

Implications of Health Care Reform for Farm Businesses and Families

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Based on presentation by Ahearn at the 2013 AAEA meetings and article by Ahearn, Williamson, and Black, *Applied Economics Perspectives and Policy* (2015) 37:2

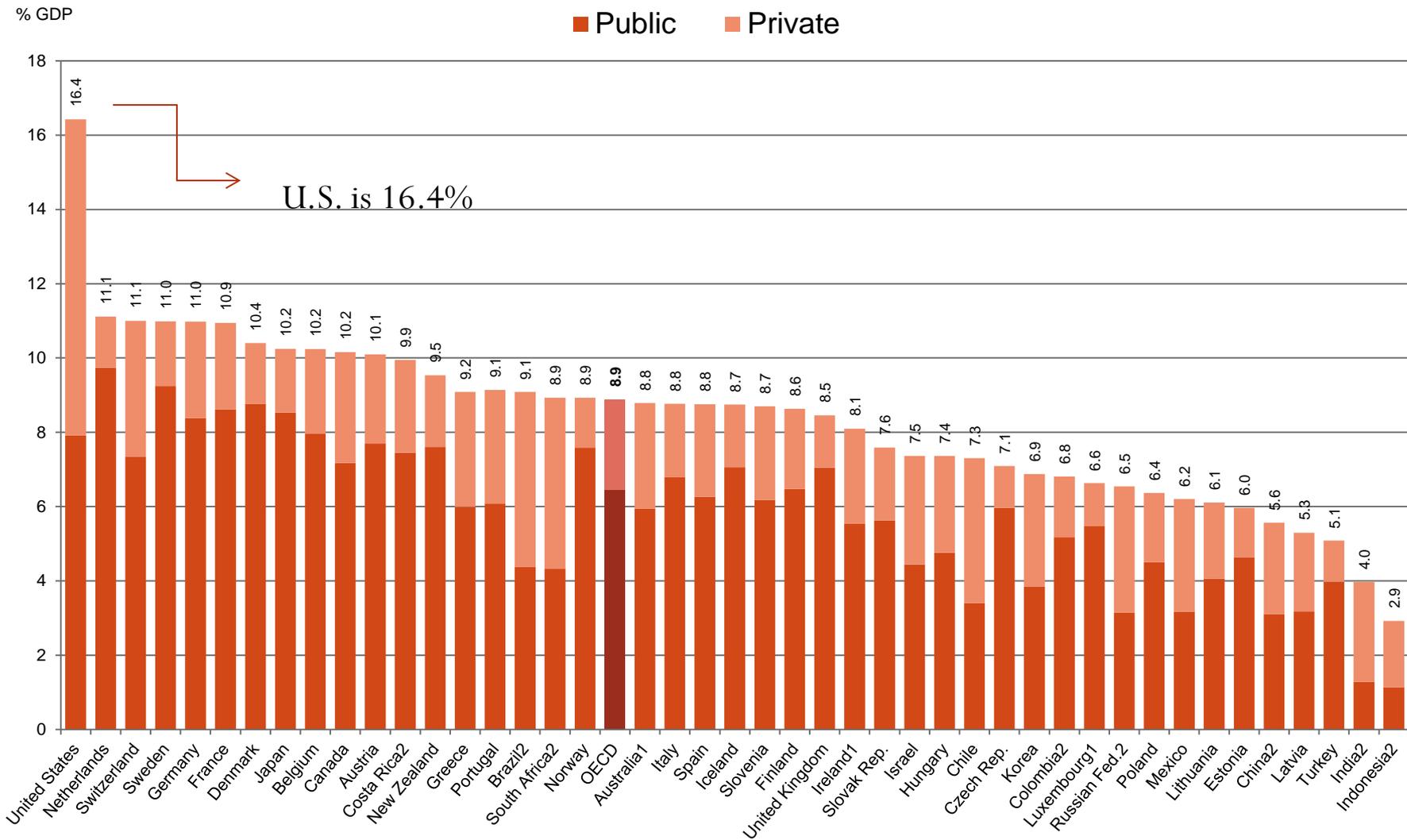
Outline of presentation

- Motivation for ACA: trends in health care expenditures and health insurance coverage
- Critical provisions of the Patient Protection and Affordable Care Act (ACA)
- What are the likely impacts of the individual and employer mandates under ACA on U.S. farm households and businesses?

