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Providential Design

A study shows that Medicaid reform is working in Rhode Island.

In his parade of Republican horrors, President Obama poured special scorn this week on the idea of handing Medicaid to the states with a fixed annual federal payment. He wouldn't save money without hurting "poor children" and "middle-class families who have children with autism and Down's Syndrome." Someone needs to tell Mr. Obama about the results of Medicaid reform in Rhode Island.

The experiment dates to the final days of the Bush Administration, when Health and Human Services granted a Global Consumer Choice Waiver exempting Rhode Island from Medicaid's federal rules and mandates. The state used it to move to managed care from traditional fee for service, in return for accepting a spending cap over five years of \$1.5 billion, including federal matching payments.

How's that working out? Well, a study released late last year by the Lewin Group, a consulting firm, found that the Ocean State's reform with a federal waiver has been "highly effective in controlling Medicaid costs" and improving "access to more appropriate services."

Rhode Island's Medicaid spending, which had been projected to reach \$3.8 billion, came in at \$2.7 billion for the 18 months following the introduction of the waiver, according to Rhode Island's Office of Health and Human Services. The state benefited in part from one-time stimulus money, but it also saved money from such reforms as better case management by private insurers and competitive bidding for health-care providers.



Associated Press

Rhode Island Hospital in Providence, R.I.

For example, Lewin examined the state's shift to home and community-based care from nursing homes for long-term care patients. Lewin found the reform helped save \$35.7 million over three years, \$15 million in 2010 alone.

The Lewin study also "found evidence of lower emergency room utilization and improved access to physician services" from management programs for Medicaid patients with asthma, diabetes, heart problems and mental health disorders. Emergency care is a major driver of Medicaid costs.

The total savings from all of Rhode Island's reforms were more than \$55 million—a big deal in such a small state. According to an analysis by Gary Alexander, who ran the Medicaid program in Rhode Island when the federal waiver was granted and who now works as the Secretary of Public Welfare in Pennsylvania, if these savings were extrapolated for all 50 states, they would exceed \$2 billion in lower Medicaid costs over the next decade.

These findings contradict predictions from liberal critics like the Center on Budget and Policy Priorities, which in 2008 called the Rhode Island waiver a "radical" and "perilous" plan that would hurt the poor. On quality of care, Lewin found that the waiver meant that "Medicaid members in Rhode Island receive the right services, at the right time, in the right setting." In other words, Down Syndrome children are not roaming the streets of Woonsocket.

Not every Rhode Island idea has worked, and critics say some reforms may not be applicable to larger, more diverse, and less population-dense states like Texas. Perhaps that's why letting 50 states tailor their own service-delivery reforms is the best model for controlling a program that cost the feds and states a combined \$404 billion in fiscal 2010. State experimentation is how welfare was reformed so successfully in the 1990s.

Our guess is that President Obama's real objection to Medicaid block grants is political. He doesn't want Washington to lose control. He and most Democrats want to use Medicaid as cover as many people as possible as a way to pave the road to single-payer national health care. It's no accident that ObamaCare was written to add about 15 million more people to the Medicaid rolls, most of whom will be middle-income earners.

The nation's governors are looking at this imminent new burden in horror, and more than half of them have signed a letter pleading with the Obama Administration to give them the Medicaid money in exchange for fewer rules and mandates. Medicaid now costs the states \$159 billion a year. Without reform the federal cost will double to \$587 billion in 2012, \$274 billion last year, according to the Congressional Budget Office.

If the Obama Administration won't grant more waivers, then Republicans ought to investigate the Rhode Island results and educate the voters during this election campaign.

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