

From: Jacobs, Chris (RPC)
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Subject: CBO: "Free" Health Care Raises Premiums Nearly 10 Percent

Over and above the controversies surrounding the Institute of Medicine report on women's health coverage – the Administration's [admission back in February](#) that it had already decided to mandate coverage of contraceptive services; the idea that contraceptive coverage can "prevent" medical "ailments" – there's one word running through [many of the stories published this morning](#) on the IOM study: "free." While it's a catchy word for headline writers to use – "WOMEN SHOULD GET FREE BIRTH CONTROL, PANEL SAYS" – it's also completely **WRONG**. Even some of the articles (eventually) admit that: "Although the services will be free of any additional charge to patients, **somebody has to pay**. The cost is likely to be spread among other people with health insurance, resulting in slightly higher premiums." It is however curious that the fact that someone has to pay for all this care got buried in the coverage, while the "free" moniker was thrown about in the headline or lead paragraphs.

There is a bigger point here, as the Congressional Budget Office recognized when it [analyzed premium increases](#) under Obamacare in November 2009. CBO noted that the richer benefit packages proposed under Obamacare would raise individual insurance premiums by up to 30 percent – not just because of the cost of services themselves, but because reducing cost-sharing leads to increased demand:

...The increases in actuarial value would also reduce enrollees' expected out-of-pocket spending on copayments and deductibles, particularly for enrollees who used more medical services than average. **The reduced cost sharing would lead to greater use of medical services, which would tend to push premiums up further.**

CBO went further, quantifying the premium impact of this reduced cost-sharing:

Because of the greater actuarial value and broader scope of benefits that would be covered by new nongroup policies sold under the legislation, the average premium per person for those policies would be an estimated 27 percent to 30 percent higher than the average premium for nongroup policies under current law (with other factors held constant). The increase in actuarial value would push the average premium per person about 18 percent to 21 percent above its level under current law, before the increase in enrollees' use of medical care resulting from lower cost sharing is considered; that induced increase, along with the greater scope of benefits, would account for the remainder of the overall difference.

CBO predicts individual health insurance premiums will rise by an estimated 9 percent (the difference between 18-21 percent and 27-30 percent) ***solely because more services are being provided with smaller, or no, cost-sharing.*** So the non-partisan CBO believes that "free" care will raise premiums by nearly 10 percent. Somehow that story didn't get mentioned in all the discussions about the IOM recommending "free" contraceptive coverage.

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