U.S. health care compared to the other 33 OECD countries

- U.S. is at the bottom third of life expectancy (at birth) for men and women.
- U.S. is second from last in insurance coverage (for core set of services). Only Greece has a lower share of population covered.
- U.S. is the only country where the majority of coverage is from private insurance.
- U.S. has the highest unmet care needs due to costs, for both below and above low-income groups.
- U.S. has highest per capita health expenditures. Also, the highest private per capita and third highest public health expenditures.

Health Expenditure as a Share of GDP, 2013



Source: OECD Health Statistics, 2015.

Health Insurance Coverage among U.S. Population

- In 2014, the share without insurance was 10.4%.
 - Between 2008-13, uninsurance rates stable, until a 2.9 percentage point drop between 2013-14.
- Both private and government coverage increased.
 - The greatest increases in coverage were for direct purchase insurance and Medicaid.

Health Insurance Coverage among Farm Operator Households

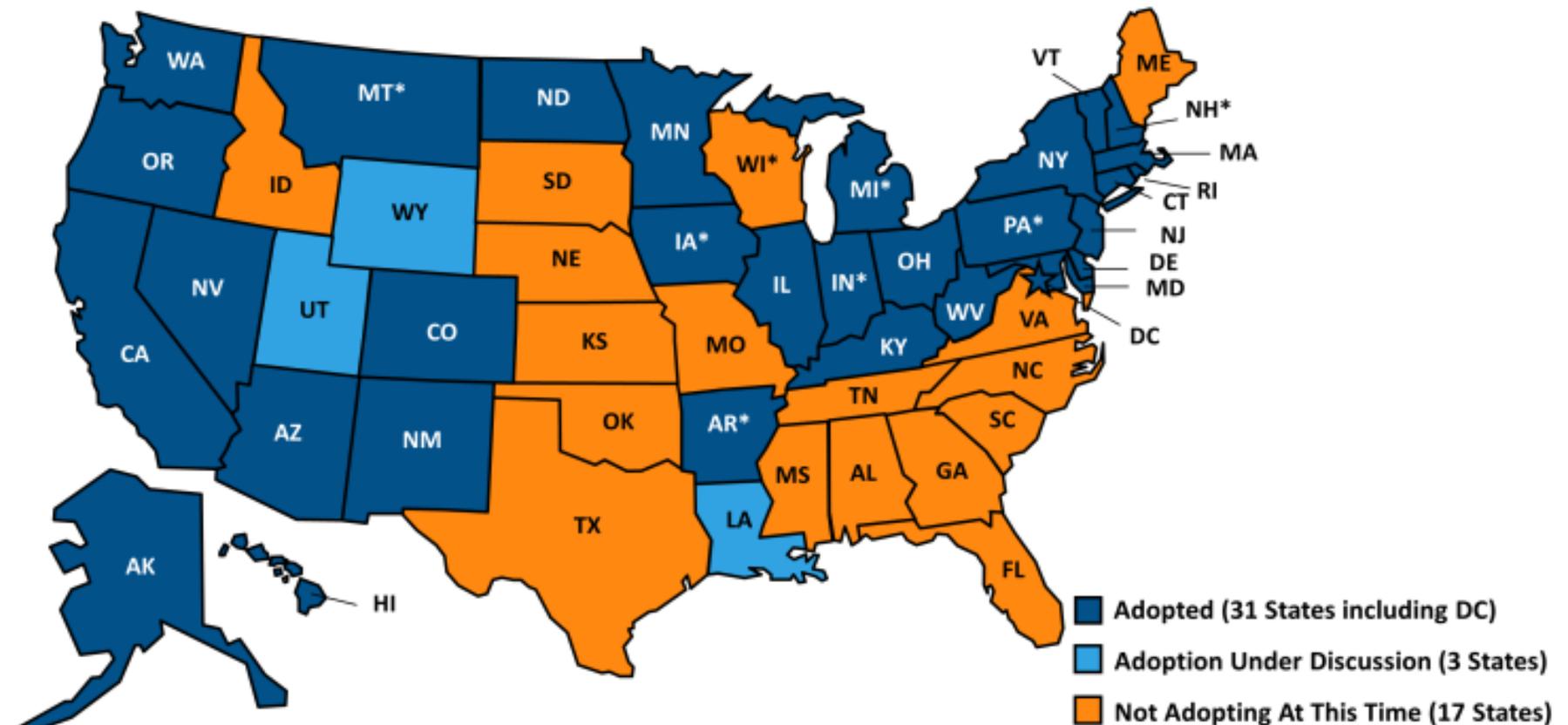
- The latest national statistics for farm operator households is for 2011 (ARMS). In 2011, 9.3% of persons uninsured.
(compared to 15.7% for the whole US).
- Employment-based insurance is primary source.
- Farm households in which neither the operator nor the spouse engage in off-farm employment are the least likely to have health insurance and more likely to purchase insurance directly from the private market.
- Uninsured farm households spend more for health care services than the insured when both out-of-pocket expenses and health insurance premiums are considered.

