

Summary of Health Care Costs on Kansas Farm Management Association Farms 2011-2020

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Health insurance costs have been on the rise for much of the last decade and are frequently named by farmers as becoming a burden to their families and operations. With much uncertainty and a high level of variability in agricultural incomes, paying higher health insurance premiums can be difficult for farm families. The following is an analysis of 183 farms in the Kansas Farm Management Association that provided health insurance and medical cost information each year from 2011-2020.

Table 1 displays 2020 Health Insurance costs and Medical Expenses for the 183 families broken down by family status. Figure 1 also displays this information graphically to illustrate the range in health insurance costs. The wide range in costs represents the wide variety in circumstances and types of coverage. These include everything from high deductible (and/or high copayment) plans with lower-level premiums to low deductible (and/or low copayment) plans with higher-level premiums; from insurance through the Health Insurance Marketplace (with or without a premium tax credit) to situations with coverage including an existing health condition and the resulting high premium costs.

The average for an individual under 65 years of age was \$11,603 per year in health insurance premiums and \$3,089 in health care costs. Note the average age for these singles was 60 years, so this group is less representative of younger farmers getting started. For singles that were over 65 years of age, health insurance averaged \$6,845 a year with an additional \$1,382 in medical expenses. It is important to examine the range of expenditures, by comparing the maximum and minimum values. Some individuals paid as little as \$1,876 a year for health insurance and \$228 on medical care expenses, while others paid over \$16,500 on health insurance and over \$5,500 on medical care expenses.

Couples with the principal farm operator less than 65 years of age spent an average of \$14,001 on health insurance in 2020 and \$5,192 on medical expenses. For couples where the principal operator was 65 years of age or more (and likely on Medicare), on average they spent \$11,329 per year for health insurance and \$4,153 in medical expenses. The ranges on health insurance premiums are from \$3,762 to over \$26,000 per year. Similarly, medical care expenses range from \$36 per year to over \$23,000.

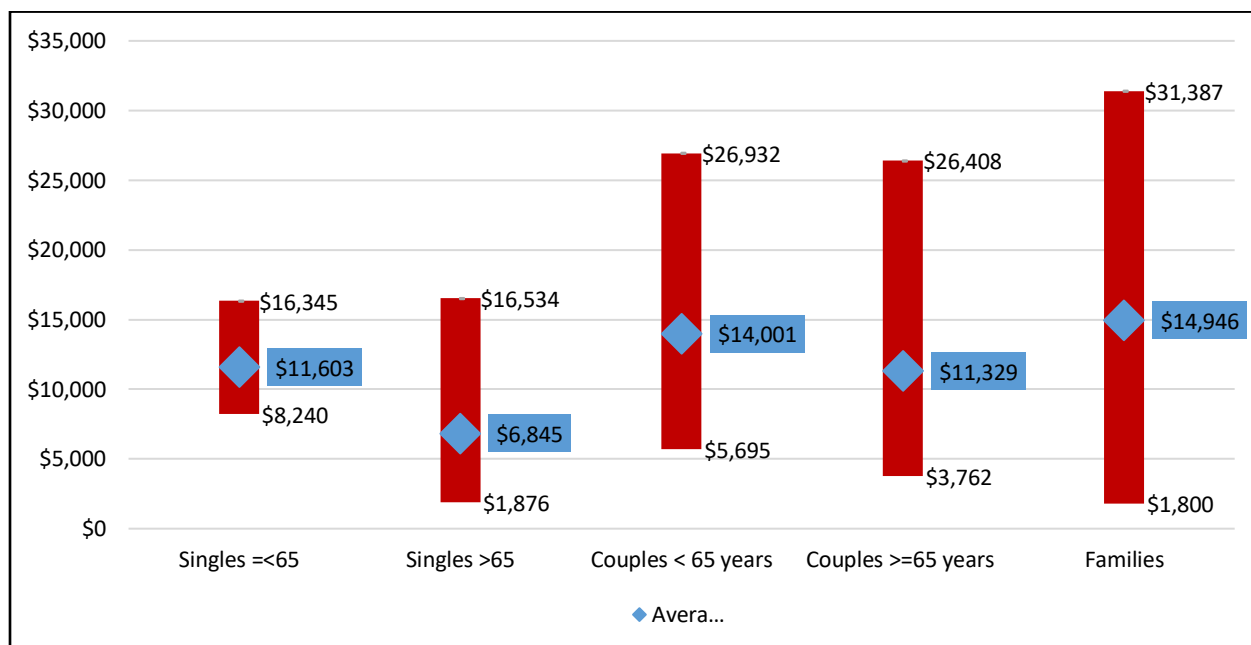
Families, defined as having 3 or more people, paid an average of \$14,946 for health insurance in 2020 with an additional \$5,177 in average medical expenses. The range on what families are paying for health insurance is large, with one family paying as little as \$1,800 a year while another is paying \$31,387.

