

The Status of Health Insurance Coverage for Wisconsin Dairy Farmers

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“...We have gone without health insurance for 12 years because decent health insurance is just too costly... this is money that is hard to justify with all the bills and then living expenses. So, we take the risk of going without... that’s one more worry on our shoulders, hoping that nothing serious happens to anyone in our family.”

- Dairy Farmer, 100-

cow herd

Every day, Wisconsin dairy farmers work in one of the most dangerous occupations in the United States, and thousands of them and their families are at an even higher risk because they do not have adequate health insurance coverage. This creates problems not only for Wisconsin’s farm families but also for the vitality of the dairy sector, an industry that generates billions of dollars of farm and manufactured product sales and is the backbone of the state’s agricultural sector.

What does the health insurance crisis mean for dairy farmers and their families? Many dairy farmers are forced to choose which family members will be insured and which ones will not, or whether to go without health insurance entirely. Current solutions in both the public (e.g. Badger Care) and private (e.g. co-ops, off-farm work, or private pay insurance) sectors are not effectively addressing this issue. Lack of adequate health insurance coverage may influence current and future dairy farmers to exit or not start in the business. Choosing to work elsewhere in the economy rather than in dairy farming almost surely improves the chances that farmers (or prospective ones) will secure better health insurance coverage for themselves and their families.

I. Health Insurance Coverage

A closer look at the problem of health insurance coverage in the Wisconsin dairy farm sector presents an alarming picture. Results from a survey of a representative sample of dairy farms indicated that almost 20% of Wisconsin dairy farm families are completely uninsured. About another 25% of Wisconsin dairy farm families have at least one uninsured family member. Four out of five Wisconsin dairy farm families have no preventive care coverage. Most of those with insurance have only major medical coverage with high deductibles. These rates of being uninsured, underinsured, and lacking preventative care coverage for dairy farmers and their families are far above the state average for non-farm households, and even above those of other types of farm households.

Figure 1 shows in detail the types of health insurance coverage of dairy farm families, including those without coverage. As is evident, the plurality of dairy farmers (43%) had only

catastrophic coverage: more than a \$500 deductible and no preventive care. Only 17% had the type of coverage most Wisconsin residents would consider adequate: preventive care with a low deductible. Clearly even for those with health insurance, the quality of that insurance is quite low.

Figure 1
Type of Health Insurance Coverage

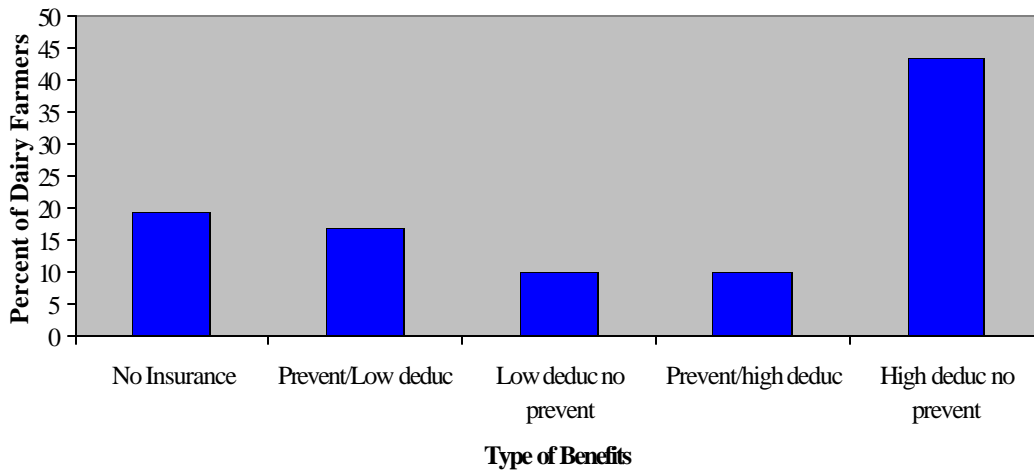
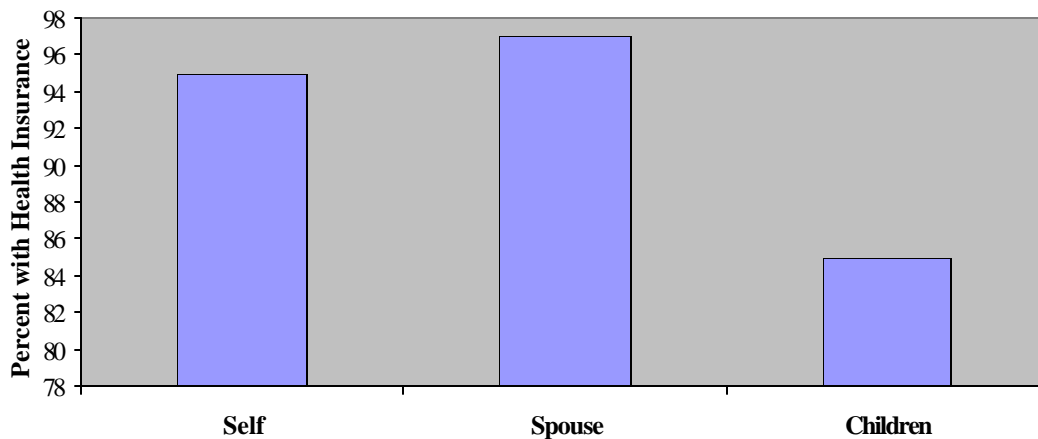


