

**2008 HEALTH INSURANCE SURVEY OF CALIFORNIA FARM AND RANCH OPERATORS:
WHO EXPERIENCES FINANCIAL HARDSHIP BECAUSE OF HEALTH CARE COSTS?**

Key Facts

- Those farm and ranch operators experiencing financial difficulties spent an alarming 37 percent of their income on insurance premiums and health care costs.
- Overall, three of every 10 farm and ranch operators (31 percent) say they spend at least 10 percent of their annual income on health insurance premiums, prescriptions and other out-of-pocket medical costs. This is a commonly used definition of financial burden resulting from healthcare costs.
- Among those whose principal occupation is farming or ranching, more than a third (37%) spent 10 percent or more of their annual incomes on health care.
- The fact that farm and ranch operators tend to have higher incomes than the population at large show that healthcare costs are increasingly a major concern for the middle-class as well as those with lower incomes.

Farmer and ranch operators are especially hard hit by healthcare costs because they are much more likely than the population at large to have to purchase insurance in the non-group market, where insurance costs more and covers less.

On average, those purchasing insurance in the non-group market spent almost twice as much on health care as those who got coverage through their employment.

- Approximately one-third (30 percent) of respondents purchased health coverage on the open market. Nationally, only eight percent of Americans obtain their health insurance this way.
- The median amount spent by farmers and ranchers who got insurance on the non-group market was \$8,500 a year (premiums and out-of-pocket costs) – nearly double the amount spent by people who got insurance through employment off the farm or ranch (\$4,630).

These healthcare costs threaten families' financial stability; they also have the potential to threaten the viability of their businesses and the strength of the rural economies in which they operate.

Because of high healthcare costs, farm and ranch operators have had to take steps affecting their businesses. They have had to delay needed investments in their businesses or had problems paying back farm or ranch loans. Many had to increase their indebtedness to cover the costs of care.

- Among operators who said healthcare costs contributed to financial problems:
 - Nearly two-thirds (62 percent) said this made it difficult for their families to pay other bills.
 - Twenty-eight percent said it delayed them from making needed investments in their farm or ranch.
 - Eleven percent said it made it harder to pay off a farm or ranch loan.

- One-fourth (26 percent) of those surveyed said they had to draw on other resources to cover the costs of health care. Among those people:
 - Seventy percent dipped into family savings.
 - Twenty-nine percent incurred credit card debt or increased existing debt.
 - Others took out a loan; borrowed against their farm; withdrew money from a retirement account; or turned to friends or family for financial assistance.

- Farmers and ranchers are currently faced with rising costs for almost all farm inputs, such as fertilizer, feed, and gasoline. However, the average cost of healthcare for those farmers and ranchers with non-group coverage is now double the average cost of fuel, and exceeds their average costs for fertilizer, lime, and soil conditioners. (NASS statistics)

This research offers a compelling look at what is happening with a vital sector of society in terms of health care costs, and provides information relevant to current discussions about health reform.

This research is the first to closely examine the specific challenges and financial burdens of healthcare costs on farmers and ranchers – who face many of the same struggles as other small business owners and self-employed people nationwide -- and should be helpful to policymakers as they think about health reform.

- The fact that so many survey respondents who have had to purchase insurance in the non-group market are spending large portions of their income on healthcare suggests that this market is experiencing “product failure” – it has failed to provide affordable quality coverage for purchasers.

- The findings raise questions about proposals that rely on the individual market as the main vehicle for expanding insurance coverage, especially since this market generally offers the fewest consumer protections.

- The findings are also relevant to current discussions about requiring uninsured people to purchase insurance on the non-group market. They remind us that “affordable” health care must be considered in relation to people’s total healthcare costs – not just

the costs of the premiums – as well as in relation to the percentage of income people spend on health care.

- Survey findings based on survey of 1,787 non-corporate farm and ranch operators in California