Note that couples less than 65 years of age and families are paying similar average health insurance and medical expenses in 2020. This is likely due to the average age of couples less than 65 years being 59.1 years, mostly representing farms where children have grown up and are no longer on their parent's health insurance. Families have an average principle operator age of 49.1 years, consequently they may have relatively lower premiums because of their age, even with more individuals on their policy.

Table 1: 2020 Health Insurance and Medical Cost Expenses by Category

Category	Yearly Health Insurance Cost			Yearly Medical Care Expenses			Avg. Oper. Age (years)	
	Count	Average	Minimum	Maximum	Average	Minimum		Maximum
Singles <65	5	\$11,603	\$8,240	\$16,345	\$3,089	\$389	\$5,595	60.0
Singles >65	9	\$6,845	\$1,876	\$16,534	\$1,382	\$228	\$2,022	74.3
Couples < 65 years	42	\$14,001	\$5,695	\$26,932	\$5,192	\$322	\$12,428	59.1
Couples >=65 years	83	\$11,329	\$3,762	\$26,408	\$4,153	\$36	\$23,119	74.0
Families	44	\$14,946	\$1,800	\$31,387	\$5,177	\$31	\$17,545	49.1

Figure 1: Minimum, Maximum, and Average 2020 Health Insurance Expenses by Category



To evaluate the trend in health insurance costs over the last 10 years, Figures 2 through 5 show yearly Health Insurance and Medical Costs for each of four family status categories, with Net Farm Income on the secondary axis for comparison. The same farm/family had to stay within the same category over the complete 10-year period to appear in this analysis. There were not a sufficient number of singles to complete the analysis and some farms that could not be categorized due to changing family status were excluded. The couples are split into an additional group to represent those turning 65 during the 10-year period of the study.

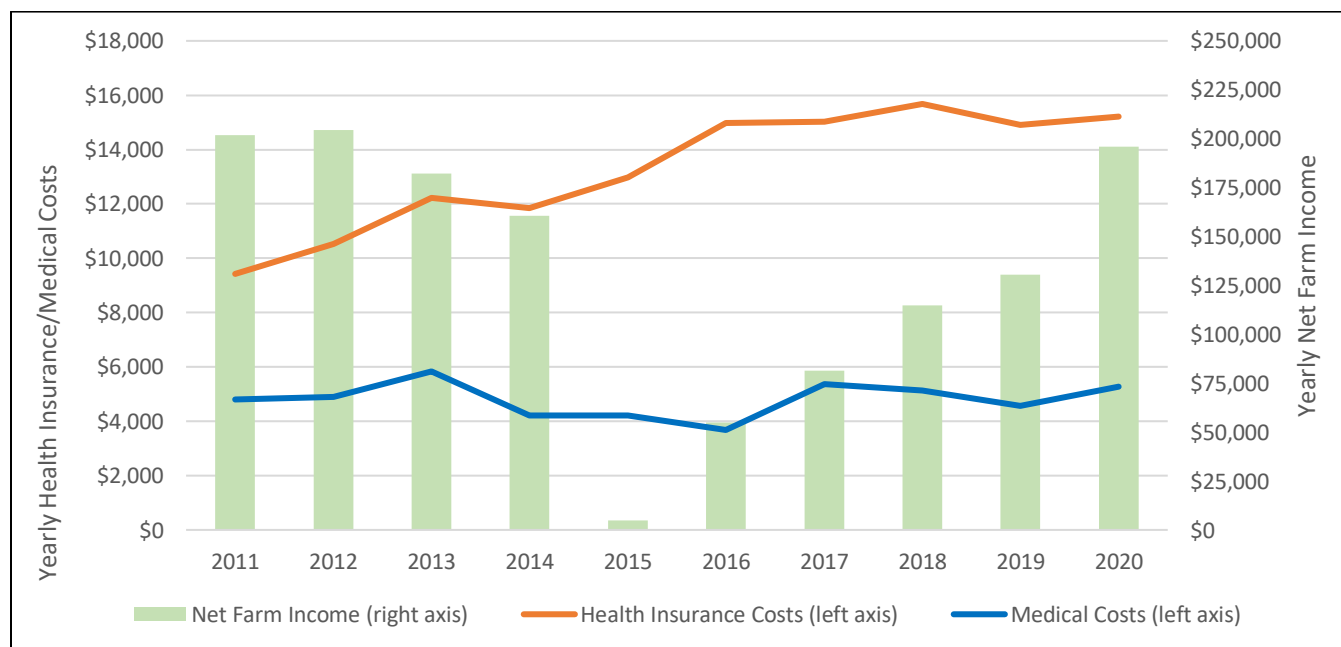
To give some context to policies being implemented in these 10 years, the Affordable Care Act was passed in March of 2010, with many provisions being put in place throughout the following three years. Initially, there was a tax penalty for not carrying insurance which was removed in 2019.

