

## Opportunities for Extension: Linking Health Insurance and Farm Viability

### Abstract

Extension has a crucial role to play in educating Americans about their new choices under the Patient Protection and Affordable Care Act (ACA). Health insurance is a cross-cutting issue that touches on multiple Extension program areas. This article draws on national survey research and interviews with farmers at the rural-urban-interface conducted prior to the ACA to consider the potential influence of the ACA on the food and agriculture sector and the role of both Agriculture and Consumer and Family Science Extension programming in assisting farmers with ACA reforms.

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## Introduction

In recent years, there has been a trend in Extension programming to support new forms of economic development through local food systems while simultaneously bolstering an aging and shrinking farm population through beginning farmer programs. Many of these efforts are targeted at the rural urban interface (RUI). Farms at the RUI are threatened by population and non-farm development pressure, yet opportunity exists due to the proximity to dense urban markets that provide a customer base for high-value production and marketing systems (Bryant & Johnston, 1992; Inwood & Clark, 2013).

Direct marketing, value adding, and regional food system Extension initiatives are often led by Agriculture and Natural Resource program areas. Projects and programs tend to focus on practical farming and business skills, addressing access to land, capital, and credit, and succession planning (Inwood, Clark, & Bean Smith, 2013). With the exception of succession planning, these initiatives often do not address social and household level issues farm families face.

Additionally, while there has been a great deal of excitement over the potential to create jobs and economic development through food and agriculture, there has been little discussion regarding the quality of these jobs and specifically how the availability and cost of health insurance, a metric of job quality, factors into these broader workforce development initiatives (Inwood, 2013). Understanding

how health insurance influences current efforts in the food and agriculture sector is particularly timely given the health care reforms ushered in through the Patient Protection and Affordable Care Act (ACA). Surprisingly, there has been little discussion of how the ACA will impact the farm and agricultural sector, where farmers must make choices both as individuals and as employers.

Braun (2012) argued Extension has a crucial role to play in educating Americans about their new choices under the ACA. Health insurance is a cross-cutting issue that touches on multiple Extension program areas. This article draws on research of farmers at the RUI conducted prior to the ACA to consider the potential influence of the ACA on the food and agriculture sector and the role of Extension in assisting farmers with ACA reforms.

## Literature Review

### Agriculture at the Rural Urban Interface

The RUI is the relatively rural space on the edge of urbanized areas (Audirac, 1999). Despite vulnerability to population and non-farm development pressures, agriculture continues to persist and in some cases even grow at the RUI. Counties considered to be agriculturally important and located at the RUI represent less than 20% of all U.S. counties, yet account for 38.9% of all U.S. agricultural sales. Over 95% of U.S. fruit and nut sales, 84% of U.S. vegetable sales, 95% of nursery greenhouse sales, and 65.8% of direct sales originated in RUI counties in 2007 (Jackson-Smith & Sharp, 2008; Inwood & Clark, 2013). The close proximity to dense population centers create tremendous market potential, particularly for producers interested in participating in local and regional food systems (Heimlich & Anderson, 2001; Barbieri & Mahoney, 2009; Clark, Inwood, Sharp, Jackson-Smith, 2010).

There are many different types of farmers at the RUI. Heimlich and Brooks (1989) identify three types of farms at the RUI: 1) alternative enterprises, often small in size but with high-value outputs engaging in non-traditional production; 2) recreational enterprises, often very small and operated by individuals best classified as hobby farmers, and; 3) traditional enterprises, which are often large operations engaged in conventional commodity production. Some enterprises are hybrids, combining traditional enterprise bases with added alternative components as strategies for diversifying income and risk (Inwood & Sharp, 2012).

### Health Insurance and the Farm Enterprise

Nationally, the cost of health care has been cited as a significant problem for farmers (Ohio Rural Development Partnership, 2006). Studies conducted by Whitaker and Slesinger (2002) found farmers paid more than three times as much in health insurance premiums as wage and salary workers and twice as much as other self-employed business owners. Studies consistently show farmers have a greater reliance on individual market health insurance policies, pay more than those obtaining benefits through an off-farm job, and often pay high premiums with high deductibles (Jones, Parker, Ahearn, Mishra, & Variyam, 2009; Mishra, El-Osta, & Ahearn, 2012). The 2007 Health Insurance Survey of Farm and Ranch Operators in the Midwest found that, while most respondents had health insurance, one in five had outstanding debt from medical bills, with one in four reporting health care expenses contributed to their financial problems (Lottero, Pryor, Rukavina, Prottas, & Knudson, 2007).