Patient Protection and Affordable Care Act (ACA)

Core Provisions of Individual Mandate

- ACA requires that most U.S. citizens and legal residents enroll in some form of public or private health insurance.
- Individuals without coverage will be required to pay a tax penalty.
- A refundable tax credit is provided to individuals with modified gross adjusted income between 100% and 400% to assist with premiums.
- ACA provides States with the option to expand Medicaid:
 - Uninsured persons with household income of $\leq 138\%$ of the FPL (Federal Poverty Level) are eligible for Medicaid under ACA, if the State chooses to expand Medicaid.
- If in a Medicaid-expanding state, persons in households with income between 138 and 400% of FPL will qualify for the premium credit, and if in nonexpanding Medicaid state, between 100% and 400%.

Current Status of State Medicaid Expansion Decisions



NOTES: Current status for each state is based on KCMU tracking and analysis of state executive activity. *AR, IA, IN, MI, MT, NH and PA have approved Section 1115 waivers. Coverage under the PA waiver went into effect 1/1/15, but it has transitioned coverage to a state plan amendment. Coverage under the MT waiver will be effective January 1, 2016. WI covers adults up to 100% FPL in Medicaid, but did not adopt the ACA expansion. See source for more information on the states listed as "adoption under discussion."

SOURCE: "Status of State Action on the Medicaid Expansion Decision," KFF State Health Facts, updated December 3, 2015.

<http://kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/>

Data and Analysis: Individual Mandate

- In 2011, 24% of all farm families included only family members who were 65 years or older.
- The rest of analysis, considers only the 1.61 million farm families that had members under 65 years.
- Classified family farms so as to identify the number of family farms that are eligible for Medicaid or premium credits.

