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Farm People's Health Insurance Coverage

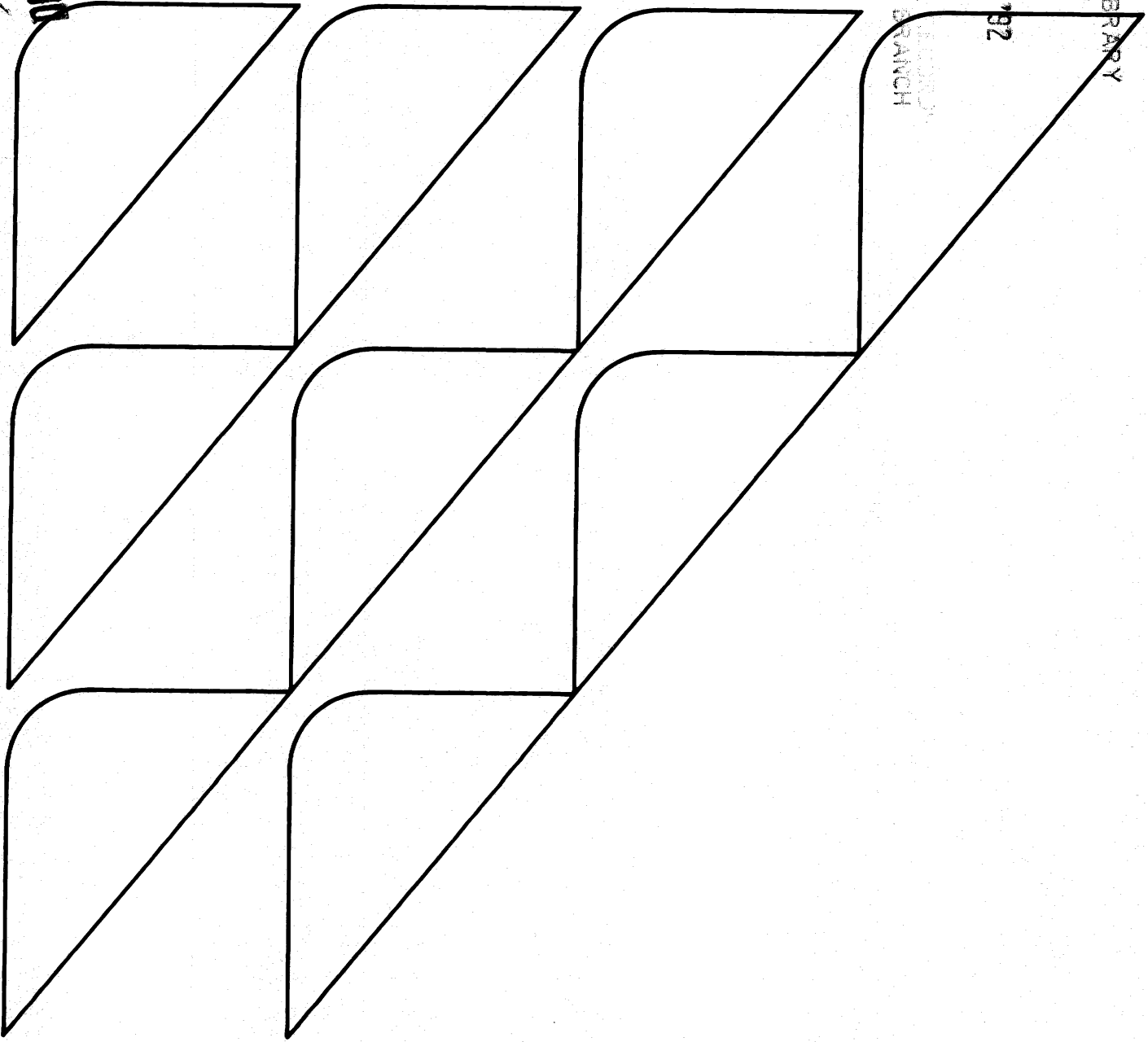
Helen H. Jensen

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FARM PEOPLE'S HEALTH INSURANCE COVERAGE, by Helen H. Jensen.
Economic Development Division, Economic Research Service, U.S.
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ABSTRACT

Families with farm income are less likely to have insurance coverage than are nonfarm families--86 percent of the farm population compared with over 90 percent in the total population. Only 82 percent of farmers are covered and they are less likely to be covered by workers' compensation. Farm families are more likely to be covered by individual than group plans. Families most dependent on farm income are least likely to have health insurance. This report analyzes factors associated with the lower coverage including coverage from group and individual plans.

Keywords: Costs of farming, farm income, health insurance, rural health

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SUMMARY

Farmers and farm families are less likely to have health insurance coverage, or to participate in group insurance plans. At the same time, farmers have higher accident rates than workers in other occupations and are less likely to be covered by workers' compensation. This study looks at health insurance coverage of the farming population and the sources of coverage obtained. Findings include:

- Only 86 percent of the farm population have health insurance, compared with 90 percent in the total population.
- Only 82 percent of farmers and farm managers are covered, with coverage more likely if the spouse is employed, especially off the farm.
- Farm people are more frequently covered by individual policies and their level of coverage is more likely to be less than in the total population.
- Families most dependent on farm income (that is, with farm income a higher portion of total income) are the least likely to have health insurance.
- Young farmers, farmers in the South and West, those with low incomes, and those with chronic health problems are less well covered than other farmers.
- Farm people least likely to have health insurance coverage include relatives not members of the immediate family of the household head, the unemployed, and unpaid farm family labor.

Faced with this situation, farmers and other members of farm households might explore various alternatives, including obtaining lower cost group insurance or the tax advantages others have in gaining access to insurance through employers. Incorporation of the farm business, greater use of farmer groups to provide fraternal benefits, and operator and family employment off the farm are other alternatives.

Farm People's Health Insurance Coverage

Helen H. Jensen*

INTRODUCTION

Those living on farms are less likely to have health insurance coverage than others, despite the fact that farming has a high risk of accident and injury. For self-employed farmers and their hired and unpaid help, the lower coverage is particularly significant in light of their lack of coverage under workers' compensation. Without health insurance, many farmers and other workers on the farm may not have access to necessary health care for injuries sustained at work or at home. Limited access to group insurance is a significant deterrent to farmers' coverage.

Although most surveys report that those in farm families are less well covered than others, farm people are more likely to be covered by more costly individual policies rather than group policies. The prominence of private health insurance among the farm population, in view of its limited access to group policies, indicates a willingness and interest in obtaining insurance.

This study addresses the factors affecting insurance coverage of farmers and farm people, the role of health insurance in the farm business, and effects of changes in legislation affecting farmers' coverage.

Farmwork is dangerous; agricultural work has a higher accident rate than other occupations (10). 1/ Long hours operating machinery under varying conditions and diverse tasks all contribute to the greater likelihood of accidents. In addition, difficulty finding suitable substitutes for operator labor increases the costs of ill health for the self-employed farmer.

Those in agriculture may experience higher accident rates due to the age and sex composition of the work force. Young males have the highest nonfatal accident rates and older males, the highest

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1/ Underscored numbers in the parentheses refer to items in the references.

fatal accident rates among workers in general (10). Both groups are important in agricultural employment. The relative isolation of nonmetropolitan areas makes immediate care for accidental injuries difficult and may increase the severity of the effects of any given accident. 2/

A recent study at the University of Iowa indicates that health hazards may be a greater problem for farmers than has been traditionally perceived. After eliminating smoking-related cancers, the death rate from cancer was much higher among farmers than nonfarmers. Of major forms of cancer, the rates were 78 percent higher for prostatic cancer, 77 percent higher for leukemia, 60 percent higher for stomach cancer, and 39 percent higher for cancer of the large intestine (5). These results suggest that farmers may have underestimated their expected level of health, perhaps due to the lag times for higher cancer rates to become apparent.

Farmers also live in areas where health status is lower. The same factors that affect the health status of other rural residents affect the farm population as well. Popular assumptions about the health of rural and farm residents are that they are healthier, self-reliant, and can take care of themselves at home. Health indicators show this may not be true. Both the infant mortality rate and a composite health status index (using infant mortality rate, an age-standardized mortality rate, and an age-standardized mortality rate of deaths due to influenza or pneumonia) indicate that nonmetropolitan residents were less healthy during 1969-73 than others (1, p. 23). More recent figures support this. These health conditions reflect the joint effects of the availability and utilization of medical services, income levels, underlying environmental factors, added cost of greater travel distance, lack of compensated time off from work for illness, and lack of health insurance coverage, all of which deter use of medical services.

DATA

The best data on health insurance coverage come from national surveys of households. These surveys avoid double-counting of coverage from more than one source of insurance. Two surveys on health insurance coverage are worth noting: the 1977 Health Care Expenditures Survey (NHCES) and the 1976 Survey of Income and Education (SIE). Overall, health insurance coverage has remained relatively constant over the last 10 years, with some

2/ Reports of farm accidents are somewhat distorted by the difficulty in differentiating work-related and home-related accidents, both of which occur on the farmstead. The number of reported farm accidents is inflated to include some accidents occurring during recreation or other home activities. Fritsch and Zimmer cite a study which indicates that 36 percent of fatalities involving a farm tractor occurred while the tractor was being used for nonwork purposes (10, p. 1). The National Safety Council estimated for 1970 that work time occupies 36 percent of an individual's total exposure time to accidents. On the average, work accounted for 41 percent of all injuries, but only 25 percent of all accidental deaths.

overall decrease during periods of high unemployment. Both these surveys provide the most recent national data on health insurance coverage, with the SIE providing broader representation of the farm population.

NHCES was a survey conducted by the National Center for Health Services Research in 1979. It includes data about individual expenditures and health insurance coverage, as well as information from employees and insurance companies. Preliminary results of the survey have been reported in data previews. Although these releases do not distinguish between the farm and nonfarm population, they do allow locational comparisons.

The primary data source used in this analysis was the SIE, a survey reporting on amounts and sources of income, education, health status, and health insurance coverage (see 22). Most of the analysis of the farm population comes from a sample of all persons who lived in families reporting any farm income. The survey included 24,052 such persons. Those whose primary occupation was farmer or farm manager were distinguished from those who lived in families or as primary individuals who received farm income. Estimates of coverage are based on weighting the sample to reflect the national population.

Data on health insurance coverage of the total U.S. population come primarily from a study by the Congressional Budget Office (CBO) based also on the SIE. The CBO estimates are adjusted upward to reflect unreported eligibility (though not necessarily participation) in public programs such as Medicare, Medicaid, Veterans Administration, and the Civilian Health and Medical Program of the United States (CHAMPUS) programs.

The issue of whether or not to count people as "covered" if eligible for public programs providing health insurance is not clearcut. Eligibility for health care insurance through a public program implies a degree of protection. However, individuals may not realize that coverage is available or may prefer not to participate in the public program. The rural population eligible for coverage from public sources, particularly Medicaid and Medicare, uses that coverage less often than others (7). Rural residents appear more reluctant than others to apply for public assistance programs such as Aid to Families with Dependent Children (AFDC). Because some of Medicaid's eligibility requirements are tied to participation in other public programs, the reluctance to participate in public assistance programs means lower effective coverage under Medicaid. Hence, many members of the farm population, although eligible, are not covered by Medicaid or other public programs. Inflating the estimates of coverage to adjust for the underreporting of program eligibles would increase estimates for those groups.

A second issue, not analyzed in this study, is the adequacy of coverage among people having insurance. Coverage varies considerably depending on policy exclusions, waiting periods, comprehensive amounts, deductibles, and maximums. When faced with a high price for the desired level of insurance, an

individual or family may elect to purchase lower cost, less comprehensive insurance.

TYPES OF HEALTH INSURANCE COVERAGE

Most health insurance in the United States is purchased privately--that is, not through a public or government program. Individuals purchase insurance through individual policies or through a group with which they are affiliated. Others obtain insurance through public programs.

Private health insurance, which offers individuals the opportunity to purchase insurance to cover medical or hospital costs, often carries a deductible coinsurance provision where the individual pays a portion of the costs, with a maximum amount of coverage. In other cases, the insurance pays a fixed amount for each illness or accident, or each day in the hospital (indemnity insurance). More recently, health maintenance organizations (HMO's) provide health insurance on a prepaid expense basis to their subscribers.

All those over the age of 65 or disabled qualify for Medicare, which pays for a portion of medical and hospital expenses, up to a maximum. Medicaid is available to those qualifying according to federally mandated, categorical programs (such as AFDC) and to State-specific, medically needy criteria. Those qualifying for Medicare may also qualify for Medicaid. CHAMPUS is another public program funded through the Department of Defense, providing care in the private sector to the dependents and survivors of active duty personnel and military retirees.

Private Insurance

Group insurance is the preferred form of health insurance for most people. Although options available are more limited, coverage is provided at a lower cost than comparable insurance purchased individually. Groups provide lower rates due to better bargaining and lower administrative costs. Employers, unions, and other associations (such as the Farm Bureau) can offer group insurance; specific qualifications for offering group policies are regulated by State insurance commissions. Employers frequently pay part of the premium as a form of non-wage compensation. Group insurance accounted for an estimated 83 percent of total private insurance in 1975 and of that, 96 percent was through employer or union groups (16). ^{3/}

Policies sold directly to individuals tend to be relatively expensive because of adverse selection (those seeking individual insurance may anticipate higher than average medical expenses) or because the policies cover a short period of time and have higher administrative costs (for instance, during periods of unemployment). Although individual private policies may be the only insurance available, they offer the possibility of selecting the type of package (deductibles, coinsurance, and maximum coverage) which best suits individual preferences.

^{3/} The data reported later in this study distinguish between group policies, offered by employees and unions, and individual policies, purchased directly by individuals.

Federal tax laws relating to health insurance provide some incentive to purchase private health insurance for those who itemize deductions. Until 1983, individuals could deduct half of their health insurance premium, up to \$150. In addition, that portion of the total medical expenses (including half of the premium up to \$150) greater than 3 percent of adjusted gross income was deductible. For the 1983 tax year, that portion of expenses greater than 5 percent of adjusted gross income is deductible, somewhat reducing the tax incentive to health expenditures.

Alternatives to Private Insurance

Purchasing insurance through health insurance carriers is only one way of handling expenses associated with ill health. Self-insurance, self-protection, and workers' compensation are all available to the individual outside the private insurance market (8, 15).

In self-insuring, an individual or group maintains sufficient financial resources to compensate for losses due to poor health. Farmers traditionally delay personal consumption in their efforts to build up farm equity. Though this process serves to develop the farm, it also provides a reserve in the event of a major accident or illness (19). A farmer with capital assets to draw on or borrow against may be able to self-insure against health loss and reduce or eliminate purchased insurance.

Self-protection efforts can minimize an individual's expected loss by reducing the probability of the loss occurring. By operating machinery with caution, an operator is less likely to be injured; by wearing protective hard hats, an individual reduces the probability of serious head injury; by immunizing against diseases (measles, mumps, polio), the probability of experiencing these health problems is reduced. Since self-employed workers control their own work environment to a greater extent than nonowner employees, they may have greater incentive (and opportunity) to substitute self-protection for insurance. However, they likely are less informed about risks involved in equipment and chemical use than specialists in a larger firm and may be more inclined to assume more risk in their farm operation. If they underestimate risks or assume more risk (operating long hours, taking chances in the use of equipment), they may use less self-protection than would others.

In general, though, self-insurance and self-protection are both substitutes for private insurance. If the farm population has greater ability to substitute for private insurance (that is, has larger amounts of capital to draw on or more individual control of the work environment), it is less likely to have purchased insurance coverage.

Workers' compensation insurance refers to State programs to compensate workers for work-related accident and injury losses. For many workers, mandated coverage under workers' compensation substitutes for health insurance coverage at work.

In most industries, employers assume responsibility for work-related accidents through workers' compensation, financed either through insurers (private or the State) or by self-insurance. Employees are reimbursed for losses occurring in work-related activities, including income maintenance, medical costs, payments for rehabilitation when necessary, and some payments to survivors in case of death. To the extent that employers can shift part of this expense to employees, workers receive lower wages. The remainder may be passed on to consumers.

Agricultural workers, including owner/operators, however, are among the least likely to be covered by workers' compensation. This is due to the small size of the establishments, to historical reluctance to include agricultural workers in labor legislation, and to the high cost of coverage for farm employees due to the risks associated with their work. In most other industries, employers assume responsibility for work-related accidents through mandated workers' compensation. Self-employed farmers and workers not covered by workers' compensation bear the risk of work-related injury themselves unless suitable private coverage is purchased.

States have increasingly included agricultural workers in the mandatory compensation programs and a few require participation for operators who have only a few employees. ^{4/} As of March 1983, 13 States, the Virgin Islands, and Puerto Rico required equal coverage for agricultural workers. Another 20 States required conditional coverage of agricultural workers. The remaining 18 jurisdictions, including the District of Columbia, did not require coverage of agricultural workers, though employers could voluntarily participate in the States' programs (25). The requirements for coverage are wide-ranging. Sellers estimates that there were 1.3 million hired farmworkers in 1979 employed on 40 percent of the farms and representing 34 percent (1.3 million) of the total farm workforce of 3.8 million workers (as cited in 15). In addition to these hired farmworkers, 330,000 members of farm operator families (excluding farm operators themselves) were paid in 1979 (15). Only paid employees are eligible for workers' compensation in most States, although many members of farm families, including those paid, are automatically excluded.

In some States, farm operators who are sole proprietors may be required to participate in workers' compensation programs if they hire any farmworkers. Enterprises such as general partnerships or corporations may hire a larger number of employees, which affects the required participation in State workers' compensation programs.

The degree of workers' compensation coverage affects farmers' need and use of health insurance. The amount of compensation

^{4/} The following section draws heavily on (15). The later version of that paper contains some errors in the reporting of coverage of workers' compensation and should be used carefully. The data reported here come from the earlier version.

for a given injury varies greatly among States. Rates charged for coverage under workers' compensation to small firms can be quite high; in some cases there is a fixed minimum charge. Many farm operators prefer to cover employees through health insurance if offered the choice. Because of varying rates, relative costs of workers' compensation and private coverage also differ among States.

FACTORS AFFECTING DEMAND FOR HEALTH INSURANCE

Demand for health insurance is affected by the price of insurance, likelihood of others bearing some of the cost, tax incentives, household characteristics, and willingness to bear risk.

Farmers' View of Risk

Farmers face a great deal of risk: risks of operating a farm, debt financing, price uncertainty, greater likelihood of accidents, and hazards of outdoor activities. Their willingness to assume these risks indicates that farmers may be less averse to risk than other types of workers. However, studies of farmers' attitudes toward technological change indicate that most farmers are risk averse (4).

An individual's attitude toward risk is an important determinant of willingness to purchase insurance coverage. The less one is willing to assume risk, the more willing one is to purchase insurance that reduces the individual's payment for medical expenses. An insurance company expects to be able to cover these expenses because it can pool expected losses and charge a fee ("loading factor") to cover administrative expenses.

Household Characteristics

Besides the unique risk factors associated with farming, farmers' demand for private health insurance is also influenced by the same factors that affect the general population. Income is positively correlated with health insurance coverage; households with higher income are most likely to have health insurance. Family composition and age affect the level of expected medical expenses and, in turn, the willingness to assume risks. Young single adults, for example, are more willing to assume health risks than older individuals or families with children. Large families might expect to have more total health expenses than small families and hence would be more inclined to buy insurance.

Other studies show blacks have fewer medical expenses than others, though they are not necessarily healthier (7). With lower expected medical expenses, blacks would less likely have coverage. Lower income among black farm families, however, also likely contributes to their lower coverage.

Health Insurance Provided as Com- pensation for Work

Firms are increasingly expanding to nonwage types of compensation, due both to tax advantages of nonwage income to employees and, in the case of insurance, to lower prices for group plans. The tax advantage comes from an employee's not having to report as income the employer payment of insurance premiums and the employee's ability to deduct at least part of the payments for group health insurance in calculating Federal taxable income. A recent CBO study terms the exclusion of employer contributions as the largest tax expenditure for medical care (21). The

employer's payment is deductible as a cost to the firm but is untaxed income to the employee.

Sole proprietors and those who work for firms which do not offer group insurance cannot take advantage of this tax incentive. Without the tax incentive, they will either choose less insurance or pay higher prices for the insurance. However, if farm firms can organize the farm into a partnership or corporation, payments for group health insurance may qualify as a business cost, reducing taxes to the business as well as providing untaxed compensation to employees. Some farm firms have bought private group policies to provide insurance to all their employees; other farmers have purchased private insurance individually or through farm or religious organizations. As farm firms hire more labor or change the organization of their business, there is greater pressure and incentive to offer coverage through the business.

Policies offered as compensation for off-farm work to farmers and members of the household are another source of health insurance coverage and an enhancement for off-farm employment. Nonfarm income has become increasingly important to farm people, providing greater income with which to purchase insurance (12). Hence, we can expect that self-employment would be negatively correlated and off-farm work positively correlated with the likelihood of the farm population being covered by health insurance.

To the extent that a self-employed person views health insurance as insurance for expected work-related injury or sickness, such insurance is a cost of doing business. However, only when the farm firm is incorporated and meets specific conditions with respect to group policies can it count insurance premiums as a business cost. Hence, many self-employed people do not qualify for the same tax-related subsidies to insurance payments as do wage earners, nor are they required to be covered under workers' compensation.

ANALYSIS

According to the SIE, 85.7 percent of persons in families with farm income had health insurance coverage in 1976, compared with over 90 percent of the total population (table 1). Before adjustments for public programs, 87.9 percent of the total population was covered (20, p. 13). The differences in coverage, while not large, are statistically significant. 5/

5/ The significance of the differences was tested for the differences of two means in a sample with binomial distribution (see 41, p. 70-78, 136-139), using

$$Z_{(\hat{\pi}_1 - \hat{\pi}_2)} = \frac{\hat{\pi}_1 - \hat{\pi}_2}{\sqrt{\frac{\pi_1(1-\pi_1)}{n_1} + \frac{\pi_2(1-\pi_2)}{n_2}}}$$

where π_i , $i = 1, 2$, is the proportion of successes in the population and $\hat{\pi}_i$ the proportion of successes in the sample, n_1 and n_2 are the size of the two unweighted samples.

Table 1—Health insurance coverage of the total population and in families receiving farm income, 1976

| Item | Persons with health insurance | | Persons with some private health insurance <u>1/</u> | |
|--------------------------|-------------------------------|-------------------------------|--|-------------------------------|
| | Percentage of total | Percentage of farm population | Percentage of total population | Percentage of farm population |
| | <u>2/</u> | <u>3/</u> | <u>2/</u> | <u>3/</u> |
| | <u>Percent</u> | | | |
| Total family income: | | | | |
| Less than \$5,000 | 82.6 | 73.6 | 73.1 | 63.0 |
| \$5,000 - \$9,999 | 83.4 | 81.5 | 63.3 | 72.9 |
| \$10,000 - \$14,999 | 90.8 | 88.6 | 83.4 | 85.2 |
| \$15,000 and above | 94.3 | 90.8 | 90.8 | 87.9 |
| Age: | | | | |
| Less than 6 years | 86.1 | 79.7 | 71.6 | 79.1 |
| 6 to 18 years | 88.8 | 84.7 | 77.0 | 82.4 |
| 19 to 24 years | 79.5 | 79.1 | 71.0 | 75.9 |
| 25 to 44 years | 90.7 | 85.0 | 82.3 | 83.0 |
| 45 to 64 years | 92.4 | 86.6 | 83.5 | 83.3 |
| 65 years and over | 99.0 | 95.4 | 61.3 | 63.3 |
| Employment status: | | | | |
| Employed | 91.8 | 85.9 | 87.2 | 82.3 |
| Unemployed | 73.2 | 60.8 | 55.1 | 55.5 |
| Retired | 98.0 | 96.5 | 64.0 | 65.3 |
| Other | 88.6 | 86.3 | 71.0 | 78.8 |
| Total population | 92-95 | 85.7 | 77.0 | 80.1 |
| | <u>Number</u> | | | |
| Size of total population | 211,000,000 | 8,389,000 | 211,000,000 | 8,389,000 |

1/ Includes all those reporting coverage from some private source.

2/ Adjusted for underreporting of public programs.

3/ Data reported on all persons in families or as primary individuals receiving farm income.

Sources: (20); SIE.

Patterns of coverage for farm people and the total population were similar, based on the SIE. Coverage was least common among low-income people, young children and young adults, and the unemployed. Private health insurance provided the bulk of coverage for both the total population and farm people under 65 and a majority of the population over 65 had private insurance as a supplement to their Medicare coverage. People with higher incomes and the employed were generally most likely to have insurance.

The most recent national data confirm that while health insurance coverage is quite broad, certain groups, including rural residents, consistently have the least coverage. The NHCES estimates indicate that while 87.4 percent of the total population had health insurance coverage, only 82.4 percent of those living in predominantly rural areas had coverage in 1977. These estimates do not include estimates of public coverage. Earlier studies also found lower overall coverage for those in the farm and rural nonfarm population (2, 11).

Farm People

Age, family status, region, employment status, occupation, and income all have a statistically significant effect on the likelihood of health insurance coverage (tables 2 and 3). Families with both husband and wife present were most likely to have coverage, particularly if the wife was employed outside the home. People least likely to have coverage included relatives not members of the immediate family of the household head, unemployed, and unpaid farm family labor.

A particular problem for farm families is the inability to insure unpaid family labor. Less than 80 percent of unpaid family labor was covered, compared with 82 percent of farmers and 85 percent of paid farm labor (table 2). 6/

Regional differences also existed, with the South and West having less health insurance coverage than other areas (table 2). These regional variations are attributable to differences in income, types of farm organization, education, and access to group coverage through off-farm employment.

Higher income increases the likelihood of health insurance (table 3). About 70 percent of the farm population below the poverty line had insurance, far below the 90 percent with income more than 50 percent above the poverty line.

The level of farm income does not significantly influence coverage, but the level of total income, both farm and nonfarm, is more likely to influence health insurance coverage. Low farm income is often coupled with sizeable income from other sources.

6/ Data based on the 1976 Health Interview Survey indicate that almost 81 percent of farmers and farm managers were covered compared with 93 percent of other managers (nonfarm); 59 percent of farm laborers were covered compared with 88 percent of operatives and 78 percent of nonfarm labor (24). Estimated coverage for farm labor was much lower in this survey than in the 1976 SIE

Table 2—Selected characteristics of farm people, farmers, and farm managers with health insurance coverage, 1976

| Item | Farm people ^{1/} | | Farmers and farm manager ^{2/} | |
|---------------------------|---------------------------|-----------------------------------|--|-----------------------------------|
| | Percentage covered | Percentage with private insurance | Percentage covered | Percentage with private insurance |
| | <u>Percent</u> | | | |
| Age: | | | | |
| Under 6 years | 79.7 | 79.1 | — | — |
| 6 to 18 years | 84.7 | 82.4 | 83.1 | 78.1 |
| 19 to 24 years | 79.1 | 75.9 | 71.3 | 69.6 |
| 25 to 44 years | 85.0 | 83.0 | 77.4 | 75.6 |
| 45 to 64 years | 86.6 | 83.3 | 81.3 | 78.6 |
| 65 years and over | 95.4 | 63.3 | 94.5 | 64.7 |
| Region: | | | | |
| Northeast | 87.5 | 83.8 | 84.6 | 80.5 |
| North Central | 88.3 | 83.7 | 87.3 | 80.6 |
| South | 82.6 | 74.7 | 75.2 | 66.8 |
| West | 83.7 | 80.1 | 75.5 | 68.4 |
| Family status: | | | | |
| Husband | 88.8 | 81.3 | — | — |
| Primary individual | 86.9 | 65.5 | — | — |
| Wife | 87.7 | 83.0 | — | — |
| Child | 82.9 | 80.5 | — | — |
| Other relative | 76.6 | 51.1 | — | — |
| Employment status: | | | | |
| Employed | 85.9 | 82.3 | — | — |
| Unemployed | 60.8 | 55.5 | — | — |
| Retired | 96.5 | 65.3 | — | — |
| Other, not in labor force | 86.3 | 78.8 | — | — |
| Occupation: | | | | |
| Farmer, farm manager | 82.0 | 74.9 | — | — |
| Paid farm labor | 85.0 | 81.5 | — | — |
| Unpaid family labor | 79.7 | 76.2 | — | — |
| All other occupations | 87.2 | 85.1 | — | — |
| Never worked | 86.8 | 74.2 | — | — |
| Total population | 85.7 | 80.1 | 82.0 | 74.9 |

— = Not applicable.

^{1/} Data reported for all persons in families or as primary individuals receiving farm income.

^{2/} Data reported for all those reporting occupation as farmer or farm manager, living in families or as primary individuals who receive farm income.

Source: SIE.

Table 3—Income characteristics of farm people, farmers, and farm managers with health insurance coverage, 1976

| Item | Farm people ^{1/} | | Farmers and farm managers ^{2/} | |
|---|---------------------------|-----------------------------------|---|-----------------------------------|
| | Percentage covered | Percentage with private insurance | Percentage covered | Percentage with private insurance |
| | <u>Percent</u> | | | |
| Total family income: | | | | |
| 0 or less | 79.2 | 77.3 | 76.4 | 72.5 |
| \$1-\$4,999 | 72.4 | 58.7 | 73.5 | 61.3 |
| \$5,000-\$9,999 | 81.5 | 72.9 | 80.8 | 70.1 |
| \$10,000-\$14,999 | 88.6 | 85.2 | 84.6 | 79.1 |
| \$15,000-\$24,999 | 89.2 | 86.4 | 84.7 | 82.1 |
| \$25,000 and above | 93.0 | 90.1 | 89.8 | 86.9 |
| Farm income ^{3/} : | | | | |
| 0 or less | 89.5 | 86.8 | 79.8 | 73.6 |
| \$1-\$2,499 | 84.0 | 73.7 | 78.9 | 65.3 |
| \$2,500-\$4,999 | 81.9 | 75.4 | 76.6 | 66.5 |
| \$5,000-\$9,999 | 82.2 | 78.4 | 82.2 | 76.8 |
| \$10,000-\$14,999 | 87.4 | 85.5 | 86.6 | 84.9 |
| \$15,000-\$19,999 | 86.0 | 83.5 | 86.4 | 82.4 |
| \$20,000 and above | 89.5 | 87.9 | 88.6 | 87.2 |
| Percentage of family income from farming: | | | | |
| Less than 25 percent: | 88.9 | 82.6 | 83.1 | 72.1 |
| 25-49 percent | 84.0 | 74.5 | 81.4 | 69.8 |
| 50-74 percent | 84.7 | 79.8 | 84.6 | 77.9 |
| 75 percent or more | 79.4 | 77.7 | 80.1 | 77.6 |
| Percentage above/below poverty line: | | | | |
| Below | 70.8 | 63.6 | 70.3 | 63.2 |
| 100-124 percent | 72.5 | 57.8 | 75.2 | 61.5 |
| 125-149 percent | 75.1 | 66.9 | 74.3 | 67.1 |
| 150 and above | 89.9 | 85.4 | 86.0 | 79.5 |
| Total population | 85.7 | 80.1 | 82.0 | 74.9 |

^{1/} Data reported for all persons in families or as primary individuals receiving farm income.

^{2/} Data reported for all those reporting occupation as farmer or farm manager, living in families or as primary individuals who receive farm income.

^{3/} Farm income reported for farm people applies to data reported for family; farm income earned by the individual applies to data reported for farmers and farm manager.

Source: SIE.

Dependence on off-farm income affects coverage. Families with more than 75 percent of their income from off-farm sources had almost 89 percent coverage, compared with 79.4 percent coverage for those with 75 percent or more of their family income from farm sources (table 3). Families with a larger share of income from farm sources tended to have lower total income and less wage and salary employment (employment where group policies are more readily available).

Reduced access to group insurance most distinguishes the farm population from others in their insurance coverage. In the total population, almost 62 percent had some form of group coverage, but only 43 percent of farm people obtained group coverage (table 4) (20). Alternatively, insurance through individual plans costs more or covers less and was more common among farm people (26.2 percent) than among the total population (7.5 percent).

Higher income farm people were more likely to have group policies, since they more often had off-farm employment offering group insurance (table 5). Again, the type of income is important. Only 18 percent of people in families with 75 percent or more of their income from farming had group insurance, well below the 59 percent of those with more than 75 percent of their income from off-farm employment. Farm people in the Northeast were more likely to have group coverage and less likely to rely solely on individual coverage than the rest of the country, reflecting the greater importance of off-farm income.

While most farm family members employed off the farm work for establishments in nonmetropolitan areas, the effect of off-farm income on total family income is significantly greater for those living near urban areas (19). In either case, farm families can obtain health insurance through group plans offered to family members working off-farm, although those working for nonmetropolitan employers are less likely to be offered insurance by the employer, and receive less in coverage than others. A survey of private, nonfarm establishments in 1974 indicated that fewer nonmetropolitan firms offered insurance than did metropolitan ones. The average employer payment for health related insurance by metropolitan establishments was \$334.23, while that by nonmetropolitan ones was only \$258.17 (13).

Insurance Through the Work Place

An issue separate from the coverage of families with farm income is the question of specific coverage of farmers and farm managers. Eighty-two percent of farmers had health insurance coverage, with 74.9 percent of those covered by private sources (see table 2). Only 17.3 percent of farmers with income only from farming had solely group insurance, compared with nearly 50 percent of those with income from other occupations, including hired farm labor. For most sole proprietors, individual

Table 4—Selected characteristics of farm people, farmers, and farm managers with health insurance coverage, by type of coverage, 1976

| Item | Private insurance only | | | | Private and public | |
|---------------------------|------------------------|----------------------|----------------------|-----------------------|--------------------|-----------------------|
| | Group plan only | Individual plan only | Group and individual | Other private sources | Group and public | Individual and public |
| | <u>Percent</u> | | | | | |
| Farm people—1/ | | | | | | |
| Age: | | | | | | |
| Under 6 | 37.5 | 31.8 | 3.9 | 4.4 | 1.2 | 0.4 |
| 6 to 18 years | 44.4 | 26.5 | 5.2 | 5.4 | .5 | .2 |
| 19 to 24 years | 39.9 | 26.3 | 4.4 | 4.7 | .4 | .2 |
| 25 to 44 years | 43.1 | 27.2 | 7.4 | 4.1 | .7 | .3 |
| 45 to 64 years | 34.5 | 33.0 | 7.4 | 5.7 | .9 | 1.4 |
| 65 years and over | 1.4 | 1.8 | .2 | 0 | 9.1 | 46.6 |
| Family status: | | | | | | |
| Head | 31.6 | 24.9 | 6.9 | 4.3 | 2.8 | 9.3 |
| Primary individual | 13.7 | 20.3 | 5.2 | 1.6 | 1.9 | 19.3 |
| Wife | 36.1 | 27.8 | 6.2 | 4.5 | 1.6 | 5.9 |
| Child | 42.2 | 27.4 | 4.7 | 5.1 | 0.6 | 0.2 |
| Other relative | 15.6 | 15.5 | 1.2 | 2.4 | 1.6 | 14.1 |
| Secondary member | 2/ | 2/ | 2/ | 2/ | 2/ | 2/ |
| Secondary individual | 43.3 | 6.7 | 0 | 21.4 | 0 | 0 |
| Region: | | | | | | |
| Northeast | 40.8 | 19.0 | 5.1 | 10.9 | 2.3 | 4.5 |
| North Central | 35.1 | 31.8 | 5.5 | 4.0 | 1.4 | 5.3 |
| South | 35.4 | 22.0 | 5.9 | 3.3 | 1.4 | 5.7 |
| West | 39.0 | 22.5 | 5.5 | 6.5 | 2.4 | 3.3 |
| Employment status: | | | | | | |
| Employed | 38.9 | 25.9 | 7.4 | 4.8 | 1.4 | 3.6 |
| Unemployed | 26.5 | 21.7 | 2.9 | 3.4 | 0 | 1.0 |
| Retired | 5.9 | 5.5 | 1.5 | .7 | 10.0 | 37.0 |
| Other, not in labor force | 32.4 | 28.1 | 4.3 | 4.5 | 1.6 | 7.2 |

See footnotes at end of table.

Continued—

Table 4—Selected characteristics of farm people, farmers, and farm managers with health insurance coverage, by type of coverage, 1976—continued

| Item | Private insurance only | | | | Private and public | |
|--------------------------------------|------------------------|----------------------|----------------------|-----------------------|--------------------|-----------------------|
| | Group plan only | Individual plan only | Group and individual | Other private sources | Group and public | Individual and public |
| | <u>Percent</u> | | | | | |
| Occupation: | | | | | | |
| Farmer, farm manager: | 17.3 | 36.2 | 3.6 | 6.2 | 1.9 | 9.3 |
| Paid farm labor : | 32.9 | 34.2 | 4.1 | 7.7 | .7 | 1.0 |
| Unpaid family labor : | 26.2 | 35.3 | 3.3 | 7.8 | .6 | 2.8 |
| All other occupations : | 49.6 | 21.5 | 7.8 | 3.7 | 1.1 | 1.1 |
| Never worked : | 25.5 | 24.8 | 3.5 | 3.8 | 2.7 | 12.5 |
| Total population : | 36.1 | 26.2 | 5.6 | 4.6 | 1.6 | 5.1 |
| Farmers and farm managers— <u>3/</u> | | | | | | |
| Age: | | | | | | |
| Less than 19 years : | 36.0 | 33.7 | 1.1 | 7.3 | 0 | 0 |
| 19 to 24 years : | 15.6 | 44.2 | 4.0 | 5.5 | 0 | .1 |
| 25 to 44 years : | 19.8 | 44.2 | 4.2 | 6.6 | .4 | .4 |
| 45 to 64 years : | 20.6 | 43.3 | 4.7 | 7.8 | .6 | 1.3 |
| 65 years and over : | 1.3 | 2.0 | .1 | <u>2/</u> | 8.4 | 50.2 |
| Region: | | | | | | |
| Northeast : | 20.4 | 27.5 | 3.0 | 17.8 | 1.9 | 9.0 |
| North Central : | 18.9 | 41.4 | 3.5 | 5.0 | 2.0 | 9.3 |
| South : | 12.5 | 33.7 | 4.4 | 3.3 | 1.8 | 10.6 |
| West : | 20.9 | 26.8 | 2.5 | 10.4 | 1.1 | 6.1 |

1/ Data reported for all persons in families or a primary individual.

2/ Less than 0.1 percent of the population.

3/ Data reported for all those reporting occupation as farmer or farm manager, living in families or as primary individuals who receive farm income.

Source: SIE.

Table 5—Income characteristics of farm people, farmers, and farm managers with health insurance coverage by type of coverage, 1976

| Item | Private insurance only | | | | Private and public | |
|---|------------------------|----------------------|----------------------|-----------------------|--------------------|-----------------------|
| | Group plan only | Individual plan only | Group and individual | Other private sources | Group and public | Individual and public |
| | <u>Percent</u> | | | | | |
| Farm people—1/ | | | | | | |
| Total family income: | | | | | | |
| 0 or less | 12.8 | 51.9 | 2.5 | 7.5 | 0 | 2.5 |
| \$1-\$4,999 | 11.8 | 28.4 | 2.4 | 4.2 | .9 | 10.2 |
| \$5,000-\$9,999 | 25.1 | 29.4 | 4.2 | 3.5 | 1.3 | 8.8 |
| \$10,000-\$14,999 | 41.2 | 24.6 | 8.0 | 4.5 | 2.2 | 4.2 |
| \$15,000-\$24,999 | 49.5 | 21.0 | 5.5 | 4.7 | 2.1 | 3.2 |
| \$25,000 and above | 46.0 | 26.2 | 7.7 | 5.4 | 1.4 | 2.7 |
| Farm income 2/: | | | | | | |
| 0 or less | 51.5 | 17.3 | 7.6 | 3.8 | 2.7 | 3.3 |
| \$1-\$2,499 | 35.8 | 18.4 | 6.2 | 3.0 | 1.7 | 8.0 |
| \$2,500-\$4,999 | 32.9 | 23.9 | 6.0 | 4.4 | 1.2 | 6.6 |
| \$5,000-\$9,999 | 28.0 | 36.7 | 3.6 | 4.9 | 1.1 | 3.9 |
| \$10,000-\$14,999 | 26.1 | 41.7 | 4.6 | 6.7 | .8 | 4.9 |
| \$15,000-\$19,999 | 25.4 | 42.2 | 3.2 | 8.3 | .2 | 3.9 |
| \$20,000 and above | 23.3 | 49.0 | 2.5 | 9.2 | .7 | 2.9 |
| Percentage of family income from farming: | | | | | | |
| Less than 25 percent | 48.8 | 14.5 | 7.9 | 2.8 | 2.3 | 5.4 |
| 25-49 percent | 31.5 | 24.1 | 3.9 | 3.8 | 1.9 | 8.4 |
| 50-74 percent | 23.1 | 39.6 | 3.2 | 5.3 | .6 | 7.6 |
| 75 percent or more | 15.4 | 48.9 | 2.4 | 8.6 | .2 | 2.1 |
| Percentage above/below poverty line: | | | | | | |
| Below | 15.8 | 35.8 | 2.5 | 5.8 | .1 | 3.3 |
| 100-125 percent above | 20.8 | 26.9 | 1.1 | 3.0 | .3 | 4.6 |
| 125-149 percent above | 23.1 | 24.6 | 3.9 | 5.1 | .9 | 8.8 |
| 150 and above | 41.7 | 24.5 | 6.6 | 4.5 | 2.0 | 5.6 |
| Total population | 36.1 | 26.2 | 5.6 | 4.6 | 1.6 | 5.4 |

See footnotes at end of table.

Continued—

Table 5—Income characteristics of farm people, farmers, and farm managers with health insurance coverage by type of coverage, 1976—continued

| Item | Private insurance only | | | | Private and public | |
|---|------------------------|----------------------|----------------------|-----------------------|--------------------|-----------------------|
| | Group plan only | Individual plan only | Group and individual | Other private sources | Group and public | Individual and public |
| | <u>Percent</u> | | | | | |
| Farmers and farm managers— ^{3/} | | | | | | |
| Total family income: | | | | | | |
| 0 or less | 9.9 | 49.1 | 3.6 | 6.3 | 0.1 | 3.2 |
| \$1-\$4,999 | 8.6 | 29.5 | 2.5 | 5.5 | 1.2 | 13.0 |
| \$5,000-\$9,999 | 15.4 | 33.9 | 2.5 | 3.8 | 2.1 | 12.1 |
| \$10,000-\$14,999 | 20.1 | 38.4 | 4.8 | 6.0 | 1.8 | 7.1 |
| \$15,000-\$24,999 | 22.6 | 36.3 | 5.4 | 7.0 | 2.7 | 7.9 |
| \$25,000 and above | 23.6 | 42.3 | 3.6 | 9.3 | 1.9 | 5.9 |
| Individual's farm income: | | | | | | |
| 0 or less | 18.4 | 32.6 | 5.0 | 5.5 | 2.1 | 8.9 |
| \$1-\$2,499 | 13.7 | 28.1 | 4.1 | 4.3 | 2.7 | 16.4 |
| \$2,500-\$4,999 | 18.1 | 28.9 | 3.8 | 4.1 | 2.3 | 9.2 |
| \$5,000-\$9,999 | 19.0 | 43.0 | 2.7 | 5.0 | 2.1 | 4.8 |
| \$10,000-\$14,999 | 20.0 | 45.6 | 3.5 | 7.6 | .2 | 8.1 |
| \$15,000-\$19,999 | 18.6 | 45.1 | 3.4 | 7.2 | .6 | 7.0 |
| \$20,000 and above | 16.7 | 49.3 | 2.9 | 12.0 | 1.3 | 4.8 |
| Percentage of family income from farming: | | | | | | |
| Less than 25 percent | 21.0 | 20.6 | 5.9 | 3.8 | 3.8 | 15.5 |
| 25-49 percent | 21.5 | 26.1 | 3.0 | 3.1 | 3.2 | 12.7 |
| 50-74 percent | 16.8 | 40.6 | 2.9 | 6.0 | 1.3 | 10.0 |
| 75 and above | 13.1 | 48.9 | 2.7 | 9.2 | .3 | 3.4 |
| Percentage above/below poverty line: | | | | | | |
| Below | 10.6 | 37.6 | 3.0 | 5.6 | .4 | 4.4 |
| 100-124 percent | 12.7 | 32.6 | 1.0 | 5.3 | 0 | 8.3 |
| 125-149 | 15.0 | 27.7 | 1.4 | 5.7 | 1.4 | 15.2 |
| 150 and above | 19.5 | 36.7 | 4.1 | 5.9 | 2.4 | 10.2 |
| Total population | 17.3 | 36.2 | 3.6 | 6.2 | 1.9 | 9.3 |

^{1/} Data reported for all persons in families or as primary individuals receiving farm income.

^{2/} Farm income reported for farm people applies to data reported for family; farm income earned by the individual applies to data reported for farmers and farm manager.

^{3/} Data reported for those reporting occupation as farmer or farm manager, living in families or as primary individuals who receive farm income.

Source: SIE.

health insurance was the only source of protection they have against health loss since they are not covered by workers' compensation. ^{7/}

Two-thirds of all farmers and farm managers were covered by individual plans (table 6). Of those, 90 percent held the policy themselves. However, of the farmers covered through employer groups, only half were the policyholders, while 41.3 percent were covered through their spouse's policy. Thus, 7 percent of all farmers (41.3 percent of 17.0) were covered through their spouse's group plan (table 6). This source of coverage becomes increasingly important as labor force participation of women rises.

Younger farmers, farmers in the South and West, and those with low incomes were less well covered than other farmers (tables

Table 6--Source of coverage for farmers and farm managers with health insurance, by type of plan, 1976

| Coverage ^{1/} | : Those : with health : insurance | Policyholder | | | | | | : Don't : know |
|------------------------|---|--------------|----------|---------|----------|---------|-----|-------------------|
| | | : Self | : Spouse | : Child | : Parent | : Other | | |
| | | | | Percent | | | | |
| Employer group | : 17.0 | : 49.9 | : 41.3 | 0.4 | 6.1 | 0.7 | 1.7 | |
| Union group | : 6.5 | : 87.1 | : 9.1 | 2.5 | .6 | .1 | .6 | |
| Individual plan | : 51.3 | : 90.0 | : 5.3 | 2.7 | 0 | .1 | 1.9 | |

^{1/} These groups include those reporting coverage by type. They are not exclusive, nor do they represent all sources of coverage (for example, they omit other private and public sources).

Source: SIE.

^{7/} It may be misleading, however, to compare the percentage values between all persons and those in families receiving farm income. The distribution for the total population was adjusted for participation in public programs, while the coverage of the farm population was not. Differences between the two due to adjustment for participation in public programs would affect some population segments more than others. For instance, those in families with low incomes are often eligible for Medicaid, hence the coverage for the farm population with low income is underestimated. Likewise, coverage for the farm unemployed may be underestimated. Although persons in families with farm income appear to rely on private health insurance more than others in the total population, some of the difference can be attributed to the effect of adjustment for unreported public coverage in the total population.

2 and 3). Almost 65 percent of farmers age 65 and over had some private health insurance, primarily from individual policies. Those farmers in families with a higher portion of income from farming had less insurance from group sources and more from individual plans (tables 2, 4, and 5).

There was some evidence in the survey data that farm people with chronic health problems were less well covered than others. Among the population under age 65, only 80 percent of those with chronic health problems were covered, compared with 85 percent of others with no health problems. About 78.9 percent of farmers with health problems affecting their ability to work had health insurance, compared with 82.6 percent of those with no health problems.

IMPLICATIONS FOR SELECTED POLICY ISSUES

Many proposals for national health insurance require employer-paid insurance, with allowance for a special fund to provide for the self-employed (examples are 96th Congress, S. 433, "Health Incentives Reform Act"; 96th Congress, S. 139, "Comprehensive Health Care Reform Plan of 1981"; and 97th Congress, H.R. 850, "National Health Care Reform Act of 1981"). Since most employers already offer health insurance, using employers as the mechanism for financing national insurance seems appropriate. In general, each employer would be required to provide some minimum level of coverage, while those not already offering that minimum level would be required to increase coverage.

Farmers and others in agriculture, however, will be more affected than nonfarmers due to the lesser likelihood of already being covered by employer plans. The impact would be felt both in terms of increased labor costs and some initial reduction in employment as firms cut back on higher cost labor (16). Employers of farmworkers could expect increases in payroll tax to the extent they offer benefits below the required level. The self-employed farmer, though, could expect minimum coverage through the Federal Government. The impact of this provision on uncovered or individually covered farmers must be considered.

Even without national health insurance, the pattern of less likely coverage for farmers makes the returns to farming seem less attractive compared with other occupations. Those choosing farming are less likely to have health insurance provided by their place of employment and thus face higher insurance costs. Since incorporation of a farm allows the payments of health insurance to be included as a cost of the farm operation, it is also important to consider this factor in comparing incorporated versus unincorporated farms.

Decisions regarding insurance depend on individual circumstances. Farmers and their families should explore possible ways of obtaining group insurance and any tax advantages. Incorporation of the farm business, memberships in organizations that offer group policies, and off-farm employment are some ways of acquiring health insurance at minimal cost.

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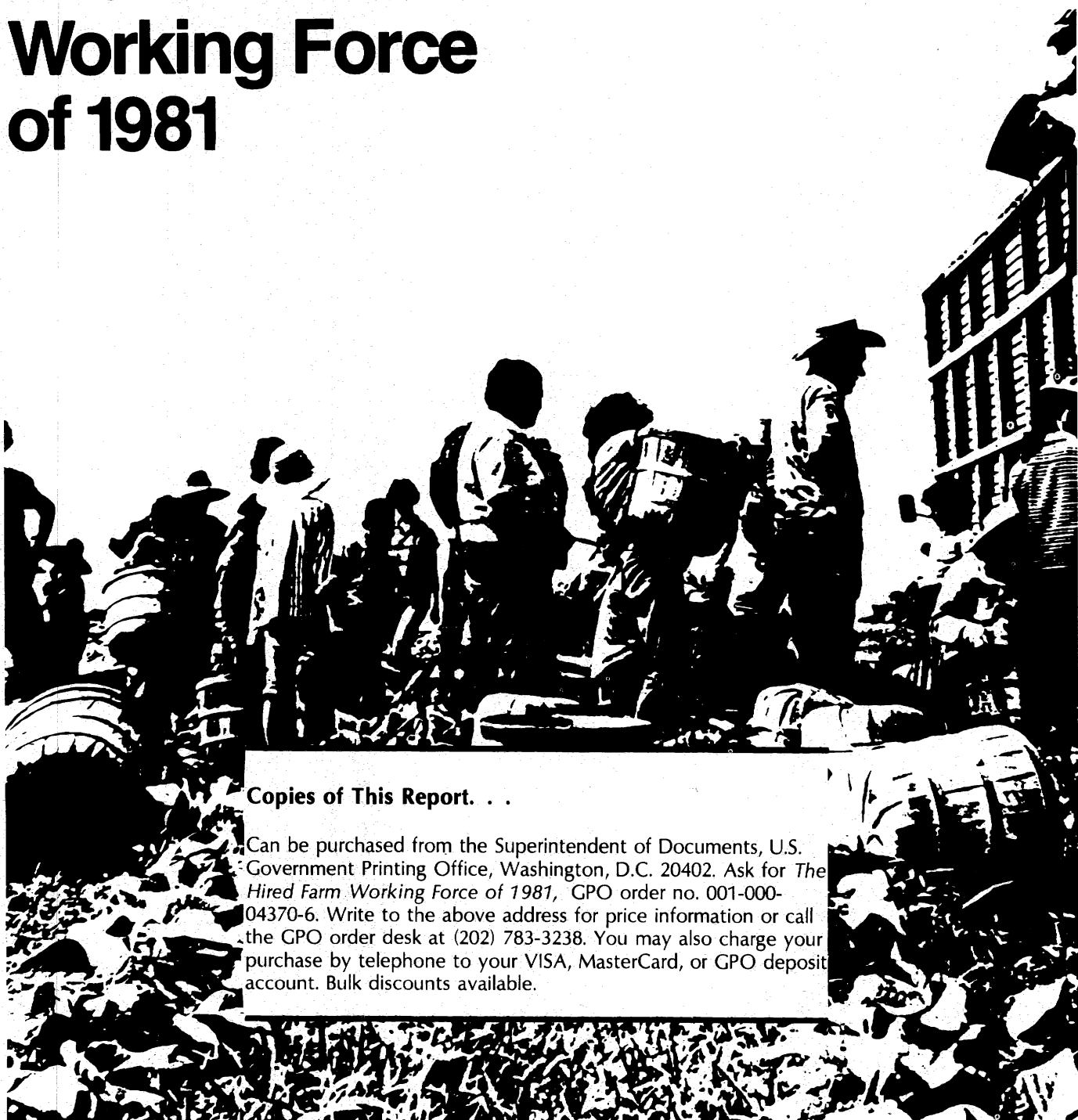


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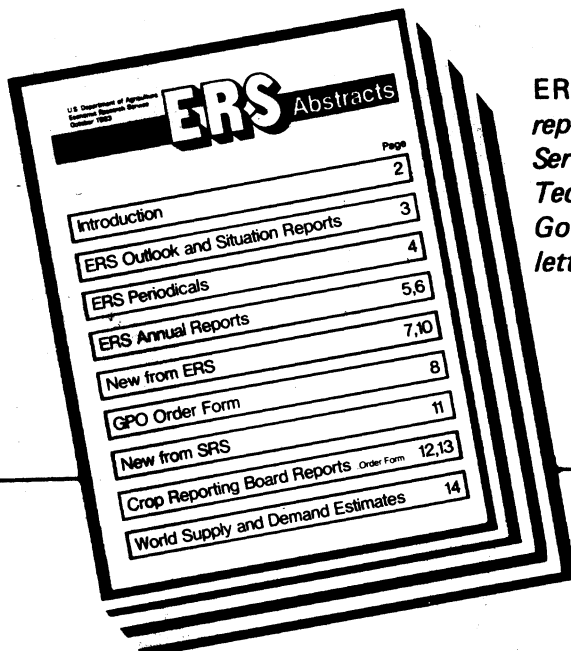
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