Insurance costs and high rates of underinsured farmers can have severe consequences for farm productivity and viability.

Farmers and ranchers must negotiate the health insurance landscape from two different perspectives. The first perspective is "farmer and family" that involves health insurance decision-making for them and their families. The second perspective is "farmers as employers," where farmers determine if and how to offer health insurance to their employees. A healthier workforce with less turnover can help decrease production costs resulting from training new workers and may help increase farm profitability. Farm workers are insured through workers compensation for on-the-job injury but not illness, and few are offered health benefits.

Under the ACA, employers must only provide health insurance if they have 50 or more full time employees. Large fruit and vegetable growers often need a large number of hired workers, exceeding the 50 or more employee mandate under the ACA; however, it is not clear how larger growers will be impacted by the ACA, as workers may be hired as employees or contracted through a third party.

Some states are requiring employers with fewer than 50 employees to offer health insurance. In Vermont, firms that employ more than four full-time employees must provide coverage or pay the state Catamount Assessment fee for each employee (Vermont Health Connect, 2014). The differences between federal and state policy mandates create a varied mix of health care policy laboratories that may be confusing for employers to navigate. Furthermore, the labor structure of many farms is complex, often including immediate family members, in-laws, cousins, and hired non-family members—farmers must make decisions about health insurance within a complex web of emotional, moral, legal, and financial criteria.

## Role of Extension

Braun (2012) laid out the unique ability of Extension to assist Americans in navigating the new health insurance landscape by focusing on health insurance literacy. Health insurance literacy is "the degree to which individuals have the knowledge, ability, and confidence to find and evaluate information about health plans, select the best plan for their own (Or their family's) financial and health circumstances, and use the plan once enrolled" (Braun, 2012). Studies have found that, while individuals identify their knowledge about health insurance as adequate, they cannot define basic health insurance terms or identify the type of coverage they carry (Keil, Chenoweth, Ferris, & Gaydos, 1995; Evans, 2013).

To address this knowledge gap, The University of Maryland Extension's Health Insurance Literacy Initiative developed the theory-based Smart Choice Health Insurance© curriculum.

The curriculum covers definitions, available insurance options, costs, sample insurance plans, worksheets, and budgeting tools to assist consumers with identifying health insurance options that best meet their needs. To date, 89 Extension educators in 25 states have been trained to teach the curriculum and are collaborating with community partners to increase health insurance literacy (Braun, 2014). These efforts have primarily been housed in Consumer and Family Science program areas, and efforts to engage Agriculture program leaders are in the infant stages.

## Methods

The research reported here is based on 269 farmer surveys and interviews with 90 farmers in six RUI agricultural regions in the U.S. The six case locations include: Frederick County, Maryland; Yamhill County, Oregon; Cache County, Utah; Kent County, Michigan; Forsythe and Hall Counties, Georgia; and Spencer and Shelby Counties, Kentucky. An additional 35 interviews were conducted with farmers in Franklin, Licking, and Morrow Counties in Ohio. The study areas are at the RUI (counties in the top four categories of the USDA's ERS Urban Influence Codes (Parker, 2003)), exhibited a healthy agricultural sector (were in the top quartile of U.S. agricultural sales during the time period 1987-2002), represented different commodity histories, and were in different regions of the U.S. bivariate statistics when analyzed with SPSS. A total of 125 farmer interviews were coded and analyzed with the qualitative computer program NVivo. Using grounded theory, the data was coded to identify emerging patterns and themes (Bazeley & Richards, 2000; Gibbs, 2002).

In 2007, a mail survey was sent to 2,651 randomly selected landowners across the sites. The survey resulted in a response rate of 49% of landowners who owned at least five acres of land returning usable surveys. Farmers at the RUI can be categorized by variation in the scale and intensity of farm operations using reported farm receipts, total household income, and the proportion of household income from farm sources. Farmers were classified into two groups: 1) commercial farmers, who reported at least \$10,000 in farm sales in 2006 and stated that farm income contributed to over half their household income (Heimlich & Anderson, 2001), and; 2) smaller scale rural residential farmers, who reported less than \$10,000 in farm sales in 2006 and did not rely on the farm as their main source of income. There were 293 respondents (or 69% of the sample) categorized as commercial farmers and 133 (or 31% of the sample) as rural residential farmers. Respondents represented a diversity of farm types (operating at different scales, producing a variety of grain, fruit, vegetable, nursery greenhouse crops and livestock, and selling through a variety of different markets).

