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## Rural coverage gaps decline following public health insurance expansions

Erika C. Ziller PhD

*University of Southern Maine, Muskie School of Public Service, Maine Rural Health Research Center*

Andrew F. Coburn PhD

*University of Southern Maine, Muskie School of Public Service, Maine Rural Health Research Center*

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# Research & Policy Brief

February 2009

## Rural Coverage Gaps Decline Following Public Health Insurance Expansions

### Introduction

Following the implementation of the State Children's Health Insurance Program (SCHIP), rural health researchers noted that this public insurance expansion had the potential to dramatically improve health insurance coverage for rural children.<sup>1</sup> At the time, rural children were more likely than their urban counterparts to be uninsured, and also were more likely to have family incomes in the range targeted by SCHIP (100-200% of Federal Poverty Level-FPL).<sup>2</sup>

This brief uses the Medical Expenditure Panel Survey (MEPS) to compare the health insurance coverage of rural and urban residents in 1997 and 2005 to assess how uninsured rates and sources of coverage have changed since SCHIP was enacted.\* We also discuss the characteristics of the rural uninsured and the implications for health insurance reform. Rural is defined as living in a non-metropolitan county, as designated by the Office of Management and Budget (OMB). All presented results are statistically significant at  $p \leq .05$ .

### Changes in Insurance Coverage: 1997- 2005

Between 1997 and 2005, public health insurance coverage rates doubled among rural children, rising from 20% to nearly 40% (Figure 1). Although private coverage of children during this same period declined in both rural and urban areas, the rural change was slightly smaller. The result of these changes was a dramatic decline in uninsured rates among rural children (from 20% to 9%). While urban children also saw a reduction in uninsurance, it was much more modest (from 15% to 11%). Rural gains in coverage were so pronounced that, as of 2005, rural children were at lower risk of being uninsured than their urban counterparts.

Although SCHIP was designed to improve insurance access for children, some states used the program's flexibility to expand coverage to parents as well.

\*NOTE: To confirm the results presented in this brief, the authors also compared coverage rates using the 1998 and 2007 Current Population Survey (CPS). Although the point estimates of coverage vary somewhat in CPS, the central findings on rural-urban shifts in coverage are the same.

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### Fast Facts

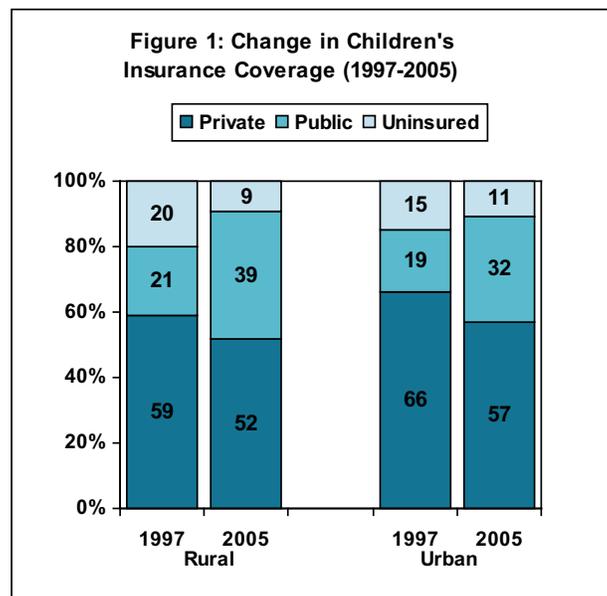
- Between 1997 and 2005, the uninsured rate among rural children declined more dramatically than among urban children, following increases in public health insurance.
- Public health insurance growth among rural adults was much more modest and uninsured rates remained the same.
- Nearly 60% of the rural uninsured have family incomes below 200% of the federal poverty level suggesting the potential for expanding public coverage.
- For those with higher incomes, policy strategies to strengthen private coverage will need to account for the unique employment and insurance market characteristics of rural areas.

### Authors

Erika Ziller, MS  
Andrew Coburn, PhD

For more information about this study, contact Erika Ziller at (207) 780-4615 or eziller@usm.maine.edu

