

# To Fix Rhode Island's Health System, Give Patients Control

By John R. Graham

To help fix Rhode Island's budget mess, Gov. Don Carcieri has proposed an overhaul of the state Medicaid program.

Such a move is certainly welcome. But Carcieri's Medicaid overhaul won't be able to cut costs unless policymakers relax their regulatory stranglehold on private insurance and address the state's miserable medical tort environment. Such reforms, which would improve "health ownership" in the state, also would enhance the quality of care. With the state budget in shambles, the time is ripe for action.

States with higher levels of health ownership spend just a fraction of what Rhode Island does on health care each year. In the Pacific Research Institute's annual state-by-state ranking of health ownership, Rhode Island placed near the bottom for the second year in a row.

Lawmakers can start by cutting the number of burdensome benefit mandates. Today in Rhode Island, no matter a policyholder's age, medical condition, or behavior, every insurance policy is required to cover marriage therapists, drug abuse treatment, chiropractics, and a host of other extraneous medical procedures. Rhode Island has 47 of these mandates -- more than almost any other state -- and they significantly drive up the cost of insurance, pricing many families out of the market.

States at the top of the health ownership rankings, by contrast, don't overload private health plans with onerous benefit mandates. Alabama, which has the highest level of health ownership in the country, imposes just 19 of them.

Rhode Island's insurance premiums are also high because of the state's abysmal medical tort system, which is the worst in America. Nationwide, one in every eight doctors gets hit with a medical malpractice suit each year.

In Rhode Island, the situa-

tion is especially friendly for plaintiffs' lawyers. The state has done little to cap damages or limit attorneys' fees. When adjusted for population, the state has among the highest relative medical malpractice losses in the nation.

This legal free-for-all drives up costs for patients by increasing the premiums doctors must pay for malpractice insurance. Doctors don't just eat those increased costs -- they're forced to pass them onto consumers either through reduced service or higher prices.

All told, the monetary burden of excessive health regulations and medical tort costs amounted to \$169.1 billion nationally in 2002. Medical tort costs alone accounted for more than \$80 billion.

With such deficiencies in mind, it's no surprise that Rhode Island has among the highest private insurance premiums in the nation. The average premium for an employer-provided policy, nearly \$5,000 annually, is higher in only five states.

Private coverage is prohibitively expensive for many, so the state is forced to cover one in every five residents under Medicaid. Families that ordinarily would be able to afford health insurance are simply unable to do so, thanks to all those mandates and regulations.

With Medicaid accounting for about a quarter of the state budget, Rhode Island's leaders clearly must reform the program if they're to have any hope of balancing their ledger. But budget cuts will only temporarily stanch the fiscal bleeding.

That's why lawmakers should work to improve health ownership. Only by granting residents of the Ocean State greater control over their healthcare decisions can policymakers solve the budget crisis and improve the quality of medical care.

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