

Rhode Island's Medicaid gamble

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PROVIDENCE, R.I. — Rhode Island is betting that it can save tens of millions of dollars over the next five years by overhauling the way it pays for and delivers care to the elderly and the disabled covered by Medicaid. It's a bet that has had its share of critics. When the plan was first approved by the Bush administration in 2008, community health activists feared that it would push some of the neediest onto waiting lists or worse — throw some poor people off the Medicaid rolls altogether. But it hasn't worked out that way. To the surprise of many, everyone involved seems satisfied with the way the state's much-debated "global Medicaid waiver" is working — at least for now.

The new system has indeed helped save the cash-strapped state millions of dollars already, although nowhere near the \$60 million originally envisioned for this year alone. But most important, hundreds of the state's most vulnerable residents are getting care in their homes or in assisted-living centers, rather than the more costly nursing homes, where few people want to be, but where Medicaid typically places them.

"Everyone always has all these reasons why this is a terrible idea ... that everyone will be thrown out of nursing homes," says Governor Donald L. Carcieri. "Here we are a year later and everything is going fine. No one has lost services. In fact, they are getting improved services."

The crucial question is whether the program will be able to continue operating once the federal health care overhaul takes full effect in four years. The overall intent of the law is to create a consistent national health care system, not to encourage states to strike out on their own.

At the moment, however, 100 Rhode Islanders who had been in nursing homes are receiving care in community settings, and another 200 are getting Medicaid-funded home-based help that the state and federal government previously would not have paid for. The state is testing whether this will save more money in the long run by delaying or even preventing seniors' need to be put under nursing home care at all.

The issue is important for Carcieri, an aggressive budget-cutter who won his first gubernatorial campaign in 2002 by focusing on the need to rein in state spending.

Nationally, Rhode Island has had the [second-highest nursing home costs](#) per person served, but has ranked low in providing Medicaid help in community settings.

It's also a personal matter for the former businessman, math teacher, and West Indies relief worker who will retire this year because of term limits. Carcieri's mother and mother-in-law both lived in nursing homes. He figures his mother-in-law might have been able to go to an assisted living center under the waiver.

What makes Rhode Island different?

States get "waivers" or special permission from the federal government all the time to try different Medicaid approaches or to cover people who otherwise would not be included in the program. Other states have waivers to use Medicaid dollars to pay for assisted living, which typically isn't covered by Medicaid.

What made Rhode Island's waiver revolutionary was the way the state and federal governments agreed to pay for it. The original idea was to give the state a lump sum of federal Medicaid money upfront, essentially a block grant, that would last for five years. This was an idea President George W. Bush had wanted to try but Congress never allowed.

So instead of a flat Medicaid block grant, Rhode Island asked for — and in the waning days of the Bush administration, received — a capped \$12 billion spread out over five years. The state still has to spend its own money first to get the federal match, but it can make dramatic changes to its Medicaid programs without having to get constant approval from Washington.

Critics called the spending cap "[a dangerous precedent](#)" and "[a radical and risky departure from the way Medicaid currently operates](#)." The fear was that the state would run out of money, especially during a recession in Rhode Island, which already had one of the country's highest unemployment rates. Patient advocacy groups feared the state would cut benefits, restrict treatments, push people onto waiting lists or drop coverage in order to balance the budget, as it chose.

The federal economic stimulus package has helped temper those fears. First, that law gave extra Medicaid money to all states, including Rhode Island. Secondly, it stipulated that states couldn't lower Medicaid eligibility standards if they wanted their share of the stimulus money. The new health care law extended this so-called "maintenance of effort" requirement until 2014.

The state insists it had no plans to cut eligibility and says the waiver enabled it to keep vital programs. "We would be cutting programs without the waiver," says Gary D. Alexander, director of the state's Department of Human Services. The waiver, he argues, brought in an infusion of federal dollars for programs or services that previously the state paid for entirely. This includes, for example, behavioral services for those aged 21 to 64 and certain adult day care programs for the poor.

For patients' rights advocates, the catch is that while the waiver places a ceiling on the amount Rhode Island can spend under Medicaid, it doesn't prevent the state from

dipping below the ceiling. And indeed, less has been spent than originally anticipated. Rhode Island figured \$2.6 million would be set aside for Medicaid in the first year of the waiver, but actually allocated only \$1.7 million because of overall budget constraints.

“Looking ahead, the question remains: How much is the state willing to put on the table for Medicaid?” asks Linda Katz, policy director of the [Poverty Institute](#) at Rhode Island College School of Social Work. She supports the state’s drive to “rebalance” long term care so that more seniors are treated in community centers, but faults the state for what she calls its “ideologically-driven initiative to radically change the Medicaid program.”

The [AARP’s](#) Barbara Peters in Rhode Island likewise says she’s glad the state is learning how to defer those patients wishing to avoid long-term institutionalization, but worries what might happen when the extra federal Medicaid money runs out.

Dueling with Washington

Beyond these specific concerns, the Rhode Island waiver raises the broader question of what role waivers themselves will play in the Obama administration’s health policy.

Rhode Island insists the new federal law will have no impact on its effort and that in fact the new law embraces the approach Rhode Island is taking under the waiver, with its emphasis on planning for long term care. The federal law includes the first-ever national long-term care insurance plan — called [Community Living Assistance Services and Supports](#), or CLASS — a federally administered program financed through payroll deductions. The voluntary program could save states a considerable amount in Medicaid costs if enough people sign up for it.

But others aren’t so sure, including Dennis G. Smith, who was a key negotiator on state Medicaid waivers during the last Bush administration (although not on Rhode Island’s). “The new law is clearly going to bring conflict for the states,” says Smith. “There is nothing that indicates to me that the current administration is really hoping to give states the kind of flexibility that made these waivers attractive to states.”

Officials in Washington dispute that notion. The U.S. Health and Human Services Department calls Rhode Island’s waiver innovative because it helps move people from nursing homes into community-based care. The administration says it is monitoring how the waiver is being implemented and is still reviewing the role of waivers in general.

Rhode Island, in any case, plans to push forward for the next four years. “I’m certain this will be deemed a success,” the governor says. The question is whether the federal government will agree. “From a Washington perspective, they like to control things, and more and more,” Carcieri complains. But for now, he is satisfied.