

Wisconsin Family Farm Facts

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The Health Care Crisis Among Wisconsin Dairy Farmers

Wisconsin dairy farmers and their families lack the kind of health insurance coverage that most Wisconsin families take for granted. Five basic facts illustrate the crisis of inadequate health insurance coverage that plagues dairy farmers within the state.

- Dairy farming is one of the riskiest occupations in the U.S.
- 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.

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 situation is not only bad 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 choose not to continue or 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.

"...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

A closer look at the problem of health insurance coverage in the Wisconsin dairy farm sector presents an alarming picture. This fact sheet looks at this critical issue, using the results of a PATS survey that was sent to a random sample of 1,600 Wisconsin dairy farms in the spring of 2001, with a response rate of 56.1% (N = 869).

Uninsured Dairy Farmers

Almost 1 out of 5 (18%) of the dairy farmers who responded to the PATS 2001 Wisconsin Dairy Farm Poll had no insurance at all. This rate is more than twice the state average of uninsured (7.4%) reported by The Capital Times for all Wisconsin residents¹ and more than four times the rate (4%) reported by the Department of Health and Family Services². Dairy farmers are almost twice as likely as other farmers to be uninsured. Dairy farmers without insurance coverage are most likely to be recent entrants into the business, young, operate a small enterprise, and/or have dependent children living at home.

Which dairy farm families are most likely to be uninsured?

- ❖ 38% of *new farmers* (started farming within the last five years) were uninsured.
- ❖ *Smaller farms* were most likely to be uninsured.
 - Total farm receipts were appreciably less than the underinsured and fully insured.
 - Average herd size (49 cows) of uninsured was one-half the herd size of fully insured.
- ❖ Almost one-half (46%) of those farmers who were *34 years of age or younger* did not have health insurance for themselves or their families.
- ❖ Farm *families with children under the age of 18* were more likely to be uninsured.

Underinsured Dairy Farmers

Almost one in four dairy farmers (23%) did not have health insurance for everyone in their family (or, in other words, were *underinsured*). The term *underinsured* refers to a household in which at least one family member, either the farm operator, spouse or children under age 18 living in the household, was not covered by health insurance. The underinsured farmers tend to have medium-size operations and to be older than the other two groups.

Which dairy farm families are most likely to be underinsured?

- ❖ *Medium-size farms* were most likely to be underinsured.
 - Total farm receipts more than \$100,000.
 - Average herd size of 75 cows compared to 98 for fully insured.
- ❖ Underinsured farmers were more likely to be *older than the uninsured or fully insured farmers*. More than half of the dairy farmers 55 or older (58%) were underinsured.

Dairy Farm Families with Health Insurance Coverage

Only 59% of the dairy farmers surveyed had health insurance coverage for all family members (*fully insured*). However, health insurance for these farm families was often not comparable to their urban counterparts who obtain their coverage through an outside employer.

Almost two-thirds (64%) of the dairy farmers reported that they direct-purchased their health coverage from a private insurance provider. This type of health insurance coverage tends to be more expensive and lower

quality than the coverage of most Wisconsin residents.³ Many of the insurance policies that farmers purchase directly lack coverage for preventive care, which means more out-of-pocket expenses for health costs.

Another 28% of farm families received their health insurance through a family member's off-farm employment, and less than 1 in 10 (6.4%) of farm families received their insurance through their local Co-op. Some members in these farm families were able to obtain jobs that could offer health benefits for themselves and their family, but at the expense of time spent on the farm involved in the business of dairy farming.

Even for the dairy farm families with health insurance coverage for all family members, most only had major medical policies that covered catastrophic events with a high deductible for basic treatments. More than one-half (58%) of those with insurance had major medical policies with a deductible of \$500 or more. These policies often lack preventive care that meets the daily needs of these farmers and their families. In fact, only 1 out of every 4 underinsured or fully insured had coverage that paid for any preventive care.

"...I think (health) insurance is terrible. We pay \$987 per month for 3 people with a \$1000 deductible for each person. That takes a lot of our income."

- Dairy Farmer, 95-cow herd

Challenges in Seeking Solutions to the Health Insurance Crisis

Attempts to address the health insurance needs of farm families and other uninsured or underinsured Wisconsin citizens have been pursued, and are worth a brief review. In general, the 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 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 needs revisions 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 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.

■ Medical Savings Accounts (MSAs)

An MSA allows self-employed individuals to set up a medical savings account, much like a retirement account, that is tax-free as long as the money is used for medical expenses. To be eligible for this program, the MSA must be accompanied by a qualifying insurance policy with high deductibles (\$1,650 for an individual, \$3300 for a family). MSAs are most beneficial to applicants who have the ability to pre-finance their health care coverage, or are seeking tax deductions for additional care not covered under current health insurance plans. While this program may help reduce costs for those farm families who already direct purchase health insurance policies, it does not seem to provide much relief for those without insurance.

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.

¹ Sarah Wyatt. *The Capital Times*, October 9, 2001, Madison, WI.

² "Wisconsin Health Insurance Coverage," September 2001. Bureau of Health Information, Division of Health Care Financing, Department of Health and Family Services, Madison, WI.

³ Julie A. Whitaker, Doris P. Slesinger, April 2002. "Health Status, Use of Medical Services and Health Insurance Coverage: A Comparison Between Farmers, Other self-Employed, and Wage/Salary Workers in Wisconsin." PATS Research Report No. 12. Program on Agricultural Technology Studies (PATS), University of Wisconsin-Madison, Madison, WI.

The Program on Agricultural Technology Studies is a unit of the University of Wisconsin-Madison and University of Wisconsin-Cooperative Extension. Contact us for additional copies of this sheet or the report on which it is based.

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