Trends for couples less than 65 years of age are included in Figure 2 and Table 2. Average health insurance cost for this group increased by 61.6% over the last 10 years. The average household went from spending over \$9,400 a year to now over \$15,000. Medical costs have held steadier, between \$4,000 and \$5,000 a year on average, showing a smaller percentage increase in cost over these 10 years. Again, to note, the average age of the principal operator for couples in this category is 60.2 years, showing the category to represent couples with children no longer on their policy and not younger couples that have not yet had children.

Table 2: Trend Analysis for Couples <65 Years of Age (20 observations), Avg. 2020 Operator Age = 60.2 years

Year	Average Health Insurance Costs	% Change from Previous Year	Average Medical Care Costs	% Change from Previous Year	Average Net Farm Income
2011	\$9,423		\$4,807		\$201,966
2012	\$10,522	11.7%	\$4,896	1.9%	\$204,310
2013	\$12,226	16.2%	\$5,834	19.1%	\$182,238
2014	\$11,854	-3.0%	\$4,221	-27.6%	\$160,519
2015	\$12,981	9.5%	\$4,210	-0.2%	\$4,814
2016	\$14,970	15.3%	\$3,678	-12.7%	\$55,017
2017	\$15,032	0.4%	\$5,376	46.2%	\$81,393
2018	\$15,679	4.3%	\$5,137	-4.4%	\$114,776
2019	\$14,906	-4.9%	\$4,568	-11.1%	\$130,389
2020	\$15,224	2.1%	\$5,273	15.4%	\$195,945
Change from 2011-2020	\$5,801	61.6%	\$466	9.7%	-\$6,020

Figure 2: Trend Analysis for Couples <65 Years of Age (20 observations)