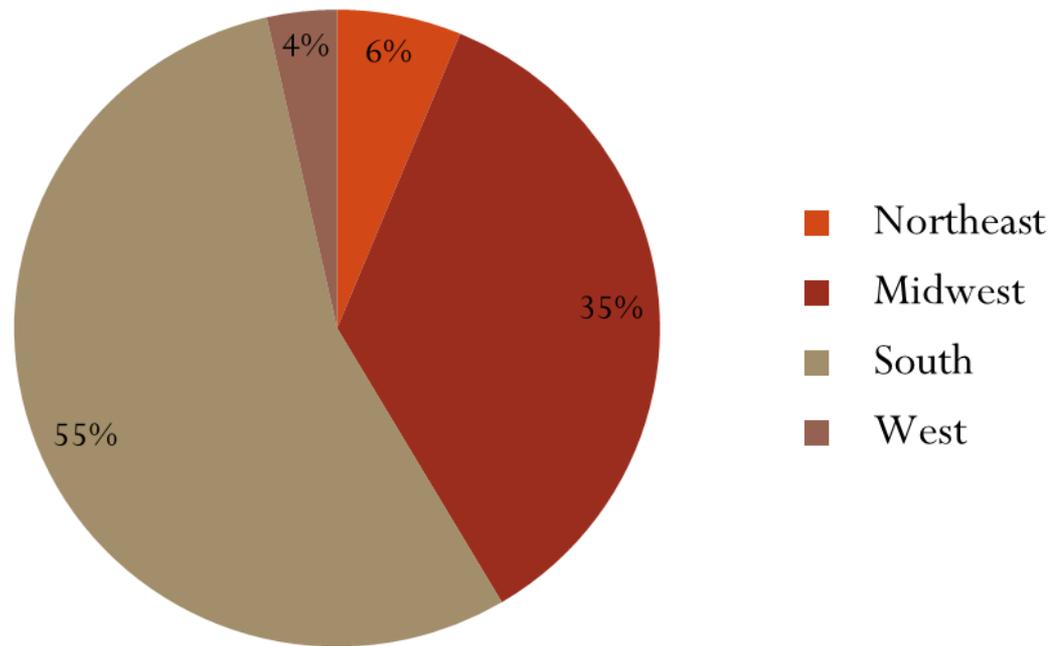
Implications of ACA for non-Elderly Farm Families (1.6 mil)

- 7% Medicaid eligible
- 40% eligible for a premium tax credit
 - 37% for those with 138%-400% of FPL
 - 3% not in a Medicaid-expansion state (those with 100%-137% of FPL)
- 45% of farm families were $\geq 400\%$ of the FPL, making them ineligible for Medicaid or premium tax credits under the ACA.
 - However, they will be able to purchase affordable insurance on the exchange, if it is not available to them elsewhere. They were nearly half of all persons who purchased their insurance through the more costly individual plans.

The share of nonelderly farm families in the GAP, i.e., reside in States not expanding Medicaid and family income below 100% of FPL

- 5% of the nonelderly farm families
- 3% of families where some of the family members are not eligible for existing Medicaid programs