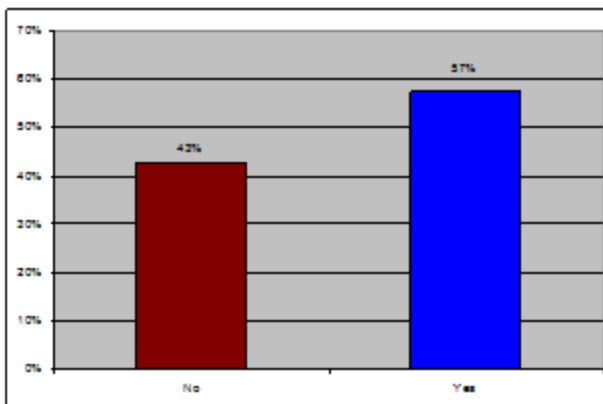
## Findings

To understand the magnitude of the different types of pressures farmers at the RUI face, respondents were asked to assess the influence of 25 different local, regional, national, and international conditions on their farm operations. Respondents were asked to rate the degree to which these issues were a problem on a five-point scale, ranging from "not a problem" to a "severe problem." Given the established research on the RUI, it was expected that the cost of farmland, farm inputs, planning and zoning regulations, or neighbor relations would have emerged as the top threat to the farm enterprise at the RUI. Surprisingly, among the 453 landowner-farmers who responded to the survey, the cost of health insurance emerged as the most serious problem they face.

Overall, 57% of respondents reported the availability of health insurance was a serious problem for their operation (Figure 1).

### Figure 1.

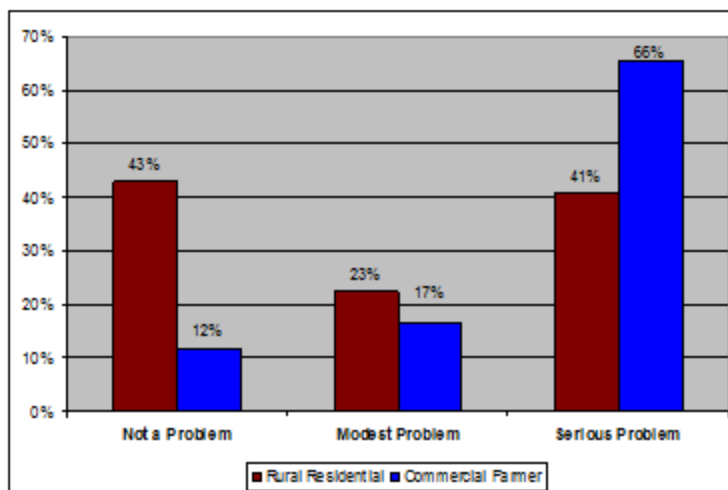
Percentage of Respondents Who Reported Health Insurance Was a Serious Problem



The data was disaggregated to examine which issues different types of operators identified as the most serious threat to their enterprise. Both commercial and rural residential farmers identified health insurance and the cost of farmland as top threats, with a larger proportion of commercial farmers (65%) reporting health insurance as a serious threat compared to rural residential farmers (41%) (Figure 2).

**Figure 2.**

Percent of Commercial and Rural Residential Farmers Who Perceive Health Insurance to Be a Problem



The particularly high number of commercial farmers identifying health insurance as a serious problem for their farm emphasizes the importance of this topic as an issue of concern. Looking at the data another way, 43% of rural residential farmers report the cost of health insurance is not a problem, compared to only 12% of commercial farmers (Figure 2).

Examining the top five issues each group reported as the most serious threat to their farm, commercial farmers consistently reported issues related to on-farm economics such as the cost of farm inputs (61%), cost of farmland (58%), net income from farm (44%), and current prices for my farm products (44%) as serious threats (Table 1).

**Table 1.**

Top Five Issues Commercial Farmers Identified as Serious Problems

<b>Commercial Farmer Issues</b>	<b>% Serious Threat</b>
1. Cost of health insurance	65%
2. Cost of farm inputs	61%
3. Cost of farmland	58%
4. Net income from farm	44%
5. Current prices for my farm products	44%

In contrast, rural residential farmers reported a greater variety of issues as threats and also in lower proportions, including cost of farmland (40%); new housing developments near my farm (29%); county land use-policies (27%); and long-term weather issues (21%) (Table 2).

