



Why Health Reform Can't Wait: The Benefits of Health Reform for Rural America

a series examining health care issues in rural America



No. 9 • February 2010

Jon M. Bailey
Center for Rural Affairs

As Congress continues to shape and debate health reform legislation, questions of how such legislation will benefit rural residents, families and businesses are paramount. Chief among these questions are ones concerning affordability and how reform legislation will benefit insured rural people.

This report will examine the Congressional health reform proposals^a and their potential affect on rural residents, families and businesses, as well as the rural consequences of health reform inaction.

The rural consequences of health reform inaction

Rural people are more uninsured (especially in remote rural areas), have higher rates of insurance on the individual market, have lower rates of employer-sponsored insurance, and, on average, have lower incomes.¹⁴ Allowing current health insurance and cost-shifting trends to continue—that is, allowing the status quo to go unchecked by health reform legislation—will have significant consequences for rural people. Examples include:

- Under current trends, the number of uninsured will significantly increase over the next decade. By 2019, it is estimated the number of uninsured will increase by 16 to 34 percent, resulting in 57 million to nearly 66 million people uninsured.⁶ With a total rural uninsured rate currently at 20 percent, a similar increase means over a quarter of rural residents would be uninsured by 2019. And the consequences of inaction could be worse in remote rural areas (those with a population center of less than 2,500)—with a current uninsured rate of 23 percent, inaction with a similar increase could result in nearly 32 percent of residents in those rural areas being uninsured by 2019.¹¹
- Under current trends, the amount of uncompensated care—the cost of healthcare to the uninsured—will significantly increase over the next decade. By 2019, it is estimated that the cost of uncompensated care will increase by 72 to 128 percent. This shift of costs is a pernicious “hidden tax” on the insured, causing premiums to constantly increase and making insurance less affordable for individuals, families and businesses. This increase for uncompensated care over the next decade will conservatively cost the average rural insured household up to \$1,206 annually in premium costs solely for the health care costs for the uninsured.⁶
- Over the next decade, it is estimated that the number of those with employer-sponsored insurance will increase slightly or decline by up to seven percent.⁶ This is undoubtedly due to a projected increase in employer premium spending by 2019. As premiums get more expensive for businesses they are less likely to offer insurance to their employees. This is particularly true in rural areas where employers—especially small businesses—are already increasingly less likely to offer health benefits to employees.
- Under current trends, health care costs to individuals and families will dramatically increase in the next decade. Over the next decade, it is estimated that individual and family spending (on both premiums and out-of-pocket expenses) will increase by 46 to 68 percent.⁶ Rural people (particularly farmers, ranchers and non-farm small businesses) are disproportionately dependent upon paying the full freight of their insurance

^aThe Senate bill is the *Patient Protection and Affordable Care Act* (H.R. 3590), passed on December 24, 2009; the House bill is the *Affordable Health Care for America Act* (H.R. 3962), passed on November 7, 2009.

Why Health Reform Can't Wait: The Benefits of Health Reform for Rural America

premiums through the individual insurance market. Rural workers also pay higher costs for their health insurance plans as significantly more rural firms that provide health benefits offer plans that include deductibles.² The bottom line is that continuing the trend of increasing health care costs for individuals and families will have significant consequences for rural residents and families.

The rural effects of health reform

In analyzing the rural effects of health reform we look at items included in both the House bill and the Senate bill. Those items include coverage expansion, insurance reforms, affordability (premium assistance through subsidies and tax credits), and potential rebates from insurance companies.