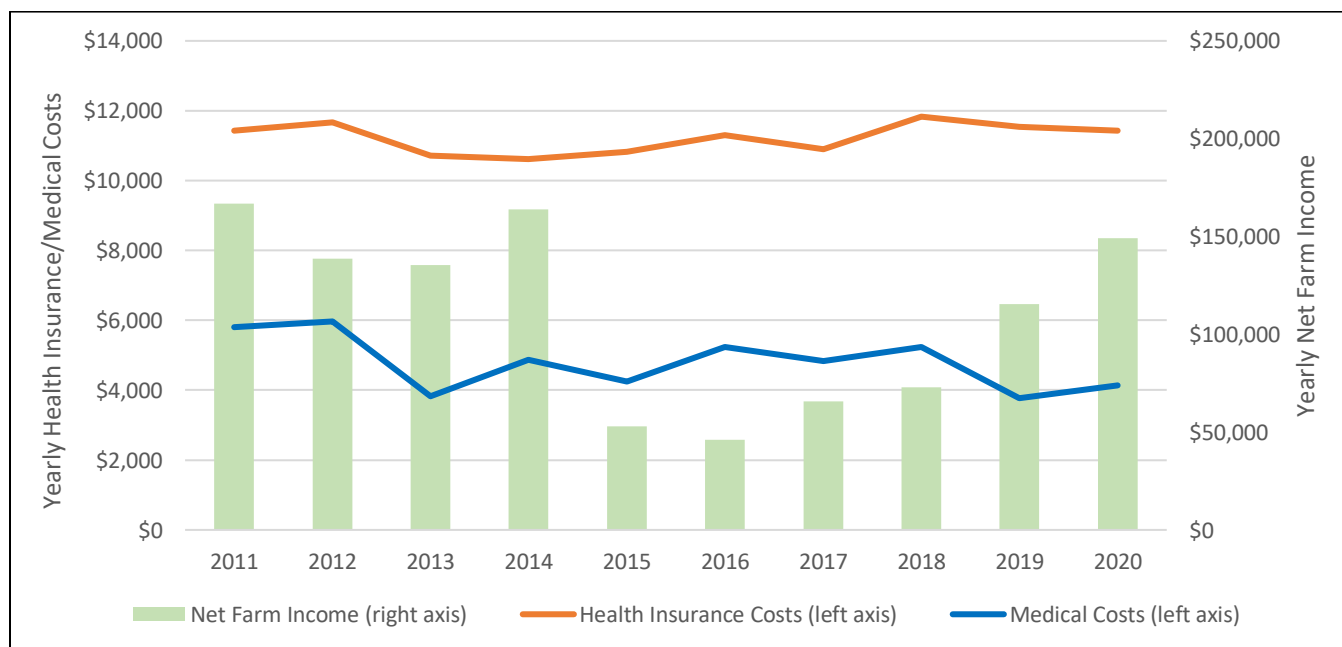


Forty-two couples in the data turned 65 years of age during the 10-year period studied. Interestingly, some couples showed a significant drop in health insurance premiums at that time, while others saw little decrease. This is likely due to spouses starting Medicare in different years than the principal operator and the cost of supplemental policies that couples chose to purchase. Overall, this category saw a stable trend in the cost of health insurance and a decrease in their medical care cost of \$1,666 or 28.7%. While this doesn't seem like much, it's worthy to note this is the only category where health insurance costs are not increasing over these 10 years.

Table 3: Trend Analysis for Couples turning 65 Years of Age (42 observations), Avg. 2020 Operator Age = 70.2 years

Year	Average Health Insurance Costs	% Change from Previous Year	Average Medical Care Costs	% Change from Previous Year	Average Net Farm Income
2011	\$11,433		\$5,802		\$166,852
2012	\$11,670	2.1%	\$5,968	2.9%	\$138,750
2013	\$10,713	-8.2%	\$3,834	-35.8%	\$135,364
2014	\$10,616	-0.9%	\$4,864	26.9%	\$163,753
2015	\$10,833	2.0%	\$4,245	-12.7%	\$52,861
2016	\$11,293	4.2%	\$5,236	23.4%	\$46,225
2017	\$10,907	-3.4%	\$4,837	-7.6%	\$65,542
2018	\$11,831	8.5%	\$5,246	8.4%	\$72,985
2019	\$11,531	-2.5%	\$3,771	-28.1%	\$115,529
2020	\$11,427	-0.9%	\$4,135	9.7%	\$149,123
Change from 2011-2020	-\$6	-0.1%	-\$1,666	-28.7%	-\$17,728

Figure 3: Trend Analysis for Couples turning 65 Years of Age (42 observations)

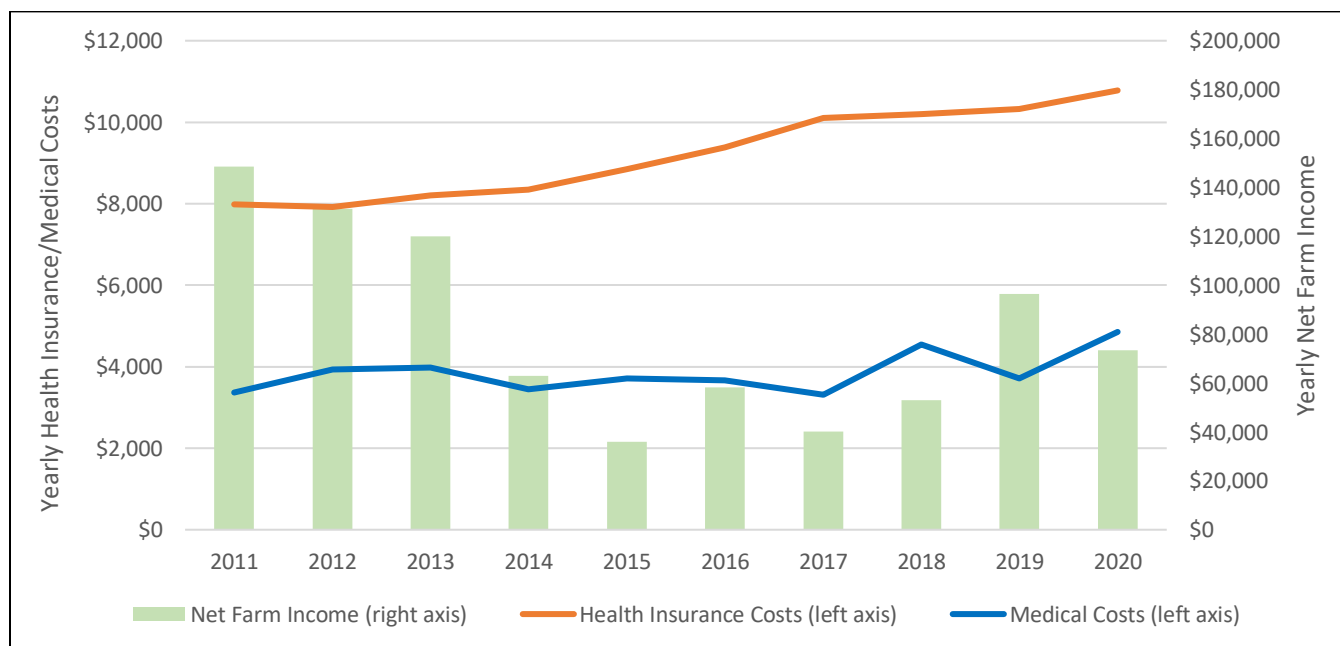


For couples that were over 65 years of age, and most likely on Medicare, there was an overall increase in health insurance costs near \$2,800 or 35%, and an increase in medical care costs of \$1,481 or 44%. Net Farm Income for these couples has been relatively low for the last 7 years, which would make these costs difficult to afford without supplemental income. At an average age of 80 years, most of these couples would be at least semi-retired and receiving social security income.