Share of nonelderly farm families in GAP by region



**The South accounts for 41% of all US farms
but 55% of the farm families in the GAP**

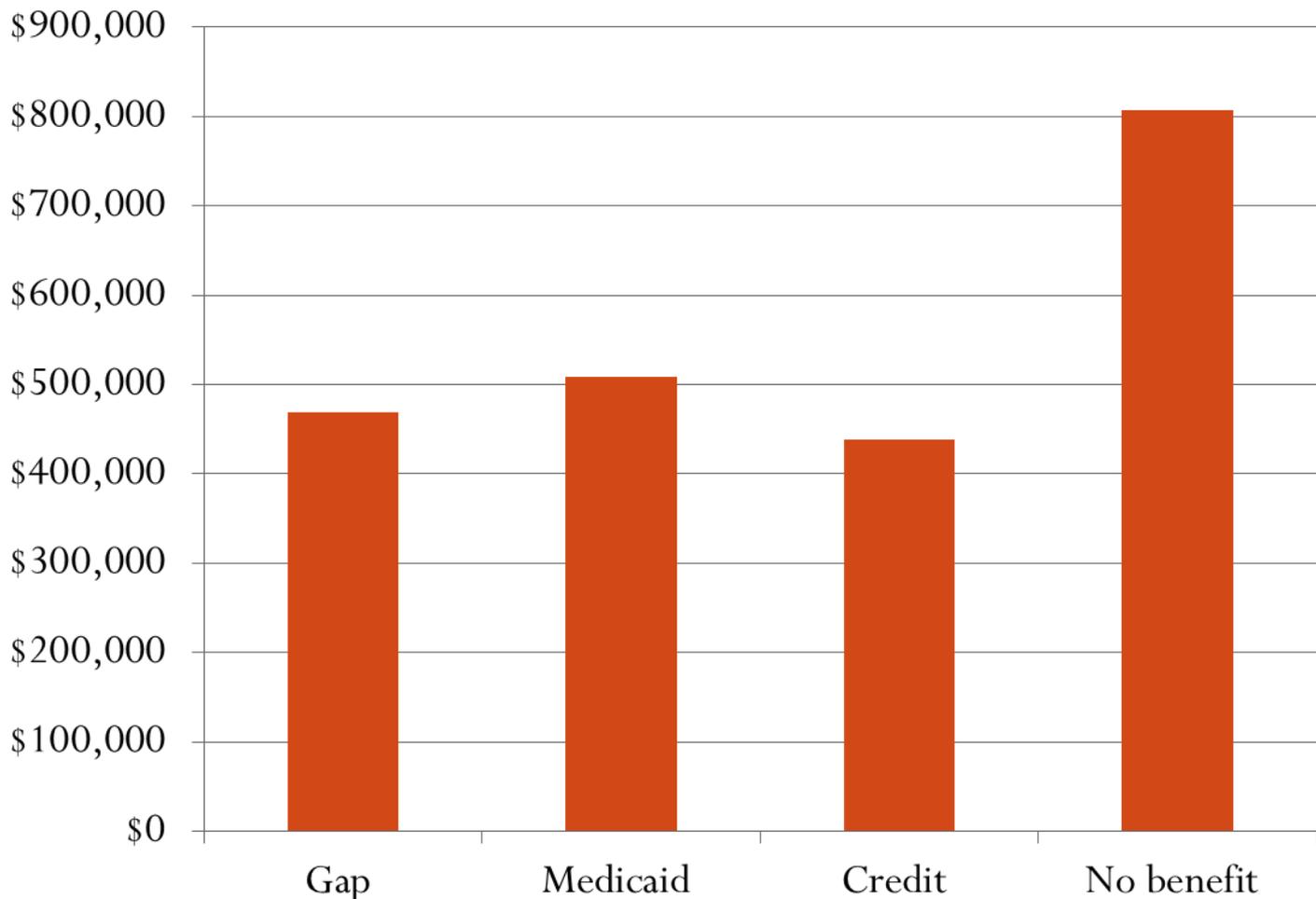
Source: 2011 ARMS

Those in the Gap and eligible for Medicaid have both low farm and off-farm income, on average, 2011



Source: 2011 ARMS

Median Net Worth 2011: The lack of an assets test in the ACA means farm families are not denied benefits when their incomes are low