Coverage

The Rural Policy Research Institute (RUPRI) Health Panel estimates that the Senate health reform bill will reduce the number of rural uninsured from 8.1 million to 3.2 million, resulting in a 6.5 percent rural uninsured rate (compared to a 7.3 percent urban uninsured rate).¹ It is also projected that about 40 percent of the newly rural insured will obtain coverage from the newly formed Health Insurance Exchange. More newly insured rural people will obtain coverage with subsidies or tax credits and as enrollees in expanded Medicaid programs than will newly insured urban residents.¹ The House bill would cover about 3 million more rural people.²

Coverage matters, particularly for rural people.² And rural people, in general receive fewer preventive services, leading to more serious and more chronic diseases and conditions.² Uninsured Americans receive about half the preventive services and medical care that insured Americans receive.² Many common chronic conditions are easily treated, but lethal if not diagnosed and controlled through a prescribed treatment regime that may be unavailable to the uninsured.⁹ With higher rates of chronic diseases, lower rates of preventive services and lower rates of insurance, rural people are more likely to suffer the consequences of a lack of diagnosis, treatment and control of chronic diseases (those consequences often result in premature death). Recent research indicates that about 45,000 deaths of working age adults per year in the United States are associated with a lack of health insurance.⁸

Studies have also shown that uninsured people with cancer, heart disease, stroke, and lung disease are more likely to be in poorer health and die earlier than similar people with health insurance.⁷ Because of the medical and health insurance situations in which many rural people and families find themselves, expanding health insurance coverage is necessary for long-term health and well-being.

The high rates of uninsurance in rural areas also affect those with insurance. In addition to the cost shifting of uncompensated care to those with insurance, studies have shown that the insured in communities with high proportions of those without insurance more likely have difficulty obtaining needed care and tend to be dissatisfied with the care they receive.⁷ Higher rates of uninsured strain the emergency services, diminish access to trauma care, and reduce the number of providers willing to offer emergency care in such communities.^{2,7}

If maintaining the status quo leads to nearly a third of rural people being without insurance, all rural people will be significantly affected—insured or not.

By providing multiple paths to coverage, health reform legislation adopted and being debated in Congress is helpful to rural communities in meeting the challenges caused by a lack of insurance coverage. Providing opportunities and assistance to purchase private insurance, and expanding current public health insurance programs are vehicles to provide expanded health benefit coverage to rural people and address the severe consequences of being uninsured that are disproportionately harmful to rural residents, families, businesses and communities.

Why Health Reform Can't Wait: The Benefits of Health Reform for Rural America

Insurance Reforms

The House and Senate bills both contain provisions regulating health insurance underwriting practices. Taken as a whole, the insurance reforms contained in both bills will provide needed relief for many rural people and families. Reform removes barriers that exist due to the disproportionate number of rural people who have non-group coverage, and protects a population that is, on average, in poorer health. Because of the unique health insurance circumstances facing rural people and families these reforms address significant rural issues and provide greater opportunities to purchase affordable, meaningful health insurance.

Preexisting conditions have been a significant barrier to health insurance coverage for many people in rural areas because of lower rates of employer-provided insurance and group coverage coupled with higher rates of chronic conditions and illnesses among rural people. A greater dependence upon small group and individual health policies for an older and sicker population leads to greater potential for preexisting condition exclusions. Prohibiting the exclusion for preexisting conditions has the potential to benefit many rural people and expand access to health insurance in rural areas, particularly for those dependent on the non-group insurance market.

The Senate bill contains a provision that would allow insurance premiums to be raised from current levels and then possibly apply “wellness standards” discounts from the higher premiums. Those who do not meet the “wellness standards” may end up paying up to 30 percent more in premiums or that extra premium may be added to the employer’s contribution. Given that rural people have higher rates of chronic conditions and obtain fewer preventive services, this provision has the potential for significant unintended discriminatory consequences against rural people. Providing health insurance to more people and providing more coverage for wellness/preventative services will help rural people, but a premium surcharge existing until “wellness standards” are met may end up resulting in less than affordable coverage for some rural residents and rural families, thus working against the twin goals of affordable coverage and better health.

Other barriers would be removed by legislative proposals to guarantee issue of health insurance, forbid health status as a component of premium rating and requiring continuous coverage. All these reforms would “maintain or increase access to insurance for individuals with medical conditions or other reasons that might increase insurance risk.”² Again, rural people who face the unique rural circumstances of generally poorer health status and greater rates of chronic diseases would greatly benefit from these reforms.

