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Health Care Reform; Crop Condition and Progress Reports

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HEALTH CARE REFORM



by

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Health care reform concerns individual citizens as well as Congress, government agencies, and assorted health organizations. Several committees in Congress are currently holding hearings on the bills submitted by the administration and legislators. While the final outcome of the deliberations cannot be predicted at this time, two things are relatively certain. Some type of health care reform will be passed and the final result will differ from any of the bills as currently written.

Many health care reform proposals

In addition to the President's proposal, twelve health care reform bills have been introduced in the House and six in the Senate. Some states have already passed state health care reform bills and many others, including South Dakota, are considering some action.

The Cooperative Extension Service at Kansas State University (CES-KSU) has analyzed some of the congressional bills and answered a series of 42 questions about health care reform. The information in this newsletter is based on the CES-KSU publications.

The congressional health care reform bills can be viewed as falling into one of three types: single payer system, managed competition, and insurance reform.

Three types of health reform

In the single payer system, a single organization assumes responsibility for providing health insurance. This organization, usually the government, would collect all insurance money and pay all providers. This system would allow the insurance pool to have broader powers over the other parts of the health system. Similar systems familiar to us would be those of Canada and Great Britain. (Cont'd on p. 2)



by

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CROP CONDITION AND PROGRESS REPORTS

Crop Condition Report

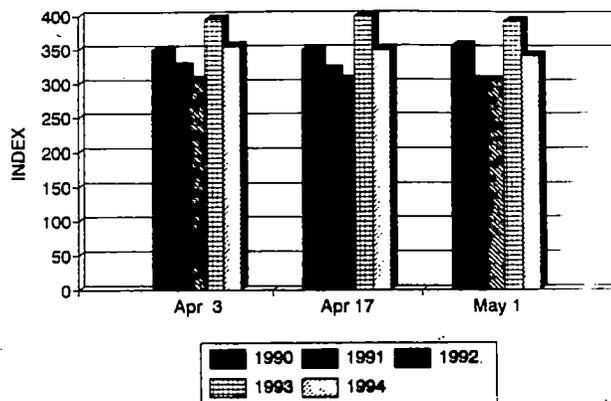
After a crop is planted, the United States Department of Agriculture (USDA) issues weekly condition reports for each major crop. These reports are released on Monday afternoons. The percentage of the crop in each of five condition categories is reported. The five categories are very poor, poor, fair, good and excellent.

Condition index

For easy comparisons of conditions from one year to another, a condition index is calculated. Condition categories are assigned values as follows: 100=very poor, 200=poor, 300=fair, 400=good and 500=excellent. These values are multiplied times the percent of the crop in the condition category, summed and divided by 100 to derive the crop condition index.

Crop conditions are currently being reported for US winter wheat. The May 1, 1994 condition index is 342, see Figure below. For the past month, the 1994 index has been similar to the 1990 index.

WINTER WHEAT CONDITION INDEX UNITED STATES 1990 - 1994



(Cont'd on p. 3)

Managed competition is based on the concept that competition among providers will encourage lower costs and higher quality. Most of the proposals suggest that government or large groups manage a system requiring providers to compete for business. This type of plan would probably require individuals to join a health alliance in which health insurance would be purchased as a large group. The underlying idea would be to negotiate for lower premium costs than individuals who would purchase their own insurance. Individuals could select from a menu of available health plans. The federal government would define a minimum standard package of benefits but alliances could negotiate for additional benefits.

Insurance reform is the third type of reform. This type would build upon current insurance programs and attempt to cover more persons within the present system. Employer-based insurance systems would be the backbone of this system with some alternative insurance coverage for those not covered under employer plans. Mandated basic benefit packages would be included as well as cost containment programs.

President's health care reform

The President's health reform package contains parts of all three types mentioned above and is based on six guiding principles: security, savings, quality, choice, simplicity, and responsibility. A national partnership of the federal government, state governments, and health alliances is integral to the plan. The federal government would define a basic framework and, within that framework, states could formulate their own plans tailored to local needs.

