



findings brief

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– Stephen Davidson, Boston University

Health Plan Good “Catch” for Fishing Industry

The already large numbers of Americans without health insurance continue to grow as more and more employers respond to high health care costs and a weak economy by cutting back on the coverage they offer their employees. Reformers have focused efforts to reduce their numbers on working people since most of the uninsured are employed. One demonstration program recently targeted people in the fishing industry, who tend to be expensive to insure, in part because health plan administrators and carriers assume that fishing is a risky line of work that will likely lead to the high use of health care services. New research at Boston University, however, finds that individuals enrolled in the Fishing Partnership Health Plan (FPHP) were not more likely to use health care services, or incur greater costs, than people with similar insurance who did not fish for a living.

In fact, the research challenges some of the most common assumptions about why fishing people are uninsured. These include:

- ◆ the notion that high administrative costs limit insurance plans’ willingness to offer products to these workers;
- ◆ the belief that workers won’t buy plans because they do not value health insurance or because the price is too high; and

- ◆ the assumption that workers in the fishing industry are high users of services.

In a research project funded by the Changes in Health Care Financing and Organization (HCFO) initiative, Stephen Davidson, Ph.D., Harriet Davidson, Ph.D., and Michael Shwartz, Ph.D., compared health care utilization rates of FPHP members with those of non-fishing industry individuals who had insurance from the same managed care organization—Tufts Health Plan. They found that, for two of the three years in the study (1999 – 2001), the proportion of FPHP members who visited a primary care physician (PCP) was not statistically different from the proportion of non-FPHP members who saw their PCP.

“Differences in utilization and expenditure rates for individual services, while sometimes statistically significant, followed no discernible pattern,” Davidson says. “Sometimes the FPHP members had higher rates, sometimes Tufts members did, and, in many cases, the differences were not statistically significant.”

Perhaps most important, he continues, insurance type (i.e., whether people were in the FPHP or Tufts) had no effect on spending. Therefore, the researchers concluded that workers in the fishing indus-



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Fishing Partnership Health Plan

Developed through a collaboration among the Massachusetts Fisherman's Partnership, the Caritas Christi Health Care System, and the Tufts Health Plan, the FPHP uses federal and state grants to offer monthly premiums that are up to 46 percent less than comparable group rates in local markets. The U.S. Department of Commerce made a grant of \$1.95 million to the Plan for FY 1998 and a \$1 million grant for FY 1999. The Department subsidizes the FPHP in part because, by regulating fishing, it limits the fishermen's ability to earn and, therefore, their ability to purchase health insurance.

To be eligible, individuals must earn at least half of their income from fishing or from work in a fishing-related industry, such as fish processing or fishing net production. All eligible fishermen in Massachusetts, regardless of prior health status, are accepted into the plan. Subsidized premiums are provided on a sliding scale based on income and family size.

What does it cover?

The FPHP offers a full range of benefits, including:

- ◆ preventive services
- ◆ outpatient medical care
- ◆ inpatient hospital care
- ◆ maternity care
- ◆ emergency care
- ◆ home health and mental care
- ◆ substance abuse services
- ◆ skilled nursing care
- ◆ prescription drugs
- ◆ ambulance services.

The first services covered under the plan were provided in December 1997. By early 1999, the plan included 652 subscribers covering almost 1,300 people. Enrollment in the plan continues to grow, and as of spring 2003 numbered 856 subscribers (1,653 individuals). This marks an increase over the previous year of 10 percent in the number of subscribers, but only 2 percent in the number of covered individuals. Interestingly, says Davidson, the number of single people subscribing to the plan grew more than the number of families over the last year.

"That is a new phenomenon," he says. "It may result from the fact that most interested families had already enrolled and that, as word of the plan's success spread, single people became more willing to join."

try did not use services more than other Tufts enrollees when health status and other factors were taken into account. This finding should dispel insurers' fears that this population is disproportionately expensive to cover.

The reason why insurers believe that offering coverage to uninsured workers would lead to high administrative costs, Davidson explains, is that these workers tend to be employed by small businesses; therefore, insurers would need to call on many firms to attract enough customers to make the effort financially viable. The FPHP administrators were able to reduce administrative costs and pass those savings on to consumers by assuming the risk and marketing the plan directly.

"The FPHP also lowered the cost to the subscriber by subsidizing the premium rates," says Davidson. "At reduced prices, many fishing families were able to purchase health insurance."