Affordability

With Congressional health care reform proposals likely to significantly expand coverage, particularly in rural areas, affordability is a major issue, both for those that currently have health insurance and for the newly insured millions. If millions more Americans are to be covered by mandated health insurance, logically and morally, it should be affordable. Affordability is a particular concern for rural people and rural families, who, on average, have lower incomes than do urban residents. Nationally, rural per capita income is 71 percent of urban per capita income.⁵ Nearly a third of households in rural America have annual household income of \$35,000 or below, roughly equivalent to 200 percent of the federal poverty level for a family of three, and about two-thirds of rural households have annual incomes of \$75,000 or less, roughly equivalent to 400 percent of the federal poverty level for a family of three.^{4,c} The income distribution in rural areas makes premium assistance for affordable health coverage crucial for rural people and families.

In general, the House proposal provides more generous premium assistance to lower income families while the Senate proposal provides more generous assistance to families a bit higher up on the income ladder.

^b Section 2705, *Patient Protection and Affordable Care Act* (H.R. 3590)

Why Health Reform Can't Wait: The Benefits of Health Reform for Rural America

The chart below details and compares the two bills and how families at different income levels are treated in regards to health insurance premiums.

Family Income (family of three)	House—Premium as % of income	House—Annual Premium	Senate—Premium as % of income	Senate—Annual Premium
\$27,465 (150% FPL)	3.0%	\$824	4.6%	\$1,263
\$36,620 (200% of FPL)	5.5%	\$2,014	6.3%	\$2,307
\$54,930 (300% of FPL)	10.0%	\$5,493	9.8%	\$5,383
\$73,240 (400% of FPL)	12.0%	\$8,789	9.8%	\$7,178

FPL is Federal Poverty Level. Income levels are based on 2009 federal poverty level for a family of three. Source: Community Catalyst

Of course, insurance premiums are only one part of health care expenses. For many families out-of-pocket costs represent a major impact on family budgets and a major barrier to needed health care. Out-of-pocket costs are critical to rural families who face a double whammy of lower average incomes and less valuable insurance (or no insurance). Residents of rural areas have significantly higher out-of-pocket costs than do urban residents and are responsible for about 20 percent more of their total health care costs than do urban residents.¹⁶ Greater out-of-pocket costs leads to the existence of more rural underinsured. One out of eight rural residents are underinsured and rural residents are 70 percent more likely to be underinsured than urban residents.¹⁶ Therefore, the effort to control out-of-pocket costs is one of the more important issues for rural people and families, especially for those obtaining insurance in the individual, non-group market.

Both the House and Senate bills provide caps to annual out-of-pocket costs, but again the effects differ according to family income. The chart below details and compares the two bills and how families at different income levels are treated in regards to annual out-of-pocket cost caps.

Family Income (family of three)	House—Annual out-of-pocket cap (as % of income)	House—Annual out-of-pocket cap	Senate—Annual out-of-pocket cap (as % of income)	Senate—Annual out-of-pocket cap
\$27,465 (150% FPL)	3.6%	\$1,000	14.1%	\$3,867
\$36,620 (200% of FPL)	5.5%	\$2,000	10.6%	\$3,867
\$54,930 (300% of FPL)	14.6%	\$8,000	10.6%	\$5,800
\$73,240 (400% of FPL)	13.7%	\$10,000	10.6%	\$7,733

Income levels are based on 2009 federal poverty level for a family of three. Source: Community Catalyst

Taken together, while both bills offer much in the way of assistance to make health insurance more available and more affordable, the families that would benefit the most by each bill are quite different. The chart on the following page details and compares the two bills and how families at different income levels are treated in regards to annual total health care costs (premiums and out-of-pocket costs).

^c Not all households at or below those income levels will receive premium assistance under health care reform legislation; the federal poverty level is based on both income and family size, and some households will not qualify for premium assistance due to their family size.