Table 4: Trend Analysis for Couples >65 Years of Age (29 observations), Avg. 2020 Operator Age = 80.4 years

Year	Average Health Insurance Costs	% Change from Previous Year	Average Medical Care Costs	% Change from Previous Year	Average Net Farm Income
2011	\$7,977		\$3,373		\$148,486
2012	\$7,920	-0.7%	\$3,933	16.6%	\$131,292
2013	\$8,196	3.5%	\$3,983	1.3%	\$119,870
2014	\$8,341	1.8%	\$3,453	-13.3%	\$63,052
2015	\$8,844	6.0%	\$3,711	7.5%	\$35,884
2016	\$9,375	6.0%	\$3,673	-1.0%	\$58,338
2017	\$10,106	7.8%	\$3,312	-9.8%	\$40,223
2018	\$10,206	1.0%	\$4,548	37.3%	\$53,048
2019	\$10,329	1.2%	\$3,716	-18.3%	\$96,311
2020	\$10,780	4.4%	\$4,854	30.6%	\$73,327
Change from 2011-2020	\$2,804	35.1%	\$1,481	43.9%	-\$75,159

Figure 4: Trend Analysis for Couples >65 Years of Age (29 observations)

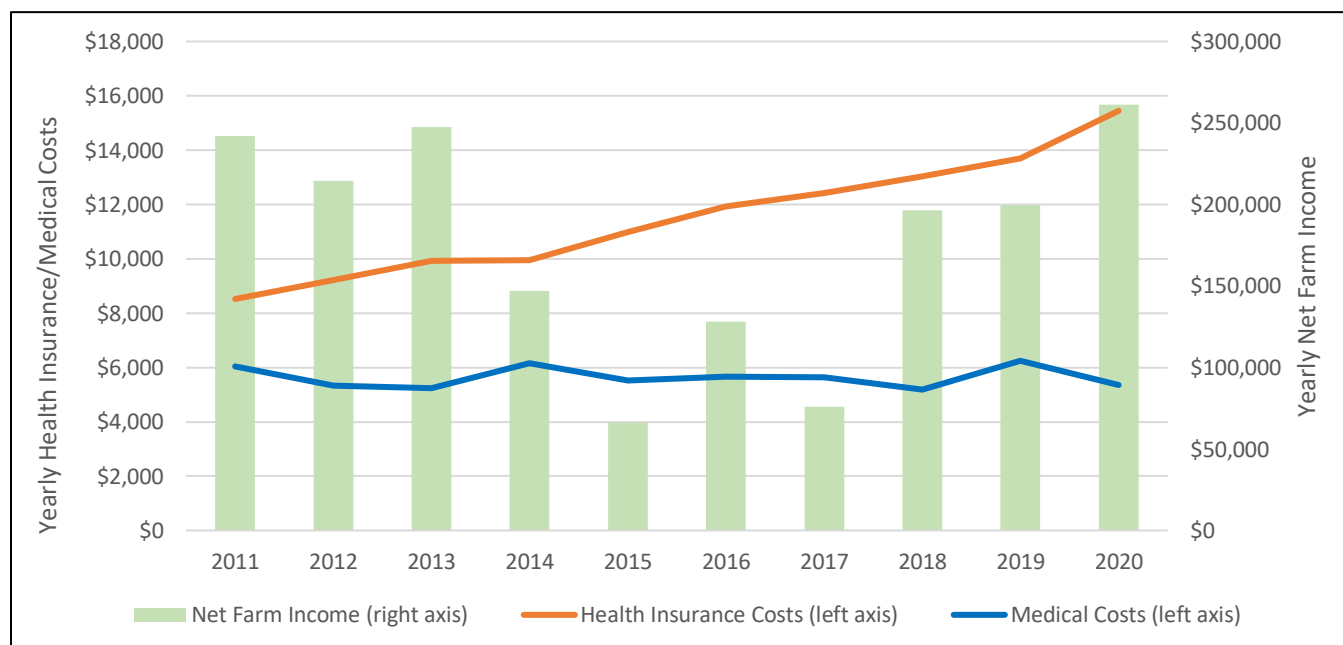


Families have seen a near linear trend in health insurance costs over the last 10 years, going from an average of just over \$8,500 a year to nearly \$15,500 in 2020; an 81% increase. Medical costs have ranged mostly between \$5,500 and \$6,000 a year, remaining fairly flat over this time period. Unlike other categories, families have fared slightly better in Net Farm Income, only seeing relatively low-income years in 2015 and 2017. Net Farm Income for 2020 was a notable high at \$261,045.