Source: 2011 ARMS, nonelderly farm families

Core Provisions of Employer Mandate

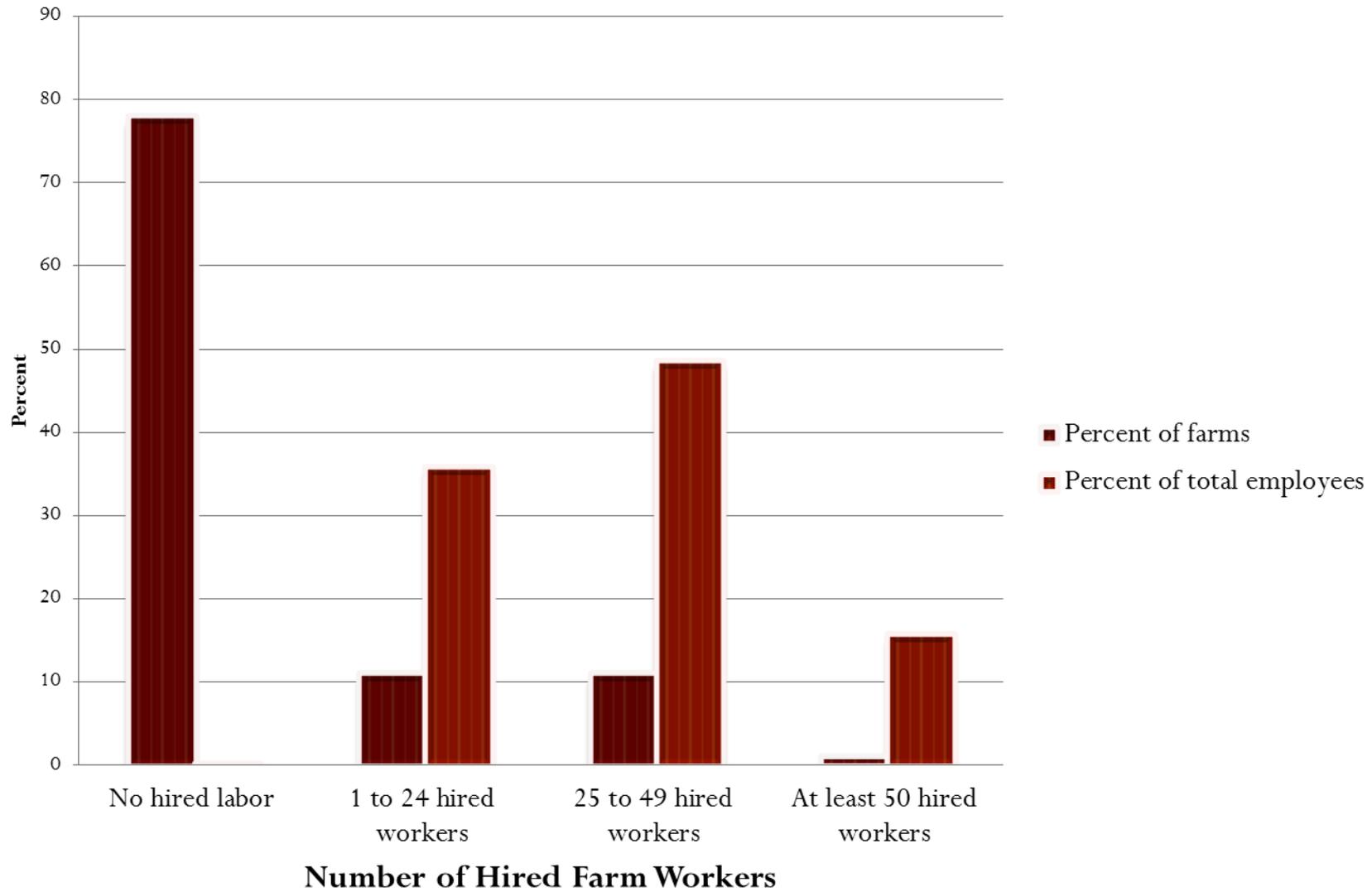
Employers who are Applicable Large Employers (ALE) are required to offer coverage. ALEs are those with 50 full-time employees for more than one quarter.

- Any employee that works at least 30 hours/week or at least 130 hours in a calendar month is considered full-time.
- If an ALE fails to offer affordable essential coverage, it must pay a penalty.
- Small employers (i.e., ≤ 25 employees) who provide insurance and pay average annual wages of less than \$50,000 may qualify for a tax credit of up to 50% of the total cost of the insurance.
- Also, employers with ≤ 100 employees can purchase lower cost insurance through the health insurance marketplace (i.e., SHOP).

Implications of ACA on Farm Businesses

- Nearly 80% of the 2.1 million farms do not hire labor, rather the labor is provided fully by the operators and family members.
- As a group, they produce about one-quarter of the value of production.
- Many of these are small farms.

Distribution of Farms and Hired Labor (2009)



Source: 2009 ARMS

Implications of ACA on Farm Businesses

- Approximately 11% of all farms hired from 1 to 24 full-time workers in 2009.
 - This group of farms accounts for 42% of the value of production, and are more likely to be cash grain and dairy producers than the other farm categories.
 - They will be eligible for a tax credit for providing their employees with insurance and to purchase insurance in marketplaces (i.e., SHOP).
- About 11% of farms with 25 to 49 full-time workers.
 - They will not be eligible for a tax credit for providing their employees with insurance under the ACA.
 - However, they would be eligible to purchase insurance at a lower price through the new health care insurance marketplaces (i.e., SHOP).