Why Health Reform Can't Wait: The Benefits of Health Reform for Rural America

<i>Family Income (family of three)</i>	<i>House—Total potential health care costs as % of income</i>	<i>House—Total potential health care costs</i>	<i>Senate—Total potential health care costs as % of income</i>	<i>Senate—Total potential health care costs</i>
\$27,465 (150% FPL)	6.6%	\$1,824	18.7%	\$5,130
\$36,620 (200% of FPL)	11.0%	\$4,014	16.9%	\$6,174
\$54,930 (300% of FPL)	24.6%	\$13,493	20.4%	\$11,183
\$73,240 (400% of FPL)	25.7%	\$18,789	20.4%	\$14,911

Income levels are based on 2009 federal poverty level for a family of three. Source: Community Catalyst

The House bill provides more benefits to lower income families, and the Senate bill provides more assistance to families of more moderate means. Rural families are well-represented in all of the income levels contained in the charts above, so a final bill that combines the best of the House and Senate proposals would work best for rural families. A well-designed system of premium assistance subsidies and out-of-pocket caps is needed for both low- and moderate-income rural households to gain the benefits of expanded health insurance coverage and for all households up to 400 percent of the federal poverty level to improve the value of health insurance.²

The necessity and impact of premium assistance is apparent in a November 2009 Congressional Budget Office (CBO) analysis of the Senate bill.³ That analysis found that the Senate bill will have the most impact on health insurance policies in the individual market. This finding is more important for rural people and families than for any other population in the nation. Rural people are significantly more likely to have health insurance through the individual market primarily because of more employment attributable to self-employment and small businesses. Of the rural insured, approximately one in five obtain insurance through the individual market, including a third of farmers and ranchers; this compares to only eight percent of the general population receiving health insurance through the individual market.^{12, 13} How the premium assistance subsidies affect the individual market has considerable consequences for rural people and families.

According to the CBO, the average premiums in 2016 per person in the individual market under the Senate bill would be 10 to 13 percent higher relative to current law. This increase is entirely due to a greater insurance coverage pursuant to provisions in the Senate bill, primarily more people purchasing “more insurance” (insurance with a greater actuarial value) for a premium. The CBO estimates that premiums would actually decrease by up to 20 percent due to reductions in insurance company delivery costs and other administrative savings.³

While the Senate bill would increase premiums in the short-term to those purchasing insurance on the individual market, nearly three in five non-group market enrollees will receive premium assistance subsidies under the Senate plan.³ This assistance will, according to CBO, reduce premium costs “well below” premiums under current law.³ With the number of individual market enrollees receiving premium assistance subsidies and with the larger number of rural people in the individual market, it can be assumed the premium reducing impact of premium assistance subsidies will have greater consequences for rural people and rural families.

CBO estimates that the premium assistance subsidies in the Senate bill will lower individual market premiums in 2016 by almost two-thirds compared to current law. With premium assistance subsidies, an average single policy in the individual market could cost up to \$3,100 less annually in premiums and an average family policy in the individual market could cost up to \$6,800 less annually in premiums.

Why Health Reform Can't Wait: The Benefits of Health Reform for Rural America

The chart below outlines the costs per policy under current law, the Senate bill and the Senate bill with premium assistance subsidies for the individual market (all based on costs in 2016):

	<i>Single Policy (annual cost per policy, 2016)</i>	<i>Family Policy (annual cost per policy, 2016)</i>
Current law	\$5,500	\$13,100
Senate Bill	\$5,800	\$15,200
Senate Bill with premium assistance subsidies	\$2,372 to \$2,552	\$6,232 to \$6,688

Source: Congressional Budget Office. *An Analysis of Health Insurance Premiums Under the Patient Protection and Affordable Care Act*, November 30, 2009.

Other analysis has made similar findings. Jonathan Gruber of the Massachusetts Institute of Technology, for example, has found that under the Senate bill non-group premiums for both single and family policies in 2016 will decrease for those with incomes up to 425 percent of the poverty level (\$46,030 for a single person and \$93,710 for a family of four),¹⁰ with savings much greater (up to 80 percent less in some cases) at lower income levels.