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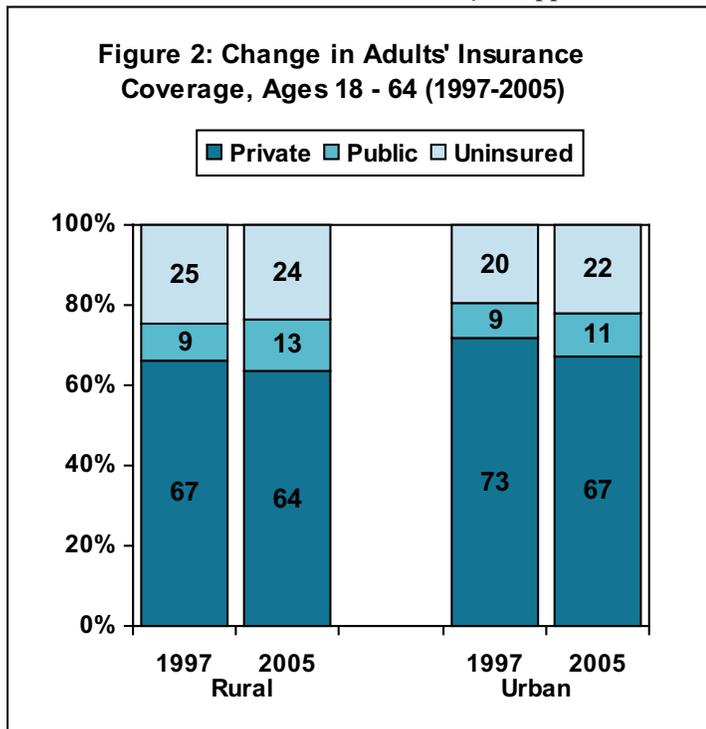


Source: Medical Expenditure Panel Survey (MEPS) Note: Public coverage includes Medicaid, SCHIP, Medicare and TRICARE. Totals may not equal 100% due to rounding.



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This does not appear to have been widespread enough to reduce rates of uninsurance among adults aged 18-64. Rural uninsured rates among adults remained essentially unchanged from 1997-2005 at about one-fourth of all adults (Figure 2). Although public coverage among rural adults increased, these gains were offset by declines in private coverage. The uninsured rate among urban adults increased slightly, reflecting a larger erosion of private coverage in urban areas. The gap between rural and urban coverage rates among adults diminished as a result, but did not entirely disappear.



Source: Medical Expenditure Panel Survey (MEPS) Note: Public coverage includes Medicaid, SCHIP, Medicare and TRICARE. Totals may not equal 100% due to rounding.

### Characteristics of the Rural Uninsured

The rural uninsured differ from their urban counterparts in ways that may make further public insurance expansions a potentially effective tool for increasing rural coverage rates. Most importantly, uninsured rural residents tend to have a weaker connection to the formal job market than the urban uninsured. For example, rural residents are more likely to live in families without any full-time workers and/or to be self-employed.<sup>3</sup> They also tend to have lower family incomes than those in urban areas: 57% of uninsured rural residents have income below 200% of the FPL versus 50% for urban.<sup>3</sup> Incomes are even lower among rural uninsured living in more remote rural areas (counties that do not abut an urban county). In rural families where someone is uninsured, the family is more likely than an urban family to have someone covered by public insurance.<sup>4</sup>

### Policy Implications

The weaker rural employment connections, and the larger proportion of small employers, means that efforts to increase employer-based insurance may be less effective in expanding rural coverage than other strategies. Most proposed or enacted employer-based reforms have recognized the issues of small business coverage and have excluded firms below a certain size (e.g., COBRA and employer mandates). Given the lower incomes of uninsured rural residents, reforms aimed at increasing private, individual coverage may also prove more problematic in rural areas. Rural residents may be less likely to buy voluntary plans, and more likely to face financial hardship under a mandatory program.

Although rural residents have seen gains in public coverage since 1997 (indicating that they are willing to take up public insurance when eligible), the fact that nearly 60% of the rural uninsured have incomes below 200% FPL level suggests room for expansion. And, as noted earlier, nearly half of rural families with an uninsured member also have a member with public health insurance<sup>4</sup> so public options could build upon coverage with which a family is already familiar, such as a spousal buy-in to Medicare or SCHIP coverage of parents. The newly passed Children's Health Insurance Program Reauthorization Act (CHIPRA) increases resources to cover children, and offers incentives for outreach and enrollment, providing an opportunity to reduce rural children's uninsurance even further. However, CHIPRA offers states much less incentive to cover adults because, after FY 2011, they will no longer receive the enhanced SCHIP match to cover parents.

While many uninsured rural Americans have incomes below 200% FPL, strengthening private coverage is an option for the other 40%. To be effective in expanding private insurance among the rural uninsured, however, reforms must include strategies to increase health plan affordability, access, and ease of enrollment. Because rural residents are at greater risk of being "underinsured,"<sup>5</sup> effort should also be made to ensure that available plans have benefit designs that meet their healthcare needs at an out-of-pocket cost commensurate with income. Options could include public subsidies (including tax credits), standardized benefit plans, and health insurance purchasing exchanges.

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