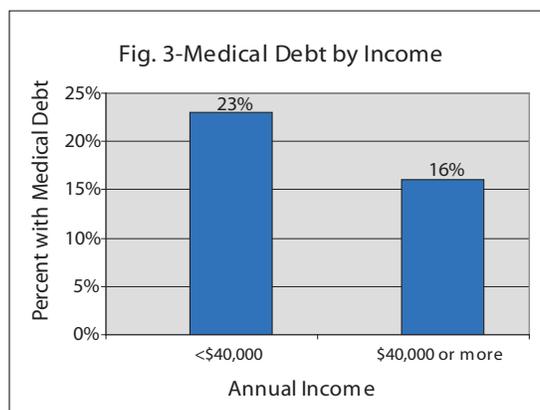
On average, respondents derived 48 percent of their income from farming or ranching. Those with medical debt derived a somewhat smaller percentage of their income from farm or ranch operations (43%) compared to those without medical debt (49%).

“ 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. ”

Income

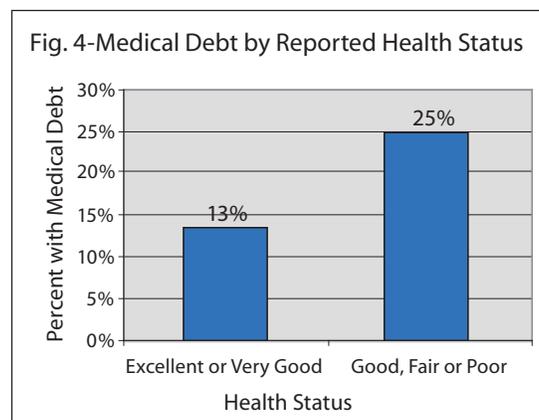
In the sample overall, almost half of respondents had net household incomes between \$40,000 and \$99,999 (49%). Thirty-seven percent had incomes under \$40,000.

Income is an important factor in people’s likelihood of having medical debt; people with incomes under \$40,000 were more much likely to have medical debt than those with higher incomes. Twenty-three percent of those with incomes under \$40,000 a year had medical debt compared to 16 percent of those with incomes \$40,000 a year or greater.



Health Status

Overall, 63 percent of respondents said they were in excellent or very good health, 28 percent said they were in good health, and nine percent said they were in fair or poor health. People who said they were in good, fair, or poor health were almost twice as likely to have medical debt as those who said they were in excellent or very good health. Thirteen percent of people who reported excellent or very good health had medical debt, compared to 25 percent of those in good, fair, or poor health.



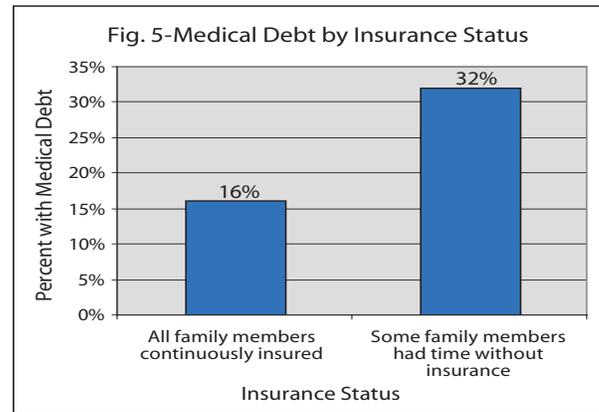
“ I had to quit farming because of health care costs due to diabetes. I had to put my family in debt because of the cost. ”

“ A foot injury caused me to lose use of my foot. I must walk on crutches so I was unable to keep my off-farm job plus I lost the farm. ”

Insurance Status

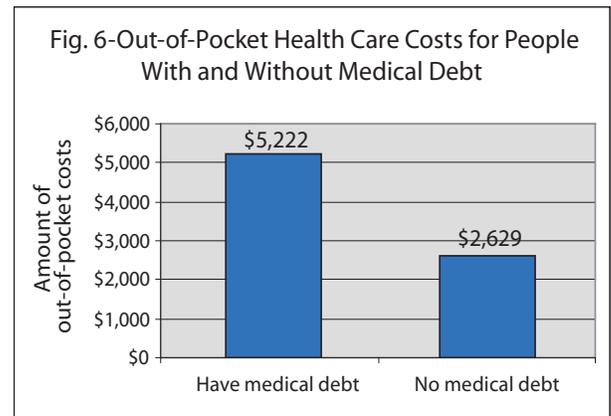
Over 90 percent of respondents said that all members of their households had been continuously insured in the previous year. Ten percent of respondents said they or a family member had not been insured for some or all of the previous year.

