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EDITORIAL

Gambling With Medicaid

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Rhode Island is seeking a federal waiver to change much of its Medicaid program from an open-ended entitlement with no limit on spending to a capped budget with fixed expenditure limits.

Gov. Donald Carcieri, a Republican, is hoping to close his state's looming budget deficits and curb rising Medicaid costs, two problems that are bedeviling many states. But prudent leaders would be wise to watch what happens — and especially what happens to Rhode Island's poorest residents — before following this path.

Medicaid has traditionally been an “entitlement program” that pays the medical bills of all residents whose incomes are sufficiently low to qualify for coverage. There is no limit on how many people can enroll or on how much the state and federal governments must spend to provide services. In the current fiscal year, Rhode Island's Medicaid program is costing about \$1.9 billion — with slightly more than half paid by the federal government and the rest by the state.

Under the proposed waiver, the federal government would contribute a fixed annual amount for the next five years (roughly what it was projected to spend anyway), but Rhode Island would limit its contribution to 23 percent of its general revenue budget.

That would mean substantially less money for Medicaid. An analysis by the Center on Budget and Policy Priorities estimates that if the waiver is granted, the state's Medicaid budget will fall \$231 million short of the projected \$2.07 billion needed next year — with the gap increasing every year.

The state is hoping to make up the difference, without harming patients, by providing health care more cheaply. It wants to require most long-term care patients to get treatment at home or from community-based services rather than in expensive nursing homes and would put virtually all beneficiaries in managed care.

If that isn't enough, it wants flexibility to charge higher co-payments, put people on waiting lists for treatment, and limit the duration and scope of services.

States already have great leeway when it comes to Medicaid, so it may be reasonable to give Rhode Island the flexibility to try something new. This is still a risky path. If costs escalate more rapidly than expected and savings don't materialize, the state might feel obliged to cut Medicaid spending even more drastically. Rhode Island's most vulnerable citizens would pay the price.

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