

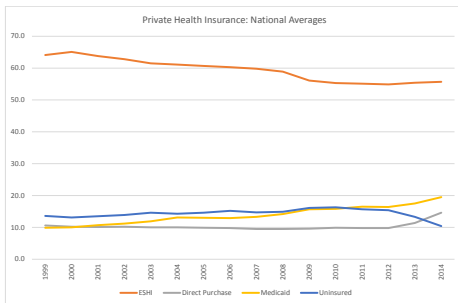
# Labor Intensive Farm Businesses and the Health Care Reform

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# Health Care Reform

- The Affordable Care Act (ACA) aims to increase the accessibility and affordability of health insurance coverage
  - ▶ Employer mandate
  - ▶ Individual mandate
  - ▶ Medicaid expansion - *selected states*



# Agricultural Industry

- 38% workers in the Agriculture, Forestry, Fishing and Hunting industry compared to 67% on an average, in other industries had coverage through own employer based HI (Current Population Survey, 1983-2013)
- 52% workers in the Agriculture, Forestry, Fishing and Hunting industry compared to 81% on an average, in other industries had coverage through own or spouse's employer based HI (Current Population Survey, 1983-2013)
- However, the take-up rates are similar across agricultural industry and other industries where ESHI offer rates are higher (National Compensation Survey, 2010-2015)
- While ESHI remains a common source of insurance coverage for farm families, it is mainly through off-farm employment (Ahearn et al., 2015)

## Why are ESHI Rates Low in Agricultural Industry?

- 97.4% firms in the Agriculture, Forestry, Fishing and Hunting industry hire less than 50 employees; 56% of all ag workers are employed in these firms (Statistics of U.S. Businesses, 2012)
- Small firms lack bargaining power with insurance companies
- Presence of seasonal workers
- Farm businesses are likely to provide other types of non-pecuniary benefits, such as better work conditions and housing to migrant workers

## Without Regulation

- Firm offers insurance if the profit it can earn by providing benefits outweighs the profit it can earn by not doing so (Jensen and Gabel, 1992; Goldstein and Pauly, 1976)
- Workers:
  - ▶ Homogenous in terms of skill but may differ in terms of preferences over wage-insurance bundles
  - ▶ Their utility depends on after-tax wages and insurance coverage
- Firms:
  - ▶ Can offer insurance for compensation, in addition to wages
  - ▶ When insurance is offered, quantity of insurance and conditions of coverage are equal for all workers within a firm
  - ▶ Insurance benefits may improve worker productivity in some firms
  - ▶ Total cost of offering benefits vary across firms, and depends on
    - ★ Premium cost
    - ★ Economies of scale in group purchasing
    - ★ Transaction costs that may be firm-specific

## Without Regulation: Outcome

- Equilibrium in a competitive labor market requires
  - ▶ Each worker maximizes utility
  - ▶ Each firm maximizes profit given its production technology and each worker's utility

# With Regulation

- Regulation affects the firm's choice in three ways (Jensen and Gabel, 1992)
  - ▶ R1: Minimum coverage requirement
  - ▶ R2: Increase transaction costs
  - ▶ R3: Increase the marginal cost of insurance coverage
- Firms' responses vary with type of regulation
  - ▶ R2 is likely to lower the intercept of the isoprofit curve
  - ▶ R3 is likely to make the isoprofit curve steeper
  - ▶ R1's effect is less clear

# Survey of Agricultural Employers in Washington State

## ● Purpose

- ▶ How well do agricultural operators understand which businesses are subject to the employer mandate?
- ▶ How will farm businesses respond to the employer mandate?
- ▶ Survey was conducted in mid 2014, before the employer mandate took effect

## ● Sample and Design

- ▶ Sample was developed from a comprehensive list of producers and processors of labor intensive crops, including apples, grapes and potatoes
- ▶ Out of 1003 employers who were contacted, 947 were eligible to participate
- ▶ 216 completed the survey, 30 were sole-proprietors
- ▶ All employment and health insurance related statistics are based on the responses from the remaining 186 employers
- ▶ Mixed model mail and online survey was used following the Total Design protocol (Dillman et al., 2014)



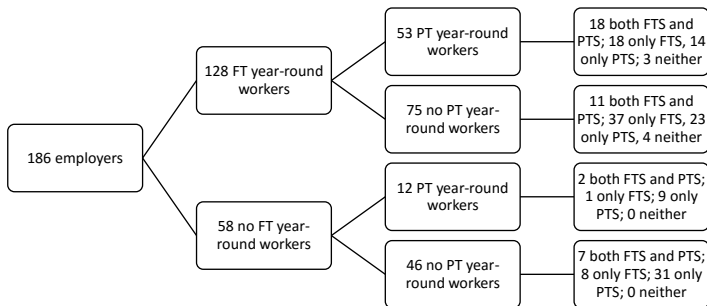
# Labor Demand and ESHI

- Current Practices
  - ▶ Average number and type of employees hired in the previous five years
    - ★ Employees were classified as full-time year-round, part-time year-round, full-time seasonal, part-time seasonal
  - ▶ Current provision of ESHI to each type of employee
    - ★ Why do they or don't they offer ESHI
- Future Plans
  - ▶ Would they continue to offer or begin offering health insurance
  - ▶ For each type of employee, would they expand or reduce the number of employees who receive health insurance
  - ▶ Would they shop for new insurance carriers
  - ▶ Would they increase or decrease employee's share of the premium cost
  - ▶ What actions have they taken already specifically due to the ACA