Figure 2 shows the coverage rates for different family members. Farm spouses, because they are more likely to work off-farm, have higher rates of coverage than the primary farm operator. What is surprising is that children are less likely to have health insurance coverage than their parents. In addition dairy farm families with children under 18 living at home were no more likely to have health insurance than those without children.

Figure 2
Family Member Coverage for Families with Some Health Insurance



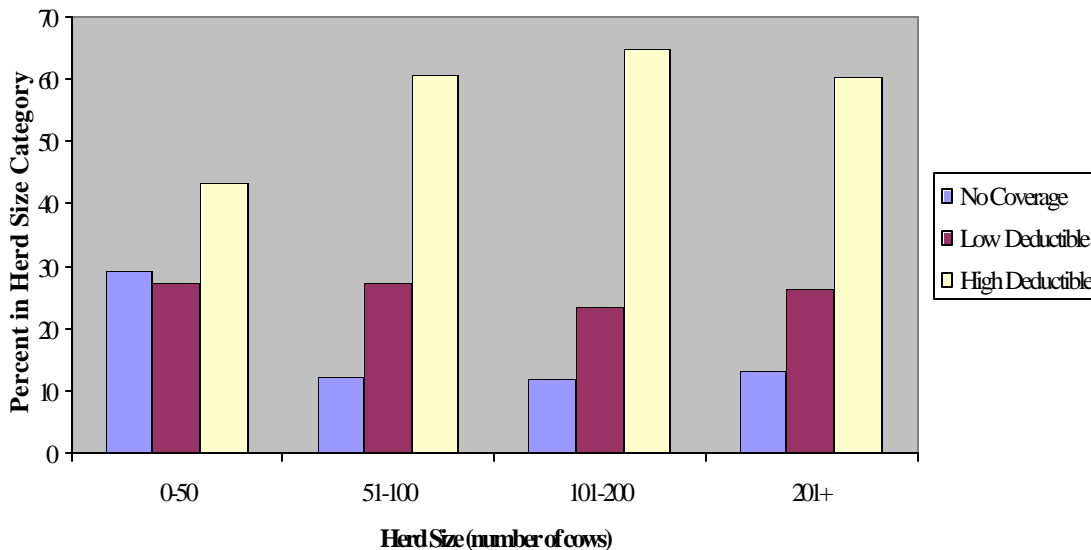
Sources of Health Insurance:

Table 1 shows where dairy farm families purchased their health insurance. As is evident, the majority purchase health insurance directly from an insurance agent, which is generally the most expensive way to buy health insurance. About a quarter of dairy farmers were able to use off-farm work as a way to get health insurance. Although in the past many cooperatives (milk processors etc.) and farm organizations had provided health insurance benefits to their members, many no longer provide these benefits as is reflected by only 6% of dairy farmers using this as a source of health insurance. In addition, while Badger Care and other publicly provided insurance programs in Wisconsin have been some of the most successful in the nation, very few Wisconsin dairy farmers are benefiting from them.

