



# Analytics

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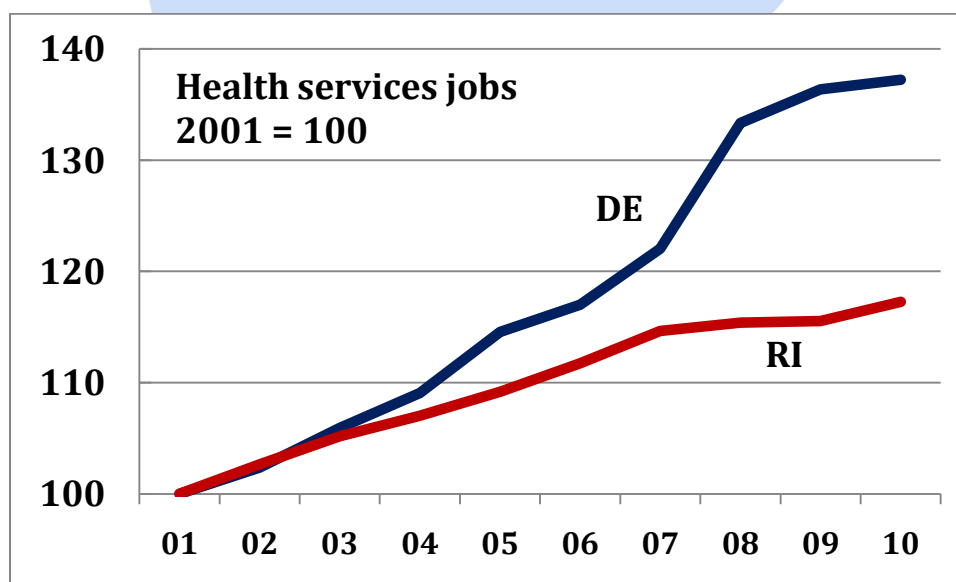
**RE: The wrong waiver**

**DATE: June 9, 2011**

Delaware's insurance commissioner has requested a waiver of the Federal rule requiring health insurers to spend 80 percent of each premium dollar on medical care. This is the wrong waiver. If Delaware would simply open itself to health insurance competition the terms of the balance between company costs and medical payouts would be dictated by consumers.

A more important waiver for Delaware to be seeking at this time is from the Federal Medicaid rules. Rhode Island has led the way by obtaining a waiver from Medicaid rules in favor of a \$12.1 billion Medicaid spending cap from 2009 through 2013. The cap gives Rhode Island the flexibility to promote home and community based care over institutional care for long term care patients and engage consumers in the decision process through such mechanisms as health savings accounts.

To date innovations have saved Rhode Island over \$100 million relative to what they projected would have to be spent under the Federal Medicaid rules and has made the Medicaid program sustainable within the state's budget constraints. Starting in 2008, the talk of a waiver has substantially slowed the growth rate of health services jobs in Rhode Island (see chart), especially with regard to nursing and residential care.



**Due to liberal eligibility requirements, Medicaid utilization in Delaware is soaring. Since the year 2000, Medicaid enrollment across the nation rose 49%, while rising 44% in the region, and almost 70% in Delaware. As of 2007 Medicaid enrollment was 21% of the population in Delaware compared to 17% in Pennsylvania, 13% in Maryland, and 11% in New Jersey. The Department of Health and Human Services is the second largest expenditure center in Delaware state government. The estimated FY-2011 Medicaid spending of \$487 million from the General Fund comprises more than half of the DHHS budget. At least two-thirds of the health services spending in Delaware is from Medicaid and Medicare funds.**

**It is time for Delaware to seek a waiver from the Federal Medicaid rules. As was demonstrated with welfare reform, states can find more creative and effective ways to handle social service spending than “one size fit all” regulations imposed from Washington, D.C.**

**Dr. John E. Stapleford, Director  
Center for Economic Policy and Analysis**

