

From: Jacobs, Chris (RPC)

Sent: Thursday, October 06, 2011 9:31 PM

To: Jacobs, Chris (RPC)

Subject: IOM Report Demonstrates How Obamacare Will Raise Premiums

The Institute of Medicine has released its long-awaited report about the essential health benefits package mandated under Obamacare; the report can be found [here](#). The report does NOT say which specific services (e.g., podiatrist visits, etc.) should or should not be covered by health insurance plans, but instead provides a framework for bureaucrats within HHS to make such a determination. Important points from the report:

Richer Benefits – Leading to Higher Premiums: The report recommends that the essential benefits be based upon “the scope of benefits and design provided under a typical small employer plan in today’s market.” But the average price of a policy for small employers in 2010 was over \$5,100 for an individual and more than \$13,400 for a family – more than double the \$2,000 single premium and \$4,700 family premium charged in the individual market. In other words, premiums will rise thanks to the richer benefit packages the report – and the law itself – recommends.

Little Flexibility for States: In theory, the report says states should be allowed to modify the essential benefit list in their respective jurisdictions. In practice however, this flexibility means little – state benefit plans must be “neither significantly higher nor lower” than the Washington-mandated benefit package, according to the report’s recommendations. In other words, the request by Republican governors for HHS to “waive the bill’s costly mandates and grant states the authority to choose benefit rules that meet the specific needs of their citizens” wouldn’t happen under the IOM recommendations. What’s more, states could modify their essential benefit list (“modify” here being a relative term) ONLY if they agree to run Exchanges for the federal government – which some may view as an attempt to coerce states, several of whom have said they will not create their own Exchanges, to meet Washington’s demands.

Still No Clarity for HSAs: The IOM report is silent on whether or not health savings accounts and other related policies should automatically qualify as minimum coverage, or whether the various mandates will mean millions of individuals could lose their current plan. This silence ignores Republican

governors' [request](#) that HHS “waive the provisions that discriminate against consumer-driven health plans, such as health savings accounts (HSAs),” and keeps the current health coverage of more than [11 million Americans](#) in limbo, as it may not meet all of Obamacare’s new requirements.

Mixed Messages on Benefit Specificity: Chapter 4 of the report discusses a flexible standard in determining the essential benefits, arguing that the language of the law “should not be read to mean that every service that is within one of the 10 categories [mentioned in the law]...should automatically be” considered essential and therefore covered. (In other words, because the law includes “laboratory services” on the list of categories mentioned, that doesn’t mean that all lab tests should automatically be considered essential.) However, when discussing how the essential benefits will be updated in future years, Chapter 9 of the report argues that the essential benefit listing “should evolve toward the level of specificity characterized” by a list of designated “approved” treatments implemented in Oregon. The Oregon example utilizes a very specific list of treatments that are (e.g., [assisted suicide](#)) and are not (e.g., [chemotherapy](#)) covered – a controversial method some have called a [rationing list](#). The contradiction between these two statements is unclear – the former suggests a hands-off approach to determining specific benefits, while the latter implies the IOM committee would eventually like federal bureaucrats to specify in minute detail what benefits should and should not be covered.

Ultimately though, the true test of the IOM report – and of the law itself – is whether or not it follows through on candidate Obama’s [repeated promises](#) to lower premiums by \$2500 per year per family. And on that count, the report is clear that both clearly fall short.

Chris Jacobs
Health Policy Analyst
Republican Policy Committee