Questions in health care reform

The 42 specific questions covered in the CES-KSU analysis were divided into five general areas. Who would be covered? What type of coverage would be included? How is cost containment accomplished? What provisions are there for rural health care? How do the proposed plans relate to present programs?

In this space it is impossible to describe the differences among plans for each of the areas or questions. Because so much of South Dakota is rural, only the section on rural health care will be detailed.

Rural health care

One question treated in the CES-KSU publications is whether the proposed plan would treat rural and urban areas differently. There was no clear-

cut answer but, under the single payer system, services would be expanded by community clinics and migrant health centers and the National Health Service Corps could send practitioners to these areas for two years. Under managed competition, which relies on competing providers, there may be too few providers in rural areas for competition among providers to emerge. Insurance reform has provisions to encourage location of providers in rural areas. The President's plan would try to make urban and rural areas alike.

All plans attempt to bring more doctors to rural areas. Whether nurse practitioners, physician assistants, and/or certified midwives would be allowed their own practice either depends on state laws or is not addressed in the plans.

Paying for health care

One major area of concern is how to pay for health care. The plans differ significantly on who would pay for health care, an issue that has been debated extensively in Congress. The single payer system would be paid for by taxes. Under managed health care, consumers pay all or part of the premium. Under insurance reform, there would be a combination of taxes and insurance premiums. The President's plan would require employers to pay 80% of the cost (with some provisions for small businesses, part-time employees, and self-employed), with the consumer paying the remainder. There would be subsidies for low income consumers and some provisions would be made for the unemployed. Everyone would be covered in some form under the President's plan.

Health care reform has emerged as a top issue at both the federal and state levels because at least 37 million Americans do not have any or adequate health care coverage and because the costs of health care have been rising steadily. In 1960, health care costs were about 5.3% of GNP; today, they account for 14%.

Health care reform and you

Obviously, health care reform requires more study than can be attempted in a short paper of this type. Conflicting messages are being sent about the different proposals, so each consumer is well advised to study the various options and their various effects. The effect of any plan on the individual consumer depends upon his/her particular circumstances.

The Kansas CES publication listed five criteria for consumers to use when evaluating the various alternatives. Will the reformed health care system be

as good or better than the one we now have? Will those people who cannot now receive medical services be able to get them under reform? Is the proposed reform fair? Am I comfortable with the overall financing of the plan? Will the reformed system be sufficiently flexible to allow further change as it becomes necessary in the future?

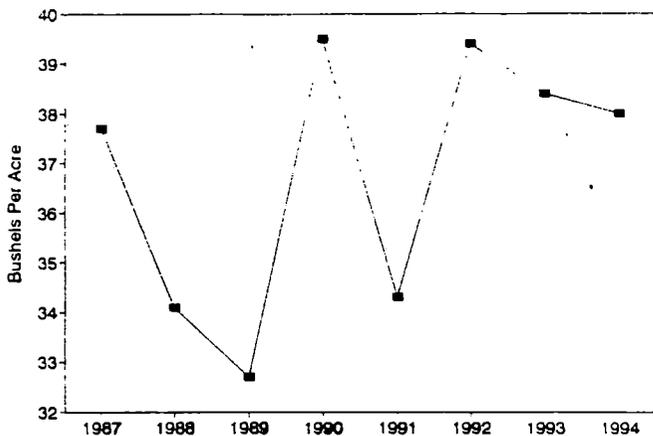
These are good questions for all of us to contemplate as we study the possible plans.

(Shane ... Continued from p.1)

Price forecasts and the condition index

Price forecasters use condition index history along with yield history and planted acres information to estimate potential crop production and supply for the year. Wheat yield history shows a range of 34.5 to 39.5 bushels per acre from 1990 - 1993, see Figure below. The index for wheat condition for 1994 is in the middle of the last five years indices, but it is still quite high. Therefore, a yield lower than the best years but better than the worst years is expected. A yield estimate of 38 bushels per acre is reasonable at this time.

