

AP Associated Press

New RI budget depends on uncertain Medicaid plan

By Ray Henry, Associated Press Writer | June 21, 2008

PROVIDENCE, R.I. --Struggling to close a massive budget deficit, Rhode Island lawmakers passed a spending proposal this week that's supposed to save millions of dollars by capping state Medicaid spending for the needy, elderly, blind and disabled.

The budget won't work unless Rhode Island saves \$67 million in Medicaid expenses starting next month. But Gov. Don Carcieri hasn't finished the plan or received the necessary federal approval, a process that can take months. Even lawmakers who favor a Medicaid overhaul are ambivalent about whether the intended savings are realistic.

"There's certainly a lot of things we don't know," said Sen. Stephen Alves, the Democratic chairman of the Senate Finance Committee. Alves urged lawmakers to support the plan anyway.

But Gary Alexander, director of the state Department of Human Services, said Rhode Island's sinking economy will reduce state revenue and force changes to Medicaid. He said the sooner the state starts a reform effort, the better.

"It is aggressive, it is going to be very difficult," Alexander said. "I believe that it is achievable."

Created in the 1960s, Medicaid provides health insurance for the poor, disabled and low-income families with children. Federal funding pays for more than half of Rhode Island's annual \$1.75 billion Medicaid budget, while the state contributes the rest.

But Medicaid spending has grown at nearly 8 percent per year, a rate that threatens to overwhelm the budget. During the past several years, Rhode Island has kicked people off the rolls to make ends meet. Unless the system changes, Alexander said he worries the state will be forced to end services like dental and eye care.

"What are you going to do? Tell people they can't have any eyeglasses?" he said.

Carcieri's plan would be similar to one begun in 2005 in Vermont, the only other state to negotiate such an agreement.

Under the yet-to-be-finalized Rhode Island plan, the federal government would give the state a lump sum payment. The state would use that money to pay for Medicaid for five years. In exchange, the state would have more flexibility to decide how its Medicaid money can be spent.

For example, under current rules, the state can't use Medicaid money to provide elderly patients with nursing assistance or meals outside a nursing home. Carcieri's office says caring for people at home is cheaper than paying for a nursing home, and loosening the Medicaid rules would save the state money.

But there's a catch: once the federal Medicaid money runs out, it's gone. The state would either have to pay for any overruns, or cut services -- exactly what the plan seeks to avoid.

"That's the fundamental exchange," said Clarke Cagey, who oversees the program at the federal Centers for Medicare and Medicaid Services. "You're taking on more financial risk for more programmatic flexibility."

Linda Katz, policy director of the Poverty Institute at Rhode Island College, said that's what she's worried about.

Under the current proposal, the state would divide patients into three levels depending on their medical needs. Only the frailest would be guaranteed nursing home or institutionalized care, Katz said. If the money runs short, the state could stop or cut back services for people on the lower levels.

"What would happen to the people who are no longer entitled if the state doesn't have the money?" Katz said.

About half of the \$67 million in savings is supposed to come from reducing the state's reliance on nursing homes and group homes. Under Carcieri's proposal, officials want to see if 10 percent of the patients sent to nursing homes every year, or about 1,800 people, could continue living independently, albeit with more in-home support like nursing and meals.

Advocates for the poor and elderly have long-supported changing Medicaid so patients can live at home, where many are happier.

But it's unclear whether the state could implement the nursing home plan fast enough to save the millions of dollars it aims to save this coming year.

Roberta Hawkins, an advocate for elderly patients and executive director of the Alliance for Better Long Term Care, said moving patients out of nursing homes and into less-restrictive settings is more challenging than many realize.

She fears the state lacks enough visiting nurses and other support services to care for people as they return home.

"I think there could be major issues with people going home if there's not a strong, dedicated family" to care for them, Hawkins said. "And even then, family may not be able to do what's expected of them."

Lawmakers in the General Assembly say some of Carcieri's proposal could be accomplished even if he doesn't reach a sweeping deal with the federal government. They have reserved the right to veto Carcieri's final proposal, which is expected within a month.

Even so, prominent Democrats are giving the Republican governor some negotiating room. To balance the budget this year, lawmakers have already kicked immigrant children off state-funded health care, slashed welfare benefits, released prisoners early and cut funding for cities and towns.

"What's my option if these (reforms) don't happen?" said Rep. Steven Costantino, the Democratic chairman of the House Finance Committee. "To go deeper in cuts?" ■