In the end, health insurance coverage and health insurance reform is chiefly about exposure to cost—how much is an individual, family or business at risk of paying in any year in premiums and out-of-pocket costs? The chart below outlines the risk for a typical family with and without reform. A typical American family will eventually have \$6,000 to \$18,000 less annual exposure to health care costs under the Senate bill.

HEALTH CARE COST PROJECTIONS FOR FAMILIES UNDER SENATE HEALTH OVERHAUL LEGISLATION.*		
Annual Income, Family of Four	Costs Without Reform Legislation	Cost With Reform Legislation
\$36,275 (150% Federal Poverty Line)	Annual Premium: \$12,042	Annual Premium: \$1,966
	Annual Out of Pocket Max: \$12,600	Annual Out of Pocket Max: \$4,200
	Total Risk: \$24,642 (68 percent of income)	Total Risk: \$6,166 (17 percent of income)
\$48,367 (200% Federal Poverty Line)	Annual Premium: \$12,042	Annual Premium: \$3,629
	Annual Out of Pocket Max: \$12,600	Annual Out of Pocket Max: \$6,300
	Total Risk: \$24,642 (51 percent of income)	Total Risk: \$9,929 (21 percent of income)
\$60,458 (250% Federal Poverty Line)	Annual Premium: \$12,042	Annual Premium: \$5,797
	Annual Out of Pocket Max: \$12,600	Annual Out of Pocket Max: \$6,300
	Total Risk: \$24,642 (41 percent of income)	Total Risk: \$12,097 (20 percent of income)
\$72,550 (300% Federal Poverty Line)	Annual Premium: \$12,042	Annual Premium: \$8,468
	Annual Out of Pocket Max: \$12,600	Annual Out of Pocket Max: \$8,400
	Total Risk: \$24,642 (34 percent of income)	Total Risk: \$16,868 (23 percent of income)
\$84,642 (350% Federal Poverty Line)	Annual Premium: \$12,042	Annual Premium: \$9,879
	Annual Out of Pocket Max: \$12,600	Annual Out of Pocket Max: \$8,400
	Total Risk: \$24,642 (29 percent of income)	Total Risk: \$18,279 (22 percent of income)

*Calculations for a typical family of four with a 40 year-old head of household in 2016 from MIT's Jonathan Gruber based on Congressional Budget Office official cost estimates.

In 2008 the median household income in rural households was about \$41,000.²¹ A typical rural family would be about \$16,000 per year less at risk for total health care costs under the Senate bill if income levels remained essentially the same in 2016 (according to the Census Bureau, median rural household income actually declined about 3

Why Health Reform Can't Wait: The Benefits of Health Reform for Rural America

percent from 2007 to 2008).

The CBO and Gruber findings are comparable with what the American Health Insurance Plans (AHIP) found in Massachusetts, a state that in 2007 enacted health insurance reform similar to that contemplated on a national level. AHIP found that from 2007 to mid-2009 the average single premium in the individual market increased nationally by 14 percent, and the average family premium in the individual market increased nationally by 9 percent. During the same period in Massachusetts, the average individual premium in the individual market fell by 40 percent, and the average family premium in the individual market declined by 21 percent.^{10,15}

Costs, underinsurance and lack of insurance are issues that hit rural people and families particularly hard and are issues which both the Senate and House bills begin to address.

These numbers from objective analyses and the one state with an insurance market similar to what both the House and Senate propose nationally show that reform will make health insurance affordable for many individuals and families while also improving coverage and obtaining the other benefits of insurance regulation discussed here. Providing more people and families more insurance coverage at affordable costs will begin to address many of the health care challenges faced by rural people, families and communities.

Small Business

The rural economy is dominated by small businesses—58 percent of rural workers are either self-employed or employed in small firms (those with 20 or fewer employees),¹¹ making how health care reform works for small businesses and the self-employed a vital rural issue. In general, small businesses are exempt from many of the provisions in both health care reform bills—the Senate bill exempts businesses with 50 or fewer employees from coverage requirements and penalties, and the House bill exempts businesses with an annual payroll less than \$500,000 from any assessment for not meeting employer mandated coverage.