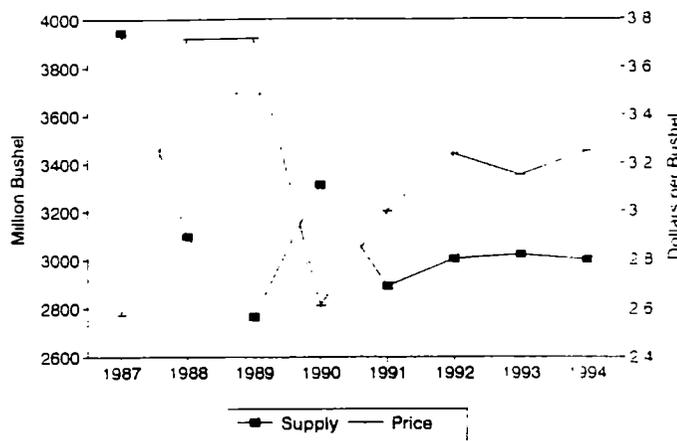
**UNITED STATES WHEAT YIELD
1987 - 1994**



This yield estimate is combined with acreage information provided by USDA to project production. Production is combined with carry over stocks and expected imports to estimate total supply for the year. This estimate is slightly lower than 1993 supply, see following graph. Assuming demand to be similar to the previous year or by making some obvious adjustments to demand, a price forecast can be made. My current forecast for the National average wheat price for 1994 is \$3.10 to \$3.30 per bushel. South Dakota price will most likely average \$.10 per bushel less.

Commodity analysts and traders and grain dealers systematically make adjustments to price expectations using this type of information on a weekly and sometimes daily basis.

**UNITED STATES WHEAT
SUPPLY AND PRICE**



Crop Progress Report

Another report used in short term grain price forecasting is the Crop Progress report. It is compiled for major crop producing states and released by USDA every Monday afternoon at 2:00 p.m. CDT. The percent of the crop in each development stage is reported and compared to the previous week, year and five year averages. For example, in the report released on May 2, 1994, the percent of winter wheat headed in the United States was 21 percent compared to ten percent last week, 11 percent last year and 23 percent over the past five years. None of South Dakota's winter wheat was headed which is normal (the same as the five year average). The two percent difference between the percent headed and the five year average is not considered enough of a departure from normal to have an impact on wheat price. The use of this report is very subjective and relies on "expert opinion" when forecasting short term price changes.

Portions of the May 2, 1994 corn progress report are presented in Table 1. Note that 42 percent of the crop in the 17 major corn producing states was planted compared to 16 percent the previous week and 23 percent the previous five years. The grain trade analysts expected slower progress because of wet soil conditions in some states. This "fast" progress suggests that farmers will increase corn acres over expectations and increase the production and supply of corn on the market. The impact could be as much as one million acres or around 120 million bushels of corn. This amount of increase in corn supply with no



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change in demand for corn will normally depress the annual average US corn price by \$.05 to \$.06 per bushel. Tuesday morning the corn futures market price was down by up to \$.08 per bushel. The tendency of the market is to over react to this type of "surprise" and then adjust the next few days as analysts have more time to study the information. The market rose about \$.02 on Wednesday. All of this information currently suggests a national average corn price of \$2.30 to \$2.50 with the South Dakota price around \$.20 less per bushel.

Later in the year, progress reports turn to percent tasseled, then percent dough, followed by percent dent and mature. This progress along with 30 and 60 day weather forecasts are used to forecast potential frost damage to crops. Of course, other information such as export quantities and world production affect grain prices, but these weather related reports discussed above dominate the pricing process in the US and local markets during the growing season. Although subjective, these procedures are used by the grain trade throughout the marketing year and should be considered by the individual farmer when preparing a marketing plan.

Table 1. USDA Corn Planting Progress Report

State	May 1 1994	Apr 24 1994	May 21 1993	1989-93 Avg
IL	46	7	1	30
IA	65	22	3	18
MN	31	20	3	13
NE	31	14	9	26
SD	11	2	3	5
17 States	42	16	9	23

ECONOMICS
 COMMENTATOR

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