Table 5: Trend Analysis for Families (41 observations), Avg. 2020 Operator Age = 49.6 years

Year	Average Health Insurance Costs	% Change from Previous Year	Average Medical Care Costs	% Change from Previous Year	Average Net Farm Income
2011	\$8,521		\$6,040		\$241,863
2012	\$9,226	8.3%	\$5,327	-11.8%	\$214,651
2013	\$9,913	7.4%	\$5,245	-1.5%	\$247,527
2014	\$9,943	0.3%	\$6,160	17.4%	\$147,155
2015	\$10,986	10.5%	\$5,521	-10.4%	\$66,120
2016	\$11,930	8.6%	\$5,658	2.5%	\$128,219
2017	\$12,418	4.1%	\$5,642	-0.3%	\$75,876
2018	\$13,028	4.9%	\$5,185	-8.1%	\$196,476
2019	\$13,689	5.1%	\$6,245	20.4%	\$199,744
2020	\$15,447	12.8%	\$5,344	-14.4%	\$261,045
Change from 2011-2020	\$6,926	81.3%	-\$696	-11.5%	\$19,181

Figure 5: Trend Analysis for Families (41 observations)



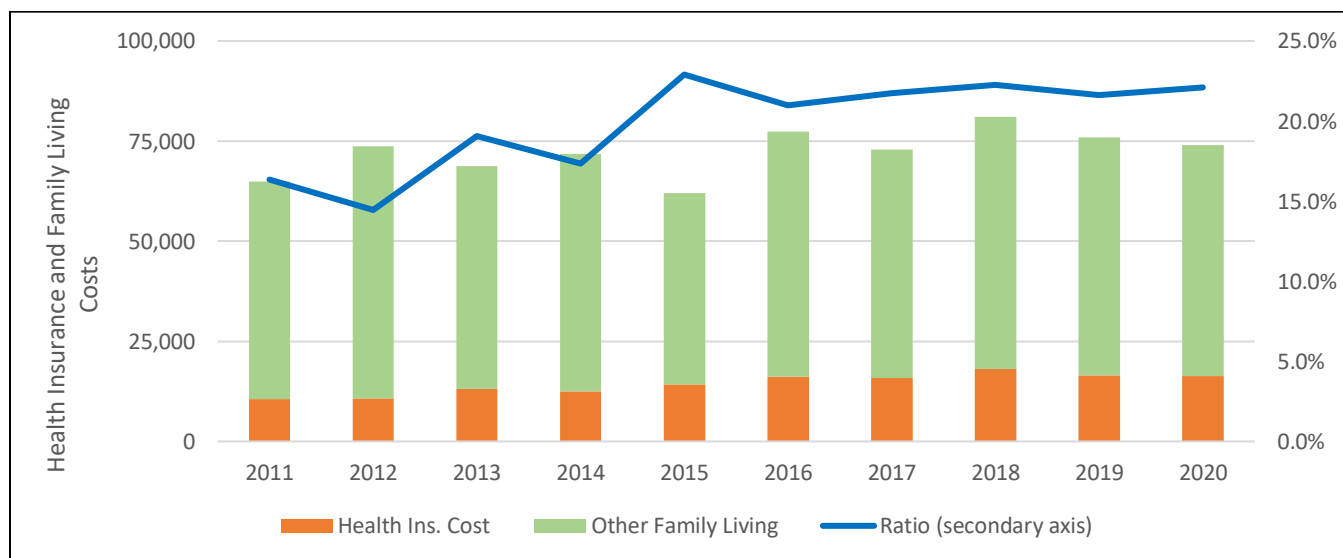
When considering the rise in health insurance costs, how much have other family living costs increased? In the dataset used for this study, nine couples less than 65 years of age, 11 couples over 65 years of age and 18 families also had detailed family living cost records during this 10-year period. Trends in health insurance costs and total family living expenses are shown in Figures 6 through 8. On the secondary axis is the ratio of average health insurance cost to average total family living. Total family living includes items such as medical care, charitable contributions, food, clothing, education, utilities, auto, gifts, recreation, life insurance, health insurance, house upkeep and repairs, interest expenses, and childcare. Income and self-employment taxes paid were not included in total family living costs for these comparisons. Tables 6 through 8 also show these data.