Both bills also provide specific provisions to assist small businesses in offering health care benefits to employees, primarily in the form of tax credits. Both bills have similar eligibility provisions, with the Senate bill requiring a lower premium contribution than the House and allowing higher average wages to qualify for the credit. The Senate tax credit for small businesses is also permanent, with a phased in period through 2013 and a permanent credit after; the House tax credit is available only for up to two years.

Analysis at the Commonwealth Fund projects an average \$9,435 annual family premium under both bills. Using that figure, the Senate bill offers more affordability to small businesses, particularly in the long-term. To qualify for the House small business credit requires a 65 percent employer contribution (\$6,133) and provides a tax credit equal to half of that amount, resulting in a net \$3,066 employer contribution (per policy). To qualify for the Senate small business credit requires a 50 percent employer contribution (\$4,718); for 2010 to 2013 businesses receive a 35 percent credit, and in 2014 and later a 50 percent credit. From 2010 to 2013 the net employer contribution in this example under the Senate bill will be identical to the House bill. In 2014 and later a small business will have a net employer contribution of \$2,359 (per policy) under the Senate bill.¹⁷

According to the CBO, the Senate bill will have a small effect on the small group insurance market for businesses with 50 or fewer employees. CBO estimates that premiums per person in those small businesses will experience an increase of one percent to a decrease of two percent in 2016 (relative to current law). However, as with the individual market premium assistance subsidies, the small business tax credit would substantially lower premiums.

Why Health Reform Can't Wait: The Benefits of Health Reform for Rural America

With the tax credits average premiums per person would decline by 8 to 11 percent in 2016 relative to current law.³

One issue with the small business tax credit is that CBO estimates it will apply to a relatively low number of businesses. CBO estimates only 12 percent of small groups (those businesses with 50 or fewer employees) would qualify for the tax credits.³ Rural areas are likely to experience a larger impact from the tax credit due to the disproportionately larger number of small businesses, but there will still be many rural small businesses that do not qualify for the tax credit. The result will be, according to CBO, essentially unchanged premiums for many small businesses.

A status quo will retain high health insurance premiums for many small businesses, a less than acceptable result for many rural small businesses. Based on CBO projections, the long-term prospects for many rural small businesses and their employees is likely more of the same—high insurance costs for small businesses, more businesses choosing not to or continuing not to offer health insurance, more small business employees lacking adequate and affordable insurance, and more costs placed on the backs of employees. A likely result is an expansion of the trend of small business owners and employees responsible for their own health insurance in the individual market through the newly created Health Insurance Exchanges, particularly with little or no penalty to the small business employer who does not provide insurance. The affordability issues discussed above would apply to these cases. Under this scenario owners and employees of small businesses would lose some of the beneficial aspects of a group policy provided by an employer, but many of the new insurance regulations would render individual and group policies similar.

Medical Loss Ratio and Rebates

Health insurance companies use the premiums they collect from individuals, families and businesses for a variety of items. The largest, of course, is to pay medical benefits on claims made by physicians, hospitals, clinics, pharmacists and other health care providers. However, over the years the amount of premiums going toward paying medical claims, the so-called “medical loss ratio” has declined. By 2007 investor-owned health insurers paid 81 percent of premiums collected on medical benefits, with the remaining 19 percent covering profits, executive salaries, marketing and administrative costs.¹⁸ There is evidence that the medical loss ratio in the small group and individual markets may be as low as 60 percent.¹⁹ In the health insurance markets where rural individuals, families and businesses are more likely to obtain their insurance, barely half of the premiums paid go to cover actual health care expenses.

