

## Employer-based Health Insurance Coverage of Workers: Are Rural Firms and Workers Different?

Prior research indicates that rural workers are less likely to obtain health insurance coverage through their employer. The reasons for this rural-urban differential in coverage rates are not well understood, however. Differences in coverage rates may stem from differences in the proportion of workers offered the chance to participate in an employer plan or in the proportion of workers who enroll in an offered plan. Knowing whether rural firms and employees are fundamentally different than their urban counterparts is important to guide policy interventions aimed at increasing access to health insurance coverage.

This study uses data from the 1993 Robert Wood Johnson Foundation Employer Health Insurance Survey to measure differences in the proportion of rural and urban workers who are offered insurance coverage through their employer and in their rates of participation in offered plans, and to assess the effects of firm size, wages, and other factors in explaining the residential differences. Study findings confirm the results of prior research indicating that the probability of a rural worker being covered by an employer-sponsored plan is lower than of an urban worker. This difference is the product of a 10 percent difference in the probability of an employee being offered coverage and a 4 percent difference in the probability of a worker enrolling, if offered a plan. The shortfall in the probability of employer-based coverage is eliminated, however, when we adjust rural firm size and wages to urban levels, indicating that the smaller average firm size and lower wages found in rural areas are primarily responsible for the observed differential.

These findings suggest that rural workers and their employers do not face coverage barriers unique to rural areas, possibly driven by factors such as informational barriers, distinct business cultures, or delivery system differences in the availability of free care. Such findings might have suggested the need for policy interventions specific to rural

environments. It appears that policy solutions fitting urban America are likely to work in rural America as well. In particular, policies that target the special problems and barriers that small firms and their employees face in obtaining and affording health insurance—including small group reform, health insurance purchasing cooperatives, and tax credit or subsidy programs—are especially relevant to rural firms and workers.

In addition to the lower coverage rates among rural workers, the bad news in these findings is that the factors affecting these low coverage rates—firm size and wage levels—are not easily amenable to policy solution. To date, policy efforts and demonstrations have not been effective in expanding coverage rates in the small business market. Although states and private sector groups continue to pursue group purchasing strategies for making health insurance more affordable for small firms, few of these initiatives have targeted rural firms. Recent reports on state and federal reform of the small group and individual insurance markets suggest that these policies are not likely to expand coverage among workers in small firms. The recently passed and soon to be implemented Child Health Insurance Program (CHIP), will extend health insurance coverage for lower income families whose employers do not offer coverage or who cannot afford to purchase the coverage that is extended to them. Monitoring the effects of these expansions on insurance coverage rates in rural areas will be important to determine whether and to what extent CHIP can reduce the significant disadvantage that rural workers in small firms and their families face in obtaining employer-based health insurance coverage.

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This study was funded by a grant from the Federal Office of Rural Health Policy, Health Resources and Services Administration, DHHS (Cooperative Agreement #CSUR00003-02-0). The survey on which the study is based was funded by a grant from the Robert Wood Johnson Foundation to RAND. The conclusions and opinions expressed in the paper are the authors' and no endorsement by the University of Southern Maine, RAND, or the funding source is intended or should be inferred. Working Paper # 13, *Employer-based Health Insurance Coverage of Workers: Are Rural Firms and Workers Different?* describes the policy and research background, methods and findings in depth, and is available from the Maine Rural Health Research Center.