

The New York Times Reprints

This copy is for your personal, noncommercial use only. You can order presentation-ready copies for distribution to your colleagues, clients or customers here or use the "Reprints" tool that appears next to any article. Visit www.nytreprints.com for samples and additional information. Order a reprint of this article now.



May 15, 2011

Rhode Island's Medicaid Experiment Becomes a Talking Point for Budget Cutters

By JANET ROBERTS

With Republicans pushing to rein in Medicaid costs, an experiment in Rhode Island is drawing the attention of some conservatives who say it has led to substantial savings without reducing care for the state's poorest patients.

The experiment is the closest to an example of the kinds of changes that Republicans say they want to make — limiting federal spending for Medicaid while giving states more freedom to decide what benefits to offer and how to control the costs.

But an examination of Rhode Island's experience shows it has not yielded the kinds of savings its supporters claim.

Federal spending on Medicaid continues to rise in Rhode Island, including payments the federal government would not be making otherwise. And unlike a Republican plan that passed the House last month, under which states could lose a substantial amount of federal financing for Medicaid, Rhode Island is virtually guaranteed more money than the state itself has estimated it needs.

Under the experiment, which was born in a 2009 agreement between the state and the federal Centers for Medicare and Medicaid Services, spending on Medicaid was capped at \$12 billion through 2013. The state would be responsible for all costs above that amount, rather than sharing those expenses with the federal government.

In exchange, the federal government granted Rhode Island more flexibility in how it runs its Medicaid program.

State health officials predicted the agreement would allow them to offer better and more efficient health care at less cost to taxpayers.

Some Republican governors, members of Congress and conservative commentators have seized on the Rhode Island experiment as proof that the Republican plan to turn Medicaid into a "block grant" program can work. Under such a program, states would get a set amount of federal money to spend on health care for the poor and disabled, along with the autonomy to decide how best to spend it.

Gary D. Alexander, a Republican and former Rhode Island secretary of health and human services, praised the agreement, which he negotiated, in a paper published this year. He said the state had saved more than \$100 million in the first 18 months.

But Mr. Alexander's Democratic successor, Steven M. Costantino, said he "cannot substantiate those savings at this point."

Still, Mr. Alexander's estimates have been widely cited by those who support overhauling Medicaid.

Representative Cathy McMorris Rodgers, Republican of Washington State, is the co-sponsor of a plan introduced last week in Congress to lift rules that forbid states from changing Medicaid eligibility requirements. She considers the Rhode Island agreement to be a model for other states, said her press secretary, Riva Litman.

"That plan is supported by both parties in Rhode Island and has saved hundreds of millions of dollars through competition-driven efficiencies and accountability," Ms. Litman said.

The Rhode Island agreement shares the same goals as the block-grant plan proposed by Representative Paul D. Ryan, Republican of Wisconsin, and contained in the budget resolution that passed the House last month, said Conor Sweeney, a spokesman for Mr. Ryan. The idea is to give states the "freedom to tailor Medicaid to meet the needs of their unique populations," he said.

"Rhode Island's experience underscores the positive gains from loosening Washington's misguided one-size-fits-all approach that ties the hands of too many state governments," Mr. Sweeney said. "Governors across the country continue to demand less onerous restrictions from Washington so they can better deliver quality, affordable health care to their Medicaid populations."

During a Senate Finance Committee hearing in February, Senator Tom Coburn, Republican of Oklahoma, also pointed to the experiment in Rhode Island as a success.

"Why don't we just block-grant every state, take the rules off and let them do these strategies," he asked. "Rhode Island's obviously already figured it out."

Among the governors who support the idea are Chris Christie of New Jersey, who wants to pursue an agreement of his own with the federal government, and Scott Walker of Wisconsin, who wrote an article for the Op-Ed page in The New York Times last month contending that states' success with such agreements "shows that we can move beyond demonstration projects and let the federal government relinquish control over Medicaid."

States would gain more control through a block-grant program, but Rhode Island's Medicaid experiment is far different. For starters, the federal government is helping to pay for health care programs that otherwise would not be eligible for federal reimbursement. The state has received more than \$44 million in such financing since the agreement took effect, said Mr. Costantino, who became secretary of Rhode Island's Executive Office of Health and Human Services about a year after the agreement was approved.

Total federal Medicaid spending surged in Rhode Island in 2009 and 2010, as it did in all states, because of the recession stimulus package. Rhode Island received an additional \$320 million to help cover the program's costs.

Even absent the stimulus money, federal spending for Medicaid in Rhode Island increased at almost the same annual rate as during the five years before the agreement.

The agreement's impact on the state's bottom line is murkier. State spending dropped in 2009 and rose again the next year. Mr. Costantino said he has tried several times, to no avail, to corroborate the savings claimed by Mr. Alexander in his paper, which was published on the Web site of the conservative-leaning Galen Institute.

In an early version of the paper, Mr. Alexander said that Rhode Island had saved about \$150 million during the first 18 months of the agreement. A later version lowered the estimate to \$110 million. The paper does not detail how he arrived at those numbers, nor does it explain the reason for the change.

Mr. Alexander, now Pennsylvania's acting secretary of welfare, did not respond to requests for comment left with a spokesman in his office.

It is difficult to isolate the agreement's impact on spending, Mr. Costantino said, because so many additional factors drive state costs and spending decisions.

One thing is clear: Rhode Island's agreed-upon federal limit has not squeezed its \$2 billion-a-year Medicaid program. And that is a key difference between Rhode Island's experience and the block-grant proposal: block grants would funnel less money to the states, but Rhode Island's agreement almost certainly guarantees the state more than it intends to spend.

Though Rhode Island's agreement limits federal contributions, the cap was set so high, Mr. Costantino said, that the state is unlikely to hit it. If it did, the state would be spending so much on Medicaid, the program would become unsustainable, he said.

Total spending in fiscal 2009 fell more than 25 percent below the agreement's annual target. Last year, spending was 17 percent below the target.

Contrast that with Mr. Ryan's plan, which would award the states annual grants that critics say would not keep pace with rising health care costs. The Congressional Budget Office estimates that federal Medicaid spending under the Ryan plan would fall 35 percent below current projections by 2022 and 49 percent below by 2030.

As for the flexibility the state gained under the agreement, Mr. Costantino says it is limited. Rhode Island still must get federal approval for major changes in its program.

And he does not agree with suggestions that Rhode Island's program is a model for how block grants could work.

"I don't think it's a fair comparison," Mr. Costantino said. "When one does an analysis of this program and you look at what I suspect a block grant would be, many of the tenets just do not match."