People without insurance were twice as likely as those with insurance to have medical debt—32 percent of the uninsured had debt compared to 16 percent of the insured.



Out-of-Pocket Health Care Costs

Over 90 percent of both insured and uninsured respondents had to pay some costs out-of-pocket for health care, such as co-payments, deductibles, or payments for prescription medications or uncovered services. People with medical debt spent almost twice as much out-of-pocket for health care as those without medical debt. The amount spent out-of-pocket for medical care, prescription medications, and dental care by those with medical debt averaged \$5,222, compared to \$2,629 for those without medical debt.

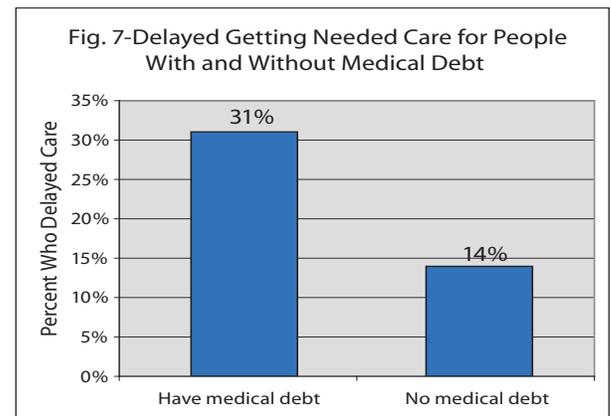


Consequences of Medical Debt

Access to Care

In the sample overall, 17 percent of respondents reported that they delayed seeking needed care.

Having medical debt had a clear impact on access to care. Those with medical debt were more than twice as likely to report delaying care as those without medical debt; 31 percent of those with medical debt delayed care compared to 14 percent of those who did not have such debt.



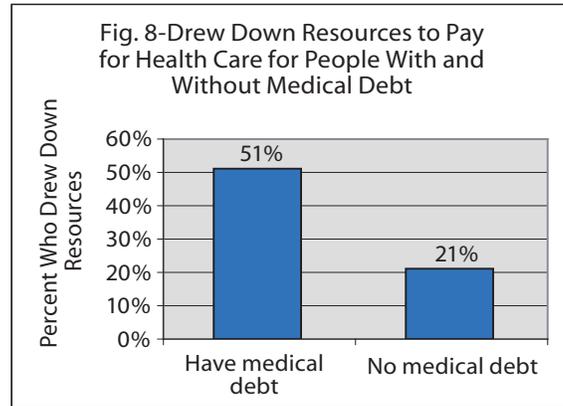
I had to borrow against my retirement to pay off medical bills related to the birth of my children. I put off going to the doctor because of the cost.



Drawing Down Resources to Pay for Health Care

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 a quarter (26%) said they had to draw down resources. This percentage varied significantly between those with and without medical debt. More than half (51%) of those with medical debt had to draw down resources compared to 21 percent of those without medical debt.