Implications of ACA on Farm Businesses

- Fewer than 1%, or 1,582 farms, in 2009 would have been affected by the employer mandate to provide health insurance.
- These employers hired 29% of all full-time employees in 2009.
- These large farms are mostly labor intensive enterprises in fruit, nuts, and berries or greenhouse and nursery. Disproportionately in West and nonfamily farms.
- Labor expenses were 38% of their total variable expenses. These farms had a combined labor bill of over \$5 billion, or 22% of all labor expenses of the sector.
- About 40% of the farms that employed more than 49 workers had annual sales less than \$5 million, 38% had sales between \$5 and \$15 million, and 22% had sales of more than \$15 million.
- It is likely that some farms with 50 or more workers already provide their workers with health insurance.

Source: 2009 ARMS

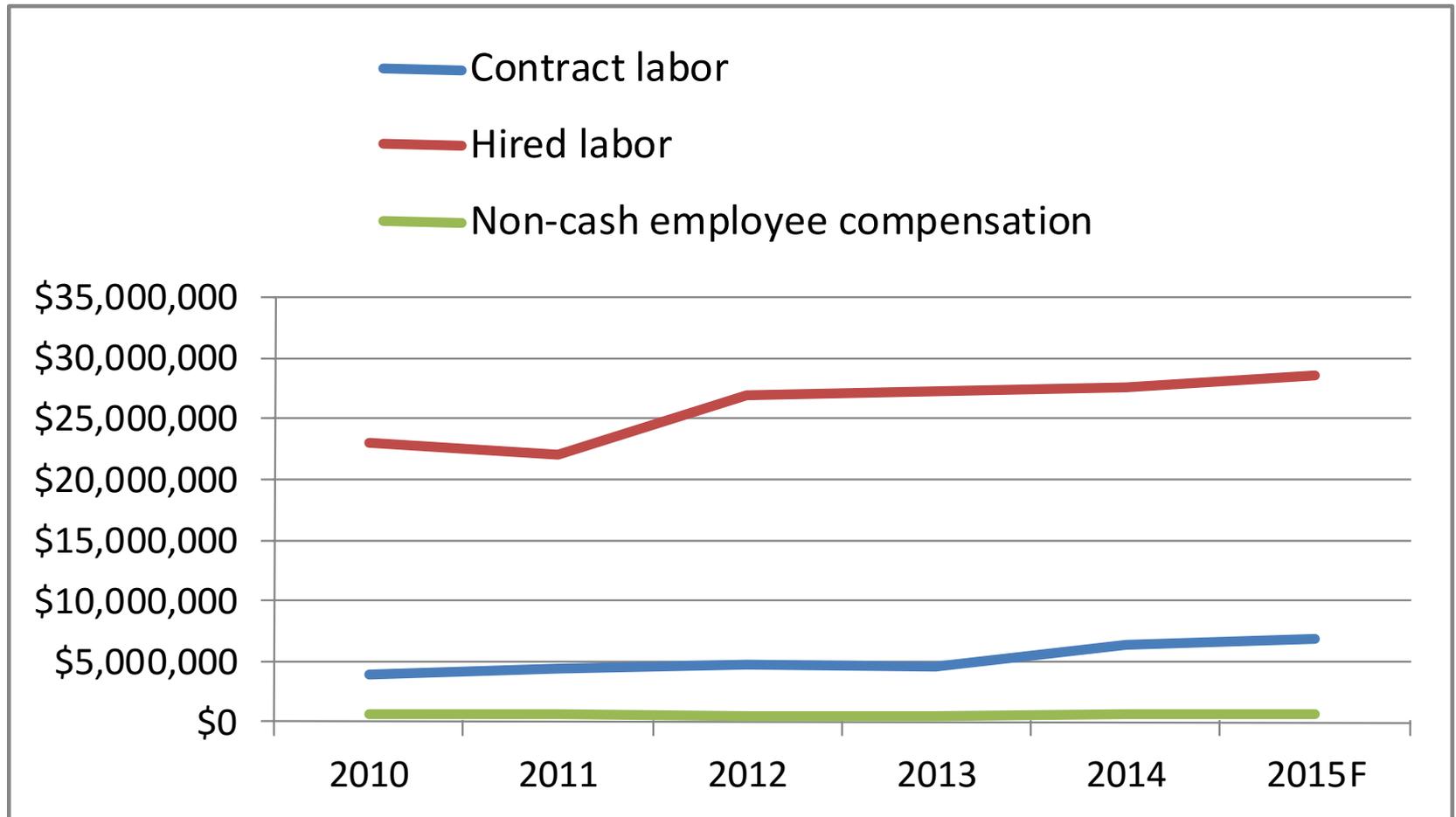
Hired Labor Contractors

- 2,166 firms classified as labor contractors in QCEW, with \$2.5 billion in wages for 149,546 workers—69 employees per firm.
- Their average wages were \$16,344 per year.
- If contractors paid penalties, rather than provide coverage, and 100% of ACA costs were passed on to farms, contractor expenses to sector would increase by 4.3%. This implies less than a 1% decline in net cash income of sector.

How will employers respond?

- Will there be more use of robotics and less use of hired labor?
- Will large farms adjust their labor or reorganize into multiple smaller units, or contract for labor to avoid the mandate?
- Or, will there be more use of directly hiring labor, offering benefits like health care as incentives, and spurred on by the need to have a reliable work force.
- *ARMS can offer the opportunity to examine these questions more fully beginning with the 2015 ARMS data, available after summer 2016.*

Three components of labor expenses have increased in recent years



Thank you.

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ERS information

Farm household topic page with health insurance coverage information:

- <http://www.ers.usda.gov/topics/farm-economy/farm-household-well-being/wealth,-farm-programs,-and-health-insurance.aspx#health>

Health Status and Health Care Access of Farm and Rural Populations:

