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Research & Policy Brief

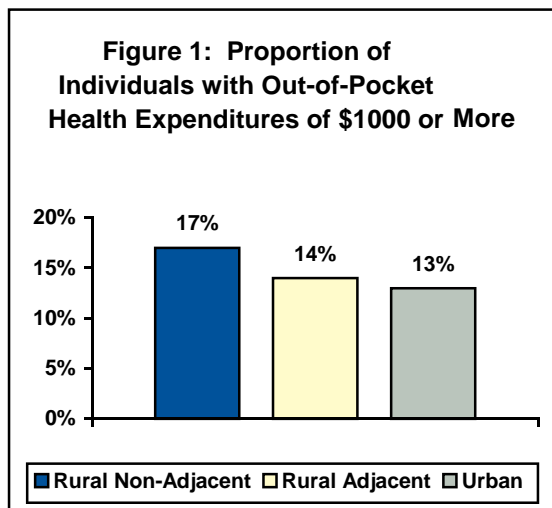
Rural Residents More Likely to Be Underinsured

Overview

Multiple studies have demonstrated that rural residents, particularly those living far from urban areas, have high uninsured rates. However, even those with private health insurance coverage can be at risk of having high out-of-pocket health care costs. Understanding the degree to which rural residents are “underinsured” has important implications for rural health policy and practice. This brief compares underinsured rates for urban residents with rural residents who live near urban areas (adjacent) and removed from urban areas (non-adjacent).

Rural Residents Face Higher Out-of-Pocket Costs for Health Care

More than one in six privately insured rural non-adjacent residents (17%) spends \$1000 or more on out-of-pocket health care costs. The average amount spent per year by someone living in a rural non-adjacent area is \$618, compared to \$512 for urban residents.

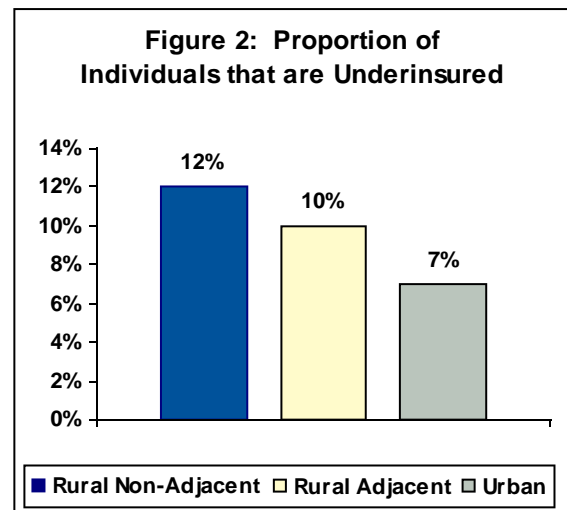


Source: 2001-2002 Medical Expenditure Panel Survey

These rural-urban differences in out-of-pocket costs are not just the result of greater health care use. On average, rural and urban residents have the same number of office and emergency room visits, and hospital stays.

Underinsured Rates Highest in More Remote Rural Areas

Individuals living in rural counties not adjacent to an urban area are almost twice as likely as urban residents to be underinsured (12% versus 7%).



Source: 2001-2002 Medical Expenditure Panel Survey

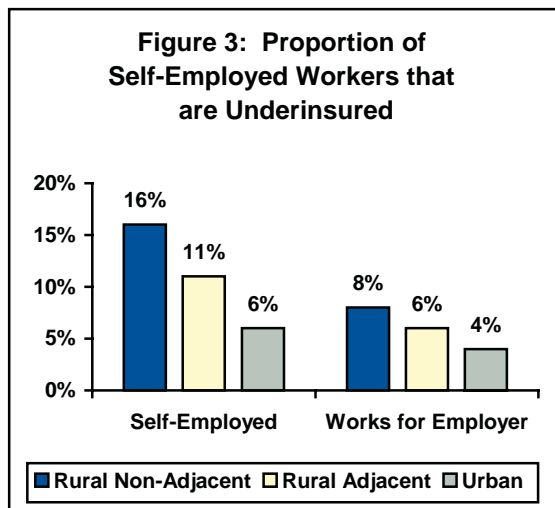
Following the example of prior research, this study defines “underinsured” based on the proportion of family income spent on health care. Anyone with private health insurance whose household medical expenses are 10% or more of family income is considered underinsured. Also, those in poor and near-poor families (< 200% of poverty) are classified as underinsured if their household spends more than 5% of total income on medical care.