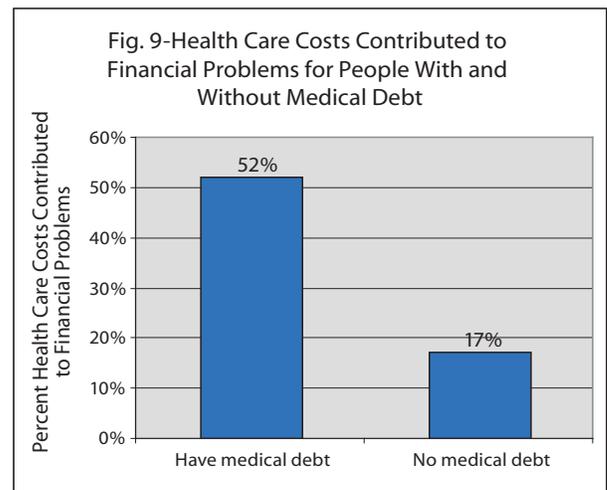
“ I was helicoptered two years ago after a heart attack and the bill was \$9,000 for a 30 minute trip. It wipes out your retirement really fast. ”

“ My wife was ill with cancer and the insurance didn’t pay all of the bills. I had to use all of my savings to get out of debt and away from the bill collector. ”

Financial Burden of Health Care Costs

The survey asked people if health care costs had contributed to financial problems, such as having difficulty paying off other bills, being forced to take off-farm or off-ranch employment, or delaying making investments in their farm or ranch. Nearly a quarter of the sample overall (23%) fell into this category.

Having medical debt is strongly associated with reporting financial problems due to health care costs—over half (52%) of those with medical debt reported such problems, compared to 17 percent of those without medical debt.



“ Family members are taking menial low-paying jobs with health insurance benefits off the farm to cover the family... It cuts into an already stretched agricultural income. ”

“ I had to sell livestock [to pay medical bills], which lowers productivity. ”

DISCUSSION AND POLICY IMPLICATIONS

Debt resulting from unaffordable medical bills is a growing problem in the United States, affecting more than one in four non-elderly adults. Studies have also shown that medical debt has serious consequences for individuals and families. Many adults with medical debt said the debt caused financial problems such as being unable to pay for other bills, using up savings, having to take out a second mortgage or loan, or increasing credit card debt. Those most at risk of having medical debt or other medical bill problems included lower and moderate income people and those who were uninsured or underinsured.⁵ The results of our study reinforce these findings.

As family farmers and ranchers are more likely to be insured than the population at large and likely to have higher net worth than U.S. households overall, it is perhaps not surprising that the percentage with medical debt—18 percent—is somewhat lower than the national average of 28 percent. Nonetheless, given that almost all farmers and ranchers and their family members have health insurance, this is a significant percentage.

Those farmers and ranchers most at risk of accruing medical debt included people with lower incomes (under \$40,000), poorer health status, and lack of health insurance, as well as married people with children. However, consistent with national research, our study shows that insurance does not necessarily protect people from medical debt. While the uninsured had higher rates of medical debt, more than one farmer or rancher in six (16%) who was continuously insured also had medical debt.

The consequences of the debt for farmers and ranchers were also similar to those for the population as a whole—reduced access to care and financial problems such as having to use up savings, take out loans, or increase credit card debt in order to pay for care. For farmers and ranchers, this drain on their resources may represent a double threat—unaffordable health care costs can undermine not only their families' financial stability, but also the sustainability of their businesses.

A common perception is that medical debt results from catastrophic medical incidents that can leave people with hundreds of thousands of dollars in unpaid medical bills. These situations do, of course, occur. However in our study, the median amount of debt was \$1,100 and sixty percent of those with medical debt owed less than \$2,000. This is similar to findings from a national survey, which found that more than half (51%) of respondents with debt had debt under \$2,000.⁶ Our study also suggests, that this debt in many cases may represent "the tip of the iceberg," that is, the amount remaining after people have already exhausted whatever resources they have available to pay for care.

First, our findings show that people with medical debt have significantly higher out-of-pocket costs for health care than those without medical debt—in fact, their out-of-pocket costs were almost twice as high as those without medical debt (\$5,222 compared to \$2,629). Second, people with medical debt were more than twice as likely to have drawn down resources to pay for care as those without medical debt; fifty-one percent of those with medical debt had to draw down resources compared to 21 percent of those without medical debt. Thus, people with medical debt in many cases have already spent more on health care and used up savings or retirement funds before they went into debt.

