



**Statement by Jaime Pla-Cortés,
President of the Puerto Rico Hospital Association
Submission for the record to
The Congressional Growth Task Force
September 2, 2016**

Chairman Hatch and Members of the Bi-Cameral Growth Task Force, we appreciate the opportunity to submit our statement on behalf of the Puerto Rico Hospital Association along with the support of the Private Sector Coalition of Puerto Rico for your consideration and ask that you recognize the need to address "urgent" issues impacting local hospitals and health providers in Puerto Rico.

Our hospital association represents the 72 non-profit, for-profit and publicly owned hospitals serving the 3.4 million U.S. Citizens residing in Puerto Rico. We employ approximately 50,000 health care professionals and support staff across our island.

Since your Task Force is focusing on initiatives with