| Table 1 Source of Health Insurance | | |
|--|---------------------------|-------------------------------------|
| | Percent of Insured | Percent of all Dairy Farmers |
| Purchased directly from insurance agent | 58 | 49 |
| Benefit from off-farm employment | 28 | 23 |
| Purchased directly from coop or farm org | 6 | 5 |
| Federal Program (Medicare, Medicaid, etc) | 4 | 3 |
| State Program (BadgerCare, Risk Sharing Plan, etc) | 3 | 2 |
| Other | 1 | 1 |
| No Insurance | n/a | 17 |

Insurance by Farm Size:

**Figure 3
Health Insurance Coverage by Dairy Farm Size**



The dairy farm health insurance crisis is most acute for the small dairy farm, but the problem exists even for larger operations. As Figure 3 demonstrates, dairy farms with under 50 milk cows have the highest rates of no coverage. Equally striking is the fact that types of coverage

are about the same across the three largest herd size categories and the rates of no coverage are also about equal (12%) among them. This suggests that while the health insurance crisis is worst for the smallest farms, it is a problem that cuts across all sizes of dairy farms.

II. Health Insurance and Farm Structure

Problems with access to health insurance may have significant long-term effects on the overall health of the dairy industry. If it is difficult and expensive to get health insurance as a dairy farmer, this may dissuade potential entrants into the sector and induce current dairy farmers to exit the industry. As indicated above more than a quarter of those with insurance get it through off-farm work. However, as is shown in Figure 4, while working off farm provides some benefits, it still mostly provides coverage with a high deductible. In addition, when family members work off the farm, the amount of time that they can contribute to the dairy enterprise is reduced. From a farm management perspective, this loss of time puts a cap on the number of cows a family farm can reasonably handle and likely reduces the income that can be generated from farming.

Figure 4
Did your spouse work off-farm?

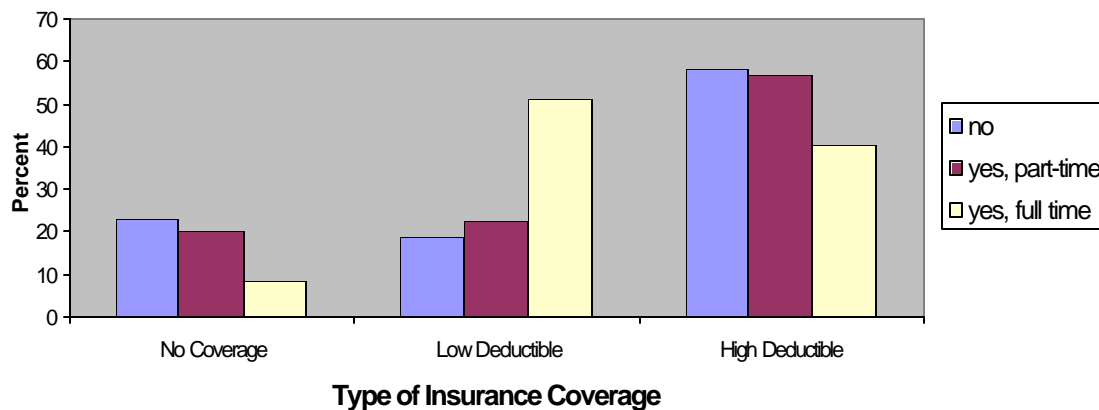
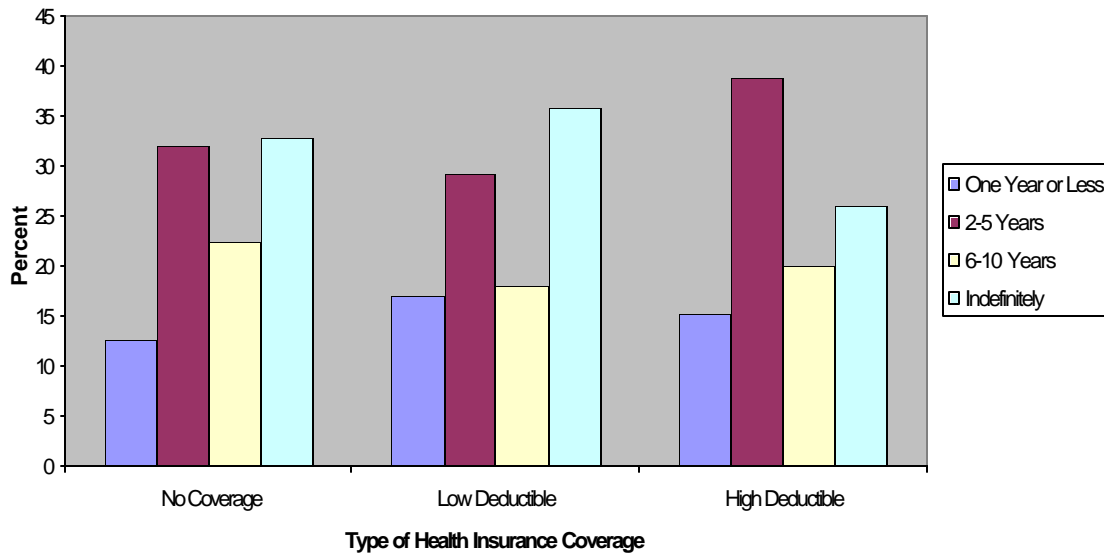