It is not surprising that people with lower incomes are more likely to have medical debt, as they have fewer resources to draw on. For the same reason, they also have higher levels of debt. A separate analysis of the data (not shown) found that people with medical debt with incomes under \$40,000 were more likely to have debt of \$2,000 or more compared to those with debt and higher incomes. They were also more likely to say that health care costs contributed to financial problems.

It is also not surprising that people in poorer health were particularly hard hit. In our survey, people who reported poorer health status were more likely to have medical debt than those who reported better health status. Additional analysis (not shown) found that people who said that chronic illness was the primary cause of their medical debt (as opposed to, for example, an acute illness) were more likely to have debt of \$2,000 or more and were more likely to say that health care costs contributed to their financial problems. For people with chronic illnesses medical debt may be ongoing because of the continuing need for care.

One goal of national health care reform is to protect people financially if they get sick. This study shows that extending health insurance will help, but the quality of health insurance also matters, and the insured with high out-of-pocket costs may still find health care unaffordable.

Our study also suggests that reforms that only protect people from catastrophic debt will not be sufficient. Most people with medical debt owe amounts that may seem relatively low but still have the potential to create all of the negative consequences that are associated with having such debt, such as reduced access to care and the exhaustion of assets put aside for other purposes. The level of subsidies that are provided to lower income people to purchase insurance will thus be important, as will the extent to which insurance coverage protects people from out-of-pocket financial exposure. Reforms should include limits on the percent of income people are required to pay for medical care and closely monitor whether the limits do in fact make care affordable.

Finally, our study suggests that special attention needs to be paid to people with chronic illnesses. Co-payments or co-insurance that may seem affordable for people who only need care episodically may not be affordable for the chronically ill, who often need to seek care and use medications on a frequent and ongoing basis. Some employers in the United States have experimented with eliminating or lessening co-payments for care that is known to be effective for certain chronic conditions, which has resulted in improved compliance and cost savings.⁷ Other countries have eliminated co-payments for people with chronic illnesses. Policy makers in the United States should consider similar approaches.

APPENDIX A: 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 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 \$40,000-\$99,999	59%	52%	53%	44%	44%	47%	44%	49%
Over age 40	81%	82%	80%	84%	77%	74%	78%	79%
Health excellent or very good	71%	64%	59%	63%	67%	63%	58%	64%
Proportion of income from farm/ranch (average)	46%	45%	25%	41%	55%	59%	56%	48%
Everyone in household insured	93%	94%	90%	83%	92%	91%	90%	91%
Insurance through direct purchase on non-group market	43%	37%	21%	37%	46%	45%	44%	39%
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)	\$6,800	\$7,000	\$5,378	\$7,500	\$8,300	\$7,200	\$7,200	\$7,100
Median amount spent per household on health care when insurance from non-group market	\$10,500	\$11,145	\$8,860	\$12,500	\$12,000	\$11,640	\$11,639	\$11,500
Percent with medical debt	12%	15%	17%	20%	20%	18%	19%	18%

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

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At The Access Project, we want to thank Nancy Kohn, who conducted follow-up interviews with survey respondents to learn more about the impact of health care expenses on their families and businesses, as well as Meg Baker, who designed and formatted the report. We also want to thank Jesse McCormick, intern from Tufts University, who performed background research on the structure and finance of U.S. farms and the agricultural economics of the seven study states.

ENDNOTES

¹ M. Doty et. al., *Seeing Red: The Growing Burden of Medical Bills and Debt Faced by U.S. Families*, The Commonwealth Fund, August 2008. In this study, underinsurance was defined as having out-of-pocket medical expenses equal to 10 percent or more of income; or, among adults with incomes below 200 percent of the poverty level, having out-of-pocket expenses equal to 5 percent of more of income; or having deductibles equal to or more than five percent of income.

² *Ibid.*

³ 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.

⁴ 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.

⁵ M. Doty et.al., *op.cit.*

⁶ *Ibid.*

⁷ M. Chernew, et al., "Value-Based Insurance Design," *Health Affairs*, January 10, 2007. M. Freudenheim, "Some Employers are Offering Free Drugs," *New York Times*, February 21, 2007.



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