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Many Rural and Urban Workers Lose Health Insurance during Job Transitions

Introduction

Numerous studies have found that rural residents are more likely to be uninsured than urban residents, in part because rural workers are more likely to be employed by a small business or have low wages and thus have more limited access to employer coverage.¹⁻⁵ Yet, our knowledge about how coverage changes with employment transitions is limited. Prior research indicates that loss of a job puts workers at greater risk of becoming uninsured,⁶ and there is some evidence that this risk is even greater for rural workers.⁷

In the past 20 years, much of the federal-level policy attention related to health insurance coverage (e.g. the Consolidated Omnibus Budget Reconciliation Act and the Health Insurance Portability and Accountability Act) has emphasized ensuring continuity of coverage for individuals that experience an employment transition. However, these key policy interventions do not apply to smaller employers that are the backbone of rural economies. Thus, rural workers may be more likely than urban workers to experience disruptions in health insurance coverage following an employment transition.

The purpose of this study was to explore the impact of changes in employment status on insurance coverage for rural and urban workers, and the factors behind any differences. The Affordable Care Act (ACA) provides a new backdrop against which to consider the issues of job change, job loss, health insurance portability and coverage of rural residents. Our findings provide important information about the health insurance coverage challenges that rural workers may face, and may help to identify potential challenges and opportunities for implementing ACA in rural areas.

Methods

Using data from the 2004, 2005 and 2006 Medical Expenditure Panel Survey (MEPS), we coded three types of employment transitions between MEPS interviews (no employment transition, transition to new job, and transition to no job) and compared the type of employment transitions experienced by rural and urban workers, and the association between type of employment transition and post-transition health insurance status. We defined “rural workers” as those living outside of a Metropolitan Statistical Area (MSA). All statistical tests were calculated in SAS with survey procedures to account for the MEPS sample design and yield valid standard errors for the weighted data.

Findings

Changes in employment greatly increase the risk of becoming uninsured for U.S. workers, regardless of residence. Workers that experience an employment transition are much more likely than stably employed workers to lose employer-sponsored health insurance coverage and become uninsured. As seen in Figure 1, while only 1% of those with employer-based coverage become uninsured if they stay in the same job, more than half (51%) of those that stop working are uninsured, and this does not vary based on residence.

There are some significant differences between rural and urban workers who change jobs; although the uninsured rate is higher among rural workers who change jobs (37 versus

Fast Facts

- Rural and urban workers who change jobs or stop working are at high risk of losing their health insurance.
- While there is no rural-urban difference in uninsured rates among those that stop working, rural workers that change jobs are more likely to lose coverage than are urban workers.
- Workers with private health insurance, particularly those in rural areas, are the least likely to have a job transition.
- Depending on how they are implemented, reforms to improve access to employer-based coverage and increase the portability of health insurance may be particularly beneficial to rural workers.

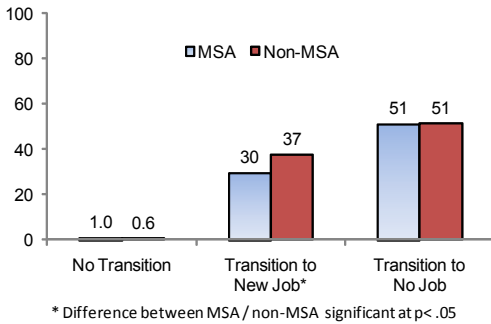
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30%), this difference is largely attributable to the employment and demographic characteristics of rural workers. Once we control for the risk factors associated with being uninsured (working for a small employer, living in the South, and being poor, less educated, or Hispanic), the rural/urban difference in the association between changing jobs and being uninsured loses significance.

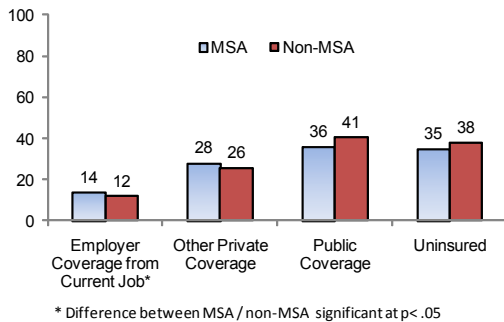
Figure 1. Percent Uninsured after an Employment Transition: All Adult Workers Age 18 – 64 with Employer Coverage at First Interview



Data Source: 2004- 2006 Medical Expenditure Panel Survey

Privately insured rural workers are somewhat less likely than urban workers to have an employment transition, although this relationship disappears when we control for age and marital status. (Figure 2) While this could be interpreted as meaning that rural workers are more likely to remain in jobs they do not prefer for fear of losing health insurance, the rural effect appears to be explained by the fact that rural workers tend to be older and are more likely to be married, both of which are positively associated with staying in the same job in our models.

Figure 2. Percent of Workers with Any Job Transition by Type of Insurance Coverage at First Interview



Data Source: 2004- 2006 Medical Expenditure Panel Survey

Discussion

Regardless of residence, the loss of employment or changing jobs increases the risk of becoming uninsured, an issue undoubtedly exacerbated by the recent financial crisis, which began after the last year of our analyses (2006). On the employment side, estimates suggest that the rural unemployment rate essentially doubled between 2007 and 2009 (from 5.1% to 9.8%).⁸ The most recent Current Population Survey estimates show that the number of rural uninsured increased by 486,000 (or 6.7%) over the same period, and the rural uninsured rate increased from 15 to 16%.⁹ While public programs appear to have moderated

the increase in uninsured rates that could have resulted, these estimates suggest that significant numbers of rural workers have lost employer-based coverage, and even more may do so until the economy recovers.

The ACA includes provisions to increase employer-based offerings such as small-business tax credits, as well as opportunities for individuals without access to health insurance through an employer to gain coverage. Expanding public coverage, increasing the accessibility and transparency of individual insurance plans through health insurance exchanges (HIEs), and subsidizing individual coverage are strategies that may be particularly important for rural residents. In addition to expanding coverage for workers in their current jobs, the ACA may improve employment mobility for rural workers and decrease the risk of becoming uninsured following an employment transition.

While the ACA holds opportunities for expanding rural insurance coverage, the details of implementation and their effect of rural and urban participation remain uncertain. For example, while HIEs may increase insurance offerings to small employers and individuals, HIE plans will continue to be allowed to vary their premiums by geography. Additionally, we don't know whether there are rural-urban differences in how individuals and businesses will respond to subsidies and incentives and thus cannot conclude whether "take-up" rates will be the same. Finally, the extent to which ACA reforms can create stable coverage for rural residents will depend, in part, upon how seamlessly transitions can be made between different coverage sources such as Exchange plans and Medicaid.

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