Background

Commercial fishermen tend to operate as small businesses. They are often single proprietorships with small crews that spend weeks at a time at sea. Fishing is difficult work that can yield good earnings, but not all trips are successful and the industry is seasonal. In 1996, 45 percent of fishing families in Massachusetts earned incomes less than twice the federal poverty level.¹

As with other groups who own or work in small businesses, commercial fishermen face two principal obstacles in obtaining health insurance:

- 1) Many owners and/or workers believe they cannot afford coverage; and
- 2) Because this population, as a group, has so little experience with health insurance, there are not adequate utilization data on which to build actuarially sound premium rates.

Fishermen tend to be uninsured for one or more of the following reasons:

- 1) They are not offered health insurance through their jobs;
- 2) They do not qualify for insurance offered by their employer because they are part-time workers or have a pre-existing condition; or
- 3) Their share of the premium is more than they can afford.

The FPHP is voluntary and requires that individuals or families make an affirmative decision to enroll. “The decision to subscribe carries an obligation to pay premiums, which, even if subsidized, are not trivial,” says Davidson. An important objective of the project, therefore, was to determine the extent to which potential subscribers would be willing to pay for health insurance.

The researchers found that the availability of other insurance for the family was a key factor in determining whether people in the fishing industry signed up for the FPHP. The most striking difference between those who enrolled and those who did not was that almost all of those who signed up were previously uninsured, whereas nearly 90 percent of those who did not enroll had insurance from another source (usually a spouse’s job).

One question that the researchers will continue to examine is: To what extent do personal values about health care influence the take-up rate of the FPHP? Some may consider the insurance too expensive, even with the subsidy, while others believe they don’t need insurance because they are currently healthy.

“People who have little experience with the health care system may seek non-medical means of dealing with illness, may have strong fears of hospitals or doctors, or may not see the value of primary care or health care services,” says Davidson. But such beliefs would not be unique to this population, he notes.

Methods

The researchers surveyed 300 fishermen enrolled in the FPHP and 300 persons who were eligible to enroll but chose not to. They also interviewed key informants, including administrators, planners, state and federal officials, and policymakers. Finally, they evaluated claims records from the Tufts Health Care Plan for all enrollees of the FPHP and a similar group of other Tufts enrollees from the same geographic area. Data analyses controlled for important factors such as age sex, marital status, and number of dependent children.

Utilization data were aggregated into categories of service related to FPHP benefits, such as outpatient physician visits, inpatient hospital days, maternity care, emergency care, preventive services, and more. Expenditure rates were calculated and dollar amounts compared for each of the categories, risk-adjusted and non-adjusted, and a total overall cost for each group was identified.

Conclusion

According to Davidson, the project’s findings contradict the conventional wisdom about the working uninsured—both in terms of their willingness to pay for insurance and the similarity of their utilization patterns to those of people insured by the traditional market.

Clearly, the FPHP has been successful in the Massachusetts fishing industry. But can this type of plan be a model for other sectors of the economy with large numbers of uninsured workers? The degree to which that is true, says Davidson, will depend on the answers to the following questions:

- ◆ Is there an organization of workers in that industry that would want to sponsor such a plan?
- ◆ If so, is that organization capable of planning and operating a plan?
- ◆ Are workers in those industries interested in health insurance to the same degree as workers in the fishing industry?
- ◆ Does the organization have access to funds to subsidize insurance premiums to make them affordable to workers and their families?

“Finding ways to add more working families to the rolls of the insured is an achievable challenge in the incremental tradition of American public policy,” Davidson concludes. “The lesson may be that one should be wary of making assumptions in the absence of data.”

For more information, contact Stephen Davidson, Ph.D., at 617.353.7422.

Note about the FPHP

After the five-year start-up period, the FPHP was expected to be self-sustaining. The reserves are continuing to grow, but, according to Davidson, they are not yet sufficient for the plan to be self-sustaining. This is primarily because of unexpectedly high recent increases in health care prices. To cope with these changing circumstances, the FPHP was able to obtain a commitment from the state of Massachusetts to continue to support the program, with the new target for self-sufficiency at 2007 (10 years from the start).

The public money will mainly subsidize the premiums, which, as a result, can be substantially less than the market price for comparable benefit coverage. Lower premiums continue to be needed because the fishing industry is characterized by small businesses, which are particularly vulnerable to the exigencies of a seasonal enterprise and fluctuating market. “Without the subsidy,” he notes, “premiums would rise to accommodate the large increases in prices for health care services that have occurred nationally in the last few years.”

About the Author

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¹ Hams, M. et al. “Health Survey of the Fishing Population in Massachusetts, Final Report,” Boston, MA: *Health Care For All*, November 1996.

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