## Current Labor

- 31% didn't hire any full-time year-round workers
- Of those who hired full-time year-round workers, 41% also hired part-time year-round workers
- Of those who hired full-time year-round workers, 94.5% also hired full-time or part-time seasonal workers
- Of those who didn't hire any full-time year-round workers, all hired full-time or part-time seasonal workers, and 21% also hired part-time year round workers

# Distribution of Labor



## Average Number of Workers

Type of worker	Average	SD
Full-time, year-round	48.09	213.69
Part-time, year-round	8.17	17.80
Full-time, seasonal	182.63	907.24
Part-time, seasonal	79.15	388.99

## Length of Employment of Seasonal Workers

Length	Percent
Less than 2 months	35.2
2-4 months	32.9
4-6 months	19.6
6 months or more	12.3

# Current ESHI Practices

Type of worker	Percent offered by	
	Small employer	Large employer
Full-time, year-round	35.42 (n=34 of 96)	82.61 (n=19 of 23)
Part-time, year-round	28.30 (n=15 of 53)	83.33 (n=5 of 6)
Full-time, seasonal	22.97 (n=17 of 74)	80.00 (n=16 of 20)
Part-time, seasonal	15.22 (n=14 of 92)	71.43 (n=5 of 7)

# Why Offer ESHI

- Top 3 reasons
  - ▶ Increased loyalty and decreased turnover
  - ▶ Helpful in recruitment
    - ★ Competitors might offer ESHI
    - ★ Employees demanded or expected health benefits
  - ▶ Reduced absenteeism due to health reasons

# Why Not Offering ESHI

- Top 3 reasons
  - ▶ High cost of health insurance premiums
  - ▶ Use of mainly part-time or temporary workers
  - ▶ Small size of operation
  - ▶ 46% employers cited lack of interest in health benefits among employees



# Expectations

- 96% employers who did not offer ESHI did not plan to start offering health benefits
- 67% employers who offered ESHI planned to continue to do so
- 54% employers who offered ESHI did not plan to change the number of employees covered by ESHI
- 40% indicated they would expand the provision to a greater number of employees
- 39% reported they expect employees' share of premiums to increase

## Other Views

- Impact on their businesses
  - ▶ 71% - bad for their businesses
  - ▶ 21% - no impact on their businesses
  - ▶ 8% - good for their businesses
- Quality of health care
  - ▶ 54% - reduce quality
  - ▶ 33% - no impact
  - ▶ 13% - improve in quality
- Labor costs
  - ▶ 26% - will increase by at most 10 percent
  - ▶ 23% - will increase by 10-20 percent
  - ▶ 24% - will increase by more than 20 percent
  - ▶ 27% - no change in labor costs
- Challenges
  - ▶ Time-consuming paperwork
  - ▶ Insufficient information regarding implementation of the new law

# Which Businesses are Subject to the Employer Mandate?

- Calculate whether large employer or not
  - ▶ A large employer employs an annual average of at least 50 FT and FTE employees
  - ▶ Annual average is calculated as the total number of FT and FTE employees across all months divided by 12
  - ▶ Full-time worker works for more than 30 hours per week over a given month
  - ▶ FTE are calculated as total hours worked by all those working less than 30 h/wk in a given month and then dividing each month's total by 120
- Exception for seasonal workers
  - ▶ Seasonal employee is hired into a position for which the customary annual employment is six months or less and for which the period of employment begins each calendar year in approximately the same part of the year
  - ▶ If FT + FTE exceeds 50 for less than 120 days and those in excess of 50 are seasonal workers then not subject to employer mandate
  - ▶ Whether a full-time seasonal worker is a FT employee is determined using the 'look-back measurement period'

# Businesses Subject to the Employer Mandate

- 25 out of the 186 employers or 13% were subject to the employer mandate
  - ▶ They all hired full-time year-round workers
  - ▶ Some of them also hired part-time year-round workers and seasonal workers
- Average number of FTE employees
  - ▶ Large employers - 562.1, ranging from 64.2 to 5216.7
  - ▶ Small employers - 10, ranging from 1 to 48.7

# Are the Large Employers Providing Health Insurance?

- 19 out of 23 large employers with full-time year-round employees offered ESHI to full-time workers
  - ▶ 4 did not
  - ▶ 2 unknown
- Firm sizes of the 4 large employers who did not offer ESHI were 64.2, 101.2, 134.7, and 360
  - ▶ Only the latter three will be subject to penalty
  - ▶ The one with 64.2 employees only had 22 full-time employees

# Employers' Perception of Workers' Preferences

- Both groups of employers who offered health benefits and those who did not cited workers' preference as a reason
- Why the different outcomes?
- How important are workers' preferences?

# Rural Workers' Survey and National Surveys

- We are currently collecting data from rural central WA to examine:
  - ▶ Demand for health insurance
  - ▶ Access to and demand for health care
- We will also examine large scale data from two sources to examine:
  - ▶ Differences in the demand for health care in rural and urban areas before and after Medicaid Expansion
    - ★ Compare WA and TX using beneficiary-level data from the Centers of Medicare and Medicaid Services
  - ▶ Distribution of workers according to firm sizes before and after the Affordable Care Act using data from the Current Population Surveys