- <http://www.ers.usda.gov/publications/eib-economic-information-bulletin/eib57.aspx>
- El-Osta, H. and M. Ahearn. 2012. “Health Care Expenditures of Farm Households.” *Amber Waves*, September.
- Ahearn, M. 2008. “Health Insurance as a New Indicator of Farm Households’ Well-Being,” *Amber Waves*, vol. 6(2).

Other journal articles on insurance of farm operator households

- Ahearn, M., H. El-Osta, and A. Mishra. 2013. “Considerations in Work Choices of U.S. Farm Households: The Role of Health Insurance.” *Journal of Agriculture and Resource Economics* 38(1): 19-33.
- Mishra, A., H. El-Osta, M. Ahearn. “Determinants of Health Care Expenditures of the Self Employed: The Case of U.S. Farm Households.” *Agricultural Economics: An International Journal*, 43: 75-83.

2015 ARMS data to be collected in early 2016

For farm operator household members:

- **Standard Items:**
- For 4 age categories: Of the people who lived in your (the principal operator's) household on December 31, 2015, how many were covered by any health insurance for any part of the year?
- For 2 age groups, above and below 65: In 2015, how many of these persons had health insurance that was provided through: an employer (or former employer) from the operator's off-farm work; an employer (or former employer) from the spouse's off-farm work; this farming operation; Medicare, Medicaid, or other public insurance; direct purchase private policy (fully purchased by or for the household)
- Farm operator household spending:
 - health and/or dental insurance costs?
 - out of pocket expenses for health and medical needs?

New Item regarding farm operator household expenses in 2015 ARMS to reflect the ACA:

- Did you purchase a private policy from a health insurance marketplace, also known as a health exchange in your state or from the Federal government (e.g. Healthcare.gov)?
- Did you receive a tax credit to help pay for the insurance premium?
- How much was the credit for the entire year?

Inclusion of labor data collected only intermittently:

- Information on number of unpaid and paid workers, not collected since 2009.

http://ers.usda.gov/dataFiles/ARMS_Questionnaires_Manuals/2015/W_2015_CRR_Phase3_Questionnaire_Q_FOH.pdf