Figure 5 shows the relationship between types of health insurance coverage and the future plans of Wisconsin dairy farmers. No distinct pattern is evident -- farmers with no coverage are as likely to exit the business as those with coverage that includes a low deductible. Those with high deductibles were more likely to say that they would only stay in the business 2-5 years as compared to the other categories. Thus, although more refined research is warranted, for those who are currently dairy farming, the state of their health insurance coverage is not directly related to their future plans. Health insurance is probably a more immediate need and directly related to the day-to-day cash flow of the operation. This finding is bolstered by other evidence from the dairy farm surveys that suggests that health insurance coverage is only a minor factor in predicting how happy farmers report they are with their quality of life.

Figure 5
How Long Do You Plan to Continue Farming?



III. Challenges in Seeking Solutions to the Health Insurance Crisis

Current programs to address the health insurance needs of dairy farm families and other uninsured or underinsured Wisconsin citizens are worth a brief review. In general, these programs have features that may limit the participation of dairy farmers and their families.

Badger Care

Less than 5% of the dairy farmers surveyed participated in the Badger Care Program, a statewide program currently targeted at the uninsured children. While Badger Care works for some families, there are several barriers that limit eligibility for many farm families: depreciation (on assets) is treated as income, falsely inflating the incomes of farmers; only families with children under 19 living in the household are eligible; and, some rural physicians do not accept payment through this program. The Badger Care Program would need revision if it is to adequately address the health insurance needs of Wisconsin dairy farm families.

Insurance Pools

A number of proposals exist to encourage health insurance pooling in which small business owners (2-50 employees) are included in a common insurance pool to spread out the risk. Participants/members negotiate collectively with a health insurance provider for coverage terms at an affordable rate. Among the proposals in Wisconsin are the State's Private Employer Health Care Coverage Program (PEHCCP) and some local proposals for "purchasing

alliances”. Two issues, however, are likely to limit the usefulness of these programs in providing health care coverage for the many dairy farmers and their families.

Eligibility: Most of these proposed programs, by state law, are for businesses with two or more employees, which exclude many small dairy farms that would be classified as having a single employee (“business of one”). The eligibility rules would need to be changed for insurance pooling schemes to be able to reach the majority of uninsured dairy farm families.

Affordability: Because farming is an occupation associated with high risks, insurance companies would charge high rates for a pool that included only farmers. In order to be affordable for dairy farmers, an insurance pooling system would need to include other non-farming participants to spread out the risk over a more diverse population.

Conclusion

The fact that Wisconsin has a relatively small percentage of the total population that is uninsured masks critical problems of inadequate health care insurance for certain populations such as Wisconsin’s dairy farmers. As long as these differences exist, policy makers will be challenged to find resourceful ways to make certain that health insurance coverage is affordable, available and accessible for all Wisconsin citizens. Because there is not a “one-size-fits-all” solution to this problem, multiple strategies need to be developed that allow quality health care to be provided for Wisconsin dairy farmers and others in rural areas.

When the lack of adequate, affordable, and accessible health insurance enhances the likelihood that dairy farmers will choose to exit from, or not even enter, the business, there is often a loss of skilled labor and economic activity from rural areas. This exodus not only affects the economic viability and quality of life of the communities in which they live, but also the whole agricultural sector and the entire state as well.