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# Cost concern

**Chris Anderson**

[\(/news/author/1191\)](#)  
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*IOM emphasizes value, effectiveness with essential health benefits*

WASHINGTON – A much-anticipated report from the Institute of Medicine providing guidance to the Department of Health and Human Services on how to define essential health benefits came down squarely on the side of controlling the costs of providing those benefits with an emphasis on benefits that are effective and provide high value.

In making its recommendation, the IOM committee suggested HHS take an approach to creating the EHB package analogous to going grocery shopping with a strict budget in mind. Keeping an eye on the costs of EHBs is crucial, they noted, and would allow HHS to strive toward a “premium target” that would keep the cost of coverage in check.

The IOM report also suggested HHS use the average premium of a typical small employer to help establish the premium target. While that might lead some to believe HHS would then need to offer a more bare-bones list of EHBs that is not necessarily the case.

“One of the things we concluded is that what distinguished small group and large group wasn’t so much the categories of what is covered so much as it was benefits design,” said IOM committee member Marjorie Ginsburg who is also the executive director of Sacramento, Calif.-based healthcare policy nonprofit Center for Healthcare Decisions. Benefit design differences include such things as deductibles and the amount of co-payments attached to specific healthcare services.

This approach is also encouraged by America’s Health Insurance Plans, which

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broadly endorsed the IOM’s report.

“We agree that this balance is critical to ensuring that individuals, working families and small employers can afford health insurance,” said a statement released by Karen Ignagni, president and CEO of AHIP.

“The recommendation that the initial EHB package reflect the scope of benefits and design provided under a typical small employer plan is an important step toward maintaining affordability.”

That means HHS will likely take on the role of value shopper by developing a benefit structure that provides the most health benefit per dollar spent. Or as the IOM report noted to “ensure stewardship of limited financial resources by focusing on high-value services of proven effectiveness.”



And that is music to the ears of A. Mark Fendrick, MD, co-director of University of Michigan’s Center for Value-Based Insurance Design. As an example, Fendrick noted the firestorm created recently by the U.S. Preventive Services Task Force’s recommendation that men forego routine PSA testing for prostate cancer.

Fendrick

“VBID is not about coverage of prostate screening or not. What we are suggesting is that given the level of evidence, that it not be as accessible as other (health services),” Fendrick said. “Men should be more strongly encourage to get their cholesterol checked, be counseled for weight loss and smoking and get their colonoscopies before the doctor even decides to bring up the prostate cancer issue. So focusing on those things of high value. This idea has widespread momentum and is one of the few healthcare initiatives that has management, labor, Republican, Democrat, provider and patient support.”

Cementing that support and keeping the decisions process open and transparent is also a must, the IOM committee noted.

“Before we forward a proposal, it is critical that we hear from the American people,” said HHS Secretary Kathleen Sebelius in a statement reacting to the report. “To accomplish this goal, HHS will initiate a series of listening sessions where Americans from across the country will have the chance to share their thoughts on these issues.”

HHS has not yet provided information on when they will release the final list of EHBs.

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