

# **The pain of budget cuts: Health plans in jeopardy for 18,000 in R.I.**

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**By Steve Peoples**

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PROVIDENCE — Nearly 18,000 Rhode Islanders stand to lose health insurance under a plan proposed by the state Department of Human Services yesterday, one of the many departments struggling to cut costs to close a state budget deficit estimated as high as \$450 million for the coming year.

More than 10,000 children are among those who may lose coverage under changes to the state's subsidized health insurance program, RItE Care.

The proposal, which sparked outrage from social service advocates yesterday, will likely be amended in the coming months as it is reviewed by both the governor's office and the General Assembly. But it marks the beginning of a spending debate that could end in the most dramatic human service cuts in recent memory.

Governor Carcieri has been collecting budget requests from state departments in recent weeks to begin shaping his 2008-09 spending plan, which must be submitted by the third Thursday in January. The Assembly will spend the next several months debating the governor's budget before approving a final version in the late spring.

And while Carcieri hopes to shave \$100 million from the state deficit through a sweeping work-force reduction plan, the bulk of the \$450-million hole will be made up by cuts to state departments and human service programs. The governor has pledged not to raise taxes to help balance the budget.

In addition to RItE Care cuts, the Department of Human Services requests new insurance copays for low-income families; reduced reimbursement rates for hospitals, nursing homes and childcare providers; cuts to state funds for Head Start programs, and the elimination of welfare benefits for an estimated 1,600 people.

"It's disturbing to see this budget proposal from DHS, but it's my hope that the governor, when he prepares his budget, won't include the cuts," said Elizabeth Burke Bryant, executive director of Rhode Island Kids Count, a child advocacy group. "It's the wrong direction to be moving in."

Roughly 111,000 Rhode Islanders receive health insurance through RItE Care, which offers benefits largely based on income. They are people who would have no health care coverage if not for the state, according to Kate Brewster, director of the Poverty Institute at Rhode Island College.

“Through our quick analysis, this would increase the number of uninsured in Rhode Island by 18 percent and remove \$50 million from the healthcare industry in our state,” Brewster said. “If they can’t afford insurance, which we know is extremely unaffordable, they certainly can’t afford preventative care. They end up in emergency room care, which gets paid for one way or the other.”

The Department of Human Services budget request is the result of months of planning and personal meetings with Governor Carcieri, according to the governor’s spokesman Jeff Neal, who said that Carcieri has played a more active role in the formation of each department’s budget this year.

“The changes proposed by the Department of Human Services are also designed to focus the state’s extremely limited resources on the most vulnerable Rhode Islanders,” Neal said. “Governor Carcieri understands that these are very difficult choices and recognizes that they will have impact on many people. But the governor is focused on resolving the current budget crisis and preventing future budget problems by making these types of structural changes. From the governor’s point of view, Rhode Island cannot live up to its potential until we address the state’s unsustainable spending commitments.”

Specifically, RIte Care changes would include reducing eligibility from parents with incomes under 185 percent of the federal poverty level (\$31,765 for a family of three) to 133 percent (\$22,836 for a family of three). The department estimates that 7,396 adults would lose coverage.

Current law allows for subsidized healthcare for children in some families, even if the parents don’t qualify. The department has proposed cutting eligibility for children in those families earning up to 250 percent of the federal poverty level (\$42,925 for a family of three) to 150 percent (\$25,755). An estimated 8,501 children would lose coverage in such a scenario.

Burke Bryant, of Kids Count, noted that the reduced eligibility for children would give Rhode Island the least generous health benefits for low-income children in New England. Both Massachusetts and Connecticut offer free healthcare to children in families earning up to 300 percent of the federal poverty level, she said.

The RIte Care changes would require the Assembly to change the current law. The leadership of the House of Representatives and the state Senate declined to comment through spokesmen yesterday, noting that it was premature to discuss specific proposals before Carcieri makes his recommendations in January.

Neal would not say whether the Department of Human Services suggestions would be included in the governor’s budget, but acknowledged that Carcieri needs to “enact some changes to the state’s very generous human service and welfare programs.”

“Unfortunately, Rhode Island’s Medicaid program is currently projected to grow at an unsustainable rate of 7 percent per year for the foreseeable future,” Neal said. “In other

words, even without the current budget problem, we simply can't sustain the spending increases that would be necessary if no reforms are enacted.”

Indeed, Medicaid spending accounts for a massive portion of Rhode Island's \$7 billion state budget. The state allocated \$1.66 billion in Medicaid spending last year, of which more than \$900 million came from the federal government.

But a relatively small percentage of Medicaid spending went toward the low-income families targeted in the Department of Human Services budget request, according to the state's Annual Medicaid Expenditure Report, released in April.

Last year, 129,111 children and adults received RItE Care benefits. They accounted for 70 percent of all Medicaid beneficiaries, but consumed 20.6 percent, or \$342.7 million, of all state Medicaid spending.

Most medical spending is directed toward adults with disabilities and the elderly, although they make up a combined 24 percent of those receiving health benefits.

Meanwhile, Brewster was most concerned with a separate proposal that would cut welfare benefits to approximately 1,600 families who have received cash assistance for more than 60 months, which is the lifetime limit set by the state. Rhode Island state law allows a host of exemptions to the limit, including cases of children and those who work 30 hours a week.

Brewster was particularly upset that the change would save an estimated \$8 to \$10 million in federal funds, with no savings for the state.

“There's no general revenue savings,” she said. “What we do know from this vague plan is that 3,000 children who are very poor will be cut off immediately.”

A related proposal would shave \$1 million in welfare grants for training, education, teen parent programs, clothing, domestic violence and transportation.

Other proposals include:

- Reducing nursing home reimbursement rates for 26 of the 87 nursing homes in the state's medical assistance program. Per diem rates would be reduced by approximately \$15.
- Cutting \$16.8 million from community hospitals by raising licensing fees and restructuring reimbursement structures.
- Eliminating cost-of-living adjustments for 86 nursing homes in an effort to “induce approximately four of the smaller nursing homes ... to exit the Medicaid program.”

- Delaying increases in childcare reimbursement rates to providers accepting children subsidized through the state.
- Ending the practice of giving families the first \$50 of overdue child support payments collected by the state.

#### RIte Care Facts

RIte Care, Rhode Island's health insurance program for low-income children and families

Enrollment: 111,000 (includes 85,000 children — 40 percent of Rhode Island's school-age children)

2007-2008 spending: \$441.8 million (\$212 million state, \$229.8 million federal)

Proposed cuts 2008-2009: \$48.4 million

#### Current eligibility

Families: 185 percent of federal poverty level (\$31,765 for family of three)

Children up to 19: 250 percent of federal poverty level (\$42,925 for family of three)

Pregnant women: 350 percent of federal poverty level (\$60,095 for family of three)

#### Proposed eligibility:

Families: 133 percent of federal poverty level (\$22,836 for family of three)

Children up to 19: 150 percent of federal poverty level (\$25,755 for family of three)

Pregnant women: no change

#### Who would lose coverage:

7,396 adults

8,501 children

2,000 children of illegal immigrants.

Sources: Department of Human Services, Rhode Island Kids Count

[speoples@projo.com](mailto:speoples@projo.com)