**Table 2.**

Top Five Issues Rural Residential Farmers Identified as Serious Problems

<b>Rural Residential Farmer Issues</b>	<b>% Serious Threat</b>
1. Cost of health insurance	40%
2. Cost of farmland	40%
3. New housing developments near my farm	29%
4. County land-use policies	27%
5. Long term weather issues(e.g. drought, climate changes)	21%

Interviews with farm families demonstrated how the cost of health insurance is an issue for commercial growers particularly, as it limits the number of employees a farm can hire. This is especially problematic for labor-intensive operations that thrive at the RUI, such as fruit, vegetable, nursery greenhouse, and direct marketing farms. A number of direct quotes from these farm family interviews are illustrative of the challenges associated with health care costs. One commercial fruit grower who sells wholesale and through direct markets noted:

Two things are working as hard against the configuration of the business. One is rising land value and the other is rising healthcare costs that have completely gone out of control. Healthcare costs are driving everything. Everybody is afraid to have any full-time employees for fear you are going to have to pay for their health care costs because nobody is able to afford it.

Farm families have historically pieced together household income and health insurance benefits through a variety of on- and off-farm employment strategies, often locking themselves into off-farm employment for health insurance (Ahearn, El-Osta, & Mishra, 2013). Off-farm employment can decrease the amount of time available for farming and marketing, and families must juggle household

and enterprise needs. In the study reported here, many families had at least one member of the household with a full-time or seasonal off-farm job to support the farm and access health benefits. As one respondent explained:

You have to have some other way to support it, sustain it [the farm], otherwise you couldn't do it. We are at a point now where, yeah we could probably make a living off of it, but when you sit back and think about paying your own health insurance and trying to invest in a retirement, it's not there.

An overall pattern emerged where farm families are directing more time and energy into obtaining health insurance benefits, leaving less time and energy to be invested in the farm enterprise. It should be noted that ironically, in labor-intensive operations, farmers who have a spouse working off the farm to collect benefits may have to hire additional part-time labor that does not receive any health insurance benefits (Parsons, personal communication, 2013).

The cost of health insurance can affect the economic viability and profitability of an enterprise. Many of the farmers interviewed recognized the importance of health insurance for the health and well-being of both their families and their employees but found that the costs of purchasing health insurance and the type of policy options available stressed their operations financially and was not a realistic option to offer. Another commercial fruit farmer, who had purchased an insurance policy for his family and employees, noted:

We had one claim, one incident and they threw us out of the group and we just got the envelope in the mail the other day that Worker's Comp is now \$40,000 a year. Well we can't just like call up [our grocery buyer] and say okay the apples are now this much money because the Worker's Comp went to \$40,000.

The farmers in this sample reported the ability to join insurance groups and the cost of workers compensation affect enterprise profitability and growth by placing limits on the ability to hire more labor.

## Conclusions and Discussion

The study reported here, conducted prior to the ACA, found that the cost of health insurance is a serious concern of farmers operating at the RUI, trumping the cost of land, inputs, and development pressure. The cost of health insurance limits the number of full-time employees a farm can employ, thereby limiting enterprise growth. To access affordable health care the farm operator or spouse may seek benefits through an off-farm job, thereby limiting the time farm families can devote to the farm and grow their business.

## Opportunity for Extension

- The ACA represents the first major attempt to restructure the American health insurance system with potentially positive implications for the nation's farm families and farmworkers. However, the

ability of the nation's farmers, ranchers, and farmworkers to access these benefits will depend on their ability to navigate the complex policy options available, which vary across state contexts.

- As Braun (2012) notes, Extension has a critical role to play in health insurance literacy. However, for Extension efforts to have the most impact, programing cannot remain siloed within Consumer and Family Sciences but needs to engage other program areas such as Agriculture and Natural Resources. At the same time, the national emphasis on and funding directed towards Consumer and Family Sciences have been declining. The study demonstrates how interconnected the different program areas within Extension truly are and how, in family businesses like farming, it is crucial to address household issues that directly intersect with business and enterprise goals.
- To meet national goals of a vibrant food and agriculture sector and to ensure farmers and ranchers are able to navigate federal and state health care policies, strategic partnerships across program areas are vital. These efforts will not only increase the number of Americans who can take advantage of the ACA but can also help identify where policy and program changes are needed to increase the efficacy of the program.
- Gillespie and Johnson (2010) note the majority of materials for farm management tend to emphasize financial and individual operator factors with farm success or failure judged as a reflection of the decisions of the individual operator; however, farms and farmers are additionally impacted by the conditions of the social, economic and government systems in which they are embedded. This includes the health care system within which farmers and their households weigh policy and coverage options against other household and farm priorities.
- Overall, the findings of the study complicate initiatives designed to use agriculture as a basis for creating a new economy with high-quality jobs that enhance employer and employee quality of life. They also demonstrate how an affordable and accessible health care program could free up time and resources farmers at the RUI could then reinvest in their enterprises, households and local economies.

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