Health insurance costs have increased for couples less than 65 years of age, however total family living has also increased. In 2011 health insurance made up 16.3% of total family living cost at \$10,607 of the \$64,968 total. In 2020, health insurance made up 22.1% of total family living expenses at \$16,348 of the \$74,006 total. Both health insurance and total family living have increased, but health insurance increases have outpaced total family living increases but have been close to 22% of total living expenses each of the last six years.

Table 6: Trends in Health Insurance and Total Family Living Expense for Couples <65 Years of Age (9 observations)

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Health Ins. Cost	\$10,607	\$10,653	\$13,127	\$12,445	\$14,208	\$16,220	\$15,844	\$18,066	\$16,410	\$16,348
Total Family Living	\$64,968	\$73,719	\$68,807	\$71,769	\$62,032	\$77,322	\$72,919	\$81,116	\$75,893	\$74,006
Health Ins./Total Family Living Ratio	16.3%	14.5%	19.1%	17.3%	22.9%	21.0%	21.7%	22.3%	21.6%	22.1%

Figure 6: Trends in Health Insurance and Total Family Living Expense for Couples <65 Years of Age (9 observations)



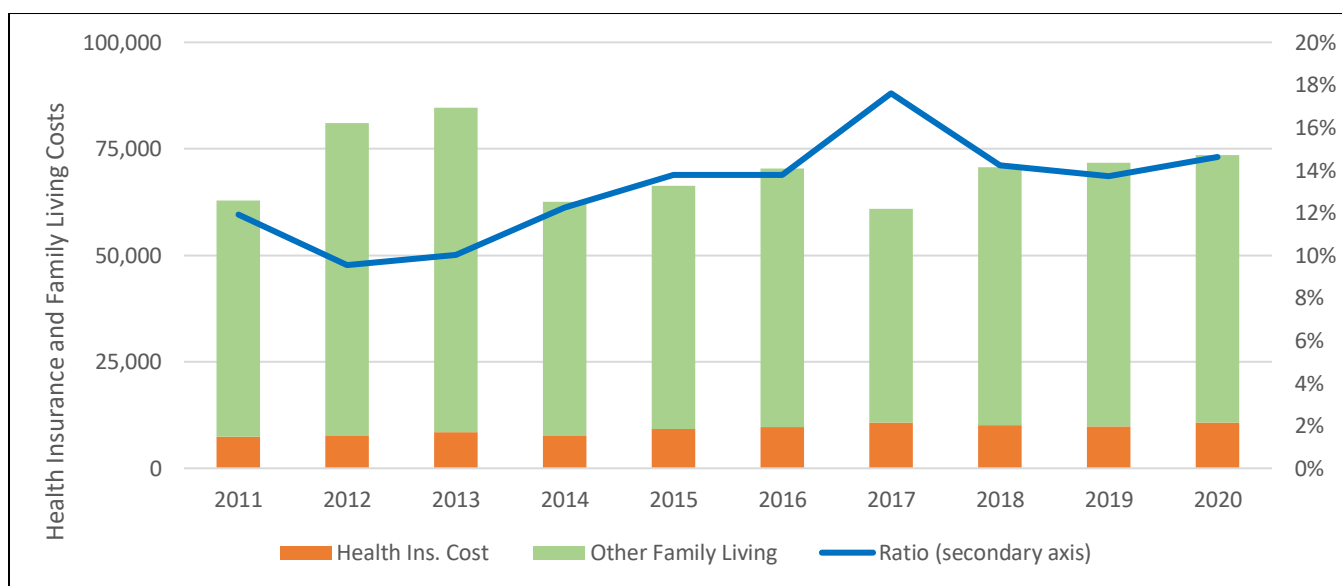
Couples over 65 years of age spend less on health insurance relative to their total family living expenses. They have similar total family living expenses to couples less than 65 years of age, but primarily due to Medicare, have lower health insurance costs. While the ratio of health insurance costs to total family living has increased over

these ten years (going from around 10% in earlier years to 14.6% in 2020), it is heavily influenced by total spending levels. As illustrated by the green bars in Figure 7, large expenditures in family living were made in 2012 and 2013 (after a period of good farm profitability) and have since seen a pullback to more historically “normal” levels. Because of lower net farm income levels, these couples have found ways to decrease some family living categories and reduce overall family living spending from these peak levels, however they have not been able to decrease their health insurance costs on average.