Health Status Related to Underinsurance

Being in fair or poor health, or having a chronic health condition, is strongly associated with being underinsured. Compared to those in better health, individuals that rate their health as fair or poor are almost three times as likely to be underinsured (19% versus 7%). While this is true regardless of residence, rural non-adjacent residents in poorer health have the highest underinsured rate (33%).

Self-Employed Workers Have Higher Underinsured Rates

Compared to those that work for an employer, the self-employed are more likely to be underinsured (7% versus 5%, total). This difference is much more dramatic for rural residents, particularly those living in areas not adjacent to an urban county. Sixteen percent of self-employed workers in rural non-adjacent areas are underinsured, compared to 6% of urban self-employed and 8% of non-adjacent employees

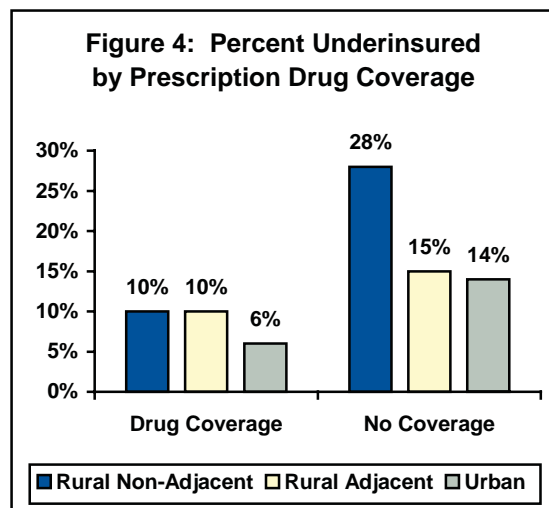


Source: 2001-2002 Medical Expenditure Panel Survey

Lack of Prescription Drug Coverage a Factor in Being Underinsured

Individuals across all residence types are more likely to be underinsured if their private health insurance does not cover prescription drugs. While lack of drug coverage leads to higher underinsured rates for all privately insured individuals, the difference is most pronounced for rural non-adjacent residents.

Among those with drug coverage, 10% of rural residents are underinsured compared to 6% of urban residents. However, more than one in four rural adjacent residents without drug coverage is underinsured (28%). This suggests that paying for medications is a substantial drain on rural family resources when their health plans lack prescription drug coverage.



Source: 2001-2002 Medical Expenditure Panel Survey

Policy Implications

As health care costs continue to climb, more employers plan to offer their workers health insurance with greater cost-sharing for care. Thus, it is likely that the number of underinsured individuals will increase. Given the average lower incomes of rural residents, it is critical that rural health researchers and policymakers monitor the impact of changes in the private health insurance market on those living in rural areas.

The elevated risk of being underinsured among rural residents has implications not only for patients but for providers. Given the higher proportion of underinsured in rural areas, rural providers have yet another financial hurdle to overcome—even when their patients have private health insurance. Research is needed to measure how being underinsured affects rural residents' access to care and rural providers' solvency.

Additional Information

This brief is based on the report *Out-of-Pocket Health Care Spending and the Rural Underinsured* by Erika Ziller, Andrew Coburn and Anush Yousefian.

Copies of the full report are available at <http://muskie.usm.maine.edu/Publications/rural/wp33.pdf>

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