The Senate bill would set a minimum medical loss ratio for all health insurers; 80 percent for small and individual markets and 85 percent for large group markets . Any health plan falling short of that minimum would be required to rebate the difference to consumers. Combined with other requirements that would end needless duplication and administrative costs connected to health insurance—requirements such as a standardized benefits package, standardized enrollment and standardized claim forms—the minimum medical loss ratio requirement has the potential to significantly lower costs through rebates, particularly in the individual and small group markets used by many in rural areas. It is estimated that over \$54 billion annually would be returned to individuals, families and businesses from all health insurers under the Senate bill’s minimum medical loss ratio requirement, further lowering premiums and making health insurance coverage more affordable.²⁰

Conclusion

What’s in health care reform for me? For rural people, families and businesses there is much to gain from health reform as it passed both the House and Senate, and much to lose if final legislation is not enacted.

- Rural people stand to obtain greater rates of health insurance coverage and reverse the long-time trend of

Why Health Reform Can't Wait: The Benefits of Health Reform for Rural America

being more uninsured than are urban residents. The benefits of health insurance coverage are enormous for all uninsured, but particularly for rural people who receive less preventive care and have higher rates of all chronic diseases. Rural people will receive earlier and better diagnosis and treatment of potentially life-threatening chronic conditions. Fewer rural people will die needlessly simply because they lack health insurance. And rural communities and the already insured in them will benefit from more people being covered.

- The barriers that prevent many rural people from obtaining health insurance coverage will be removed. The generally poorer health of rural people will no longer determine whether health insurance is a possibility.
- More rural people, families and businesses will have the opportunity for affordable health care coverage. A rural population that has, on average, lower incomes and more households distributed across lower incomes levels and which depends dramatically more on the individual insurance market will benefit from the premium assistance provisions of both the House and Senate bills. Since the House and Senate bills treat family income levels differently, we urge that eventually the bills be combined to include the best provisions of both.
- Rural people and families will also benefit from decreasing their exposure to all health care costs, both insurance premiums and out-of-pocket costs. A typical rural family stands to be about \$16,000 less at risk per year for all health care costs by 2016; families less exposed to the financial risk of health care costs as a result of health reform legislation have not only better coverage at less cost, but are at greater peace of mind, are likely to be more healthy, and will have the ability to divert those savings to other uses.
- Rural small businesses - the dominant economic driver of economies in many rural places—will benefit from the tax credit assistance offered to provide health insurance to small business employees. While most rural businesses will be exempt from the mandates imposed by both bills, they will benefit from the tax credits provided businesses to help insure their employees.
- Rural people, families and businesses will benefit from new rules on how much insurance companies have to pay for medical claims. The “medical loss ratio” is generally lower in the individual market, a market where more rural people and businesses are enrolled. Insurance companies will now have to use more premium dollars to pay medical claims, lower premiums or rebate funds to individuals, families or businesses.

None of these benefits will happen unless Congress adopts a final version of health care reform. If Congress fails to act, rural people, families and businesses will be stuck with a bad status quo. More uninsured and higher costs are facing many rural people—rural communities are at risk of a sicker population being served by a fragile delivery system if nothing is done. All of the unique rural challenges we have highlighted in this series of reports will only get worse with inaction.

REFERENCES

¹ McBride, Timothy D. 2009. *Impact of the Patient Protection and Affordable Care Act on Covered Persons*. Rural Policy Research Institute Center for Rural Health Policy Analysis.

² Coburn, A.F., MacKinney Rural Policy Research Institute, A.C., McBride, T.D., Mueller, K. J., Slifkin, R.T., and Ziller, E. 2009. *Assuring Health Coverage for Rural People through Health Reform*. Rural Policy Research Institute Health Panel.