Table 7: Trends in Health Insurance and Total Family Living Expense for Couples >65 Years of Age (11 observations)

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Health Ins. Cost	\$7,476	\$7,738	\$8,487	\$7,674	\$9,153	\$9,694	\$10,720	\$10,072	\$9,856	\$10,752
Total Family Living	\$62,795	\$81,096	\$84,646	\$62,632	\$66,396	\$70,329	\$60,886	\$70,756	\$71,805	\$73,608
Health Ins./Total Family Living Ratio	11.9%	9.5%	10.0%	12.3%	13.8%	13.8%	17.6%	14.2%	13.7%	14.6%

Figure 7: Trends in Health Insurance and Total Family Living Expense for Couples >65 Years of Age (11 observations)

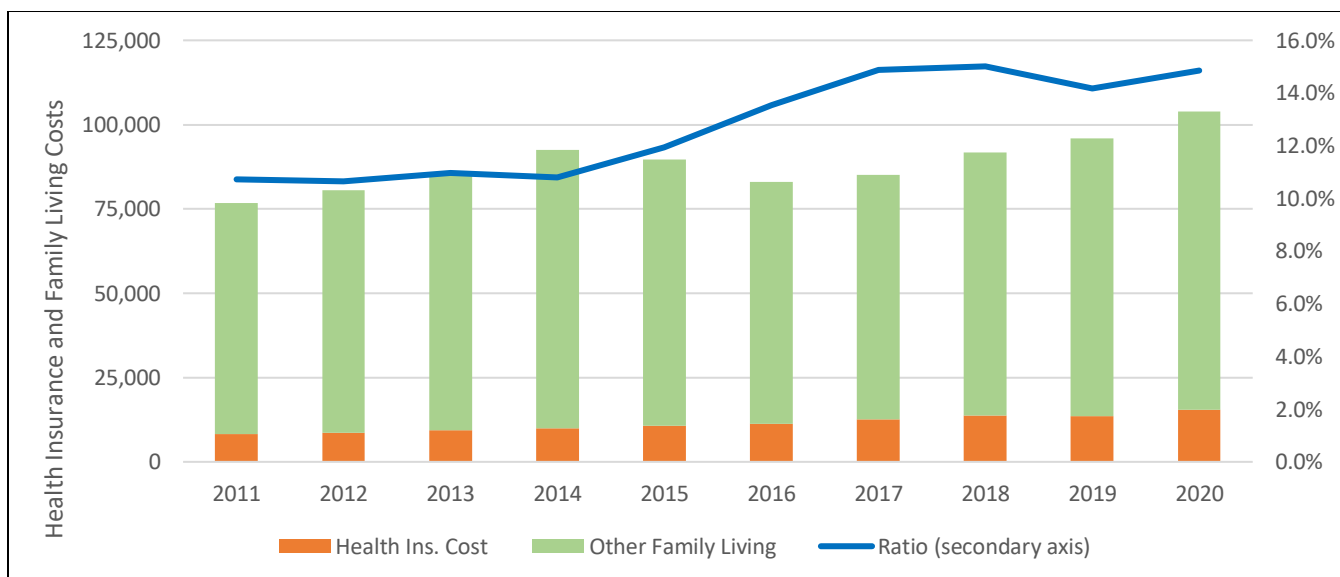


Living expenses for families are naturally higher with more people to support, making health insurance relatively less of the total cost of family living. The ratio of health insurance costs to total family living increased from 10.7% in 2011 to 14.9% in 2020, with most of the increase happening from 2014 through 2017. This is driven by both a rise in health insurance costs and somewhat decreasing to stable total family living expenses in this time. Since 2017 health insurance costs and total family living expenses have increased at similar rates (a little more than 7% increase per year) keeping the ratio of health insurance costs to total family living near 15% during this three-year period.

Table 8: Trends in Health Insurance and Total Family Living Expense for Families (18 observations)

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Health Ins. Cost	\$8,221	\$8,582	\$9,379	\$9,990	\$10,694	\$11,254	\$12,666	\$13,770	\$13,611	\$15,432
Total Family Living	\$76,676	\$80,600	\$85,524	\$92,499	\$89,667	\$83,045	\$85,132	\$91,727	\$95,952	\$103,863
Health Ins./Total Family Living Ratio	10.7%	10.6%	11.0%	10.8%	11.9%	13.6%	14.9%	15.0%	14.2%	14.9%

Figure 8: Trends in Health Insurance and Total Family Living Expense for Families (18 observations)



In summary, health insurance costs have been on the rise over the last 10 years for all farm families except those with principal operators turning 65 years of age (and starting Medicare), however some categories did see lower costs in 2020. Medical care costs for most categories are flat or slightly increasing. The average farm couple under 65 years of age is spending \$14,000-\$16,000 a year on health insurance, which is a 62% increase in the last 10 years and represents 22% of the total family living. The average farm family is spending \$15,000-\$16,000 a year on health insurance which is an 81% increase in the last 10 years and represents near 15% of their total family living. There has been a high level of variability in net farm income during this 10-year period. While 2020 was a profitable year for most of the categories of farm families examined here, uncertainty and rising costs for health care create a strain on farm family finances.

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