



The Iowa Policy Project

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POLICY SNAPSHOT

Health coverage in rural Iowa *In small communities, big challenges*

By Andrew Cannon

For the more than 1 million Iowans living in rural areas, obtaining and maintaining health insurance coverage is a unique challenge.¹ Iowans in rural areas earn less and are more likely to work for an employer that does not provide insurance benefits than urban residents.^{2 3}

As insurance costs continue to rise and employers drop health benefits, obtaining insurance coverage is becoming even more challenging for rural Iowans.

Nearly 20 percent of America's uninsured live in rural areas.⁴ Rural Americans fortunate enough to have health insurance largely obtain it through one of three ways: their employer-sponsored insurance, purchasing an individual plan on the non-group market, or through a public insurance plan, such as Medicaid.⁵

Each method of obtaining health insurance has its own unique challenges. Nearly three-quarters of businesses in rural areas have fewer than 20 employees. Small businesses offer health insurance less often than larger firms and pay, on average, 18 percent more in premiums than larger firms.^{6,7}

The non-group private market is a particularly expensive way to obtain health insurance, as medical costs are concentrated in one individual or family, rather than spread across a larger group of employees and their families.

Nationally, only 8 percent of the population receives its insurance this way. In Iowa however, up to 37 percent of rural residents obtain their insurance on the non-group, private market.⁸ Insurance plans on this market are subject to fewer regulations than group insurance plans and, in Iowa, can deny coverage for a pre-existing condition for up to 12 months.⁹

An Iowa family's story

On the eve of her marriage, Suzanne Castello, a Grinnell resident, looked forward to quitting her job at a community college and working the family farm with her husband full time.

Though Castello had enjoyed good health benefits at her off-farm job, her husband had been covered through an insurance plan purchased on the non-group, private market for a number of years, and they assumed that adding her to the plan would not be a problem.

Due to a previous miscarriage and a chronic jaw ailment, Castello was denied coverage. Around the same time, Castello and her husband learned that she was pregnant. The Castellos continued to search for an insurance plan that would cover her and had some luck, though the plans that would agree to cover her had a 10-month pre-existing condition exclusion — no insurer would cover the pregnancy.

Castello enrolled in COBRA — the federal legislation that allows workers to continue their job-based coverage for up to 18 months, COBRA enrollees must pay 102 percent of the premium cost.

"We were hemorrhaging money, but we didn't qualify for Medicaid," Castello said. "It really rankles me that we're seeing something as fundamental as childbirth as kind of like, 'Would you like dessert with that meal?' There's a double-standard between group policies and individual policies, which cover most farmers."

Though the pregnancy was complication-free and Castello has enjoyed good health since then, finding affordable insurance is still a challenge for her.

"Right now, I have the flavor-aid version of

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Existing public health insurance programs, such as Medicaid and the Children’s Health Insurance Program, limit participation by income and assets. Parents in a rural Iowa family of four earning more than \$15,655 — 71 percent of the federal poverty level — would be ineligible to participate, and childless adults at any income level are generally ineligible.¹⁰ Though rural regions have, on average, lower incomes and higher poverty rates, many rural individuals and families’ earnings exceed the extremely low threshold for participation in these public plans.

Iowa’s 1.2 million rural residents need increased access to affordable, quality health insurance. Health care reform must not ignore this essential group of hard-working Iowans and Americans.

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An Iowa family’s story

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an insurance policy – it’s high-deductible, high cost-sharing. It’s basically just coverage for catastrophic events, because the deductible is so high,” Castello said.

“It’s irksome that I’m a healthy person and I can’t get decent health insurance.”

¹ U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement (September 2008).

² United States Department of Agriculture, Economic Research Service. “State Fact Sheets: Iowa” (30 June 2009).

³ Kaiser Family Foundation, “Health Insurance Coverage in Rural America” (September 2003).

⁴ Ibid.

⁵ Ibid.

⁶ Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey – Insurance Component (2008).

⁷ Jon Gabel, Roland McDevitt, Laura Gandolfo, et al., “Benefits and Premiums in Job-Based Insurance.” *Commonwealth Fund* (2006).

⁸ Carol Pryor, Bill Lottero, and Mark Rukavina, “How Iowa Farmers and Ranchers Get Health Insurance and What They Spend For Health Care.” *The Rural Access Project* (December 2007).

⁹ Government Accountability Office, “Private Health Insurance: Millions Relying on Individual Market Face Cost and Coverage Trade-Offs” (November 1996).

¹⁰ The Lewin Group, “Cost and Coverage Impacts of Options for Expanding Health Insurance in Iowa” (August 2008).

The Iowa Policy Project

Formed in 2001, the Iowa Policy Project is a nonpartisan, nonprofit organization based in Mount Vernon, with its principal office at 20 E. Market Street, Iowa City, IA 52245.

The Iowa Policy Project promotes public policy that fosters economic opportunity while safeguarding the health and well-being of Iowa’s people and the environment. By providing a foundation of fact-based, objective research and engaging the public in an informed discussion of policy alternatives, IPP advances effective, accountable and fair government.

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