Why Health Reform Can't Wait: The Benefits of Health Reform for Rural America

- ³ Congressional Budget Office. 2009. *An Analysis of Health Insurance Premiums Under the Patient Protection and Affordable Care Act*. Report to Senator Bayh, November 30, 2009.
- ⁴ United States Census Bureau, 2006-2008 American Community Survey, Income in the Past 12 Months, Table S1901.
- ⁵ United States Department of Commerce, Bureau of Economic Analysis.
- ⁶ Garrett, B., Holahan, J., Doan, L., and Haden, I. 2009. *The Cost of Failure to Enact Health Reform: Implications for States*. Robert Wood Johnson Foundation and Urban Institute.
- ⁷ Kellermann, A.L. and Lewin, L.S., "The Consequences of "No"," *New England Journal of Medicine*, posted online on November 19, 2009.
- ⁸ Wilper, A.P., Woolhandler, S., Lasser, K.E., McCormick, D., Bor, D.H., and Himmelstein, D.U. "Health Insurance and Mortality in US Adults," *American Journal of Public Health*, Vol. 99, No. 12, December 2009.
- ⁹ Wilper, A.P., Woolhandler, S., Lasser, K.E., McCormick, D., Bor, D.H., and Himmelstein, D.U. "Hypertension, Diabetes, And Elevated Cholesterol Among Insured and Uninsured U.S. Adults," *Health Affairs*, 2009; 28(6): w1151-9 (published online 20 October 2009; 10.1377/hlthaff.28.6.w1151).
- ¹⁰ Gruber, Jonathan. 2009. *The Senate Bill Lowers Non-Group Premiums: Updated for New CBO Estimates*.
- ¹¹ Lenardson, J.D., Ziller, E.C., Coburn, A.F., and Anderson, N. J. 2009. *Profile of Rural Health Insurance Coverage: A Chartbook*. Portland, ME: University of Southern Maine, Muskie School of Public Service.
- ¹² National Rural Health Association. 2009. "Health Insurance Access in Rural America."
- ¹³ The Access Project. 2007. *Issue Brief: 2007 Health Insurance Survey of Farm and Ranch Operations*.
- ¹⁴ Bailey, Jon. 2009. *The Top 10 Rural Issues for Health Care Reform*. Lyons, NE: Center for Rural Affairs.
- ¹⁵ American Health Insurance Plans. 2009. *Individual Health Insurance 2009: A Comprehensive Survey of Premiums, Availability, and Benefits*.
- ¹⁶ Ziller, E., Cobrun, A., and Youseflan, A. E. 2006. "Out-of-Pocket Spending and the Rural Uninsured," *Health Affairs* 25:1688-1699.
- ¹⁷ Collins, S.R., Davis, K., Nicholson, J.L., Rustgi, S.D., and Nuzman, R. 2010. *The Health Insurance Provisions of the 2009 Congressional Health Reform Bills: Implications for Coverage, Affordability, and Costs*. The Commonwealth Fund.
- ¹⁸ PricewaterhouseCoopers. 2008. *Beyond the sound bite: Review of presidential candidates' proposals for health reform*.
- ¹⁹ Families USA. 2008. *Medical Loss Ratios: Evidence from the States*.
- ²⁰ The Main Street Alliance. 2009. *National Minimum Medical Loss Ratio Would Save Tens of Billions of Dollars for Businesses, Individuals*.
- ²¹ United States Census Bureau. 2009. *Income, Poverty, and Health Insurance Coverage in the United States: 2008*.

Why Health Reform Can't Wait: The Benefits of Health Reform for Rural America

ABOUT THE AUTHOR

Jon Bailey is Director of the Rural Research and Analysis Program at the Center for Rural Affairs. Jon has undergraduate and law degrees from Creighton University and a Masters in Public Policy from the College of William and Mary. Jon served as Legislative Fellow with U.S. Senator Kent Conrad and Special Assistant to the Associate Commissioner for Policy and Planning in the Social Security Administration. Jon has authored publications on rural health care policy, rural development policy and contributed to the Wealth Building in Rural America project sponsored by the Center for Social Development at Washington University.

ABOUT THE CENTER FOR RURAL AFFAIRS

Established in 1973, the Center for Rural Affairs is a private, nonprofit organization with a mission to establish strong rural communities, social and economic justice, environmental stewardship, and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities.

This series is made possible by the generous assistance of the Nathan Cummings Foundation, the Public Welfare Foundation and the Otto Bremer Foundation.

© 2010, Center for Rural Affairs, 145 Main Street, P.O. Box 136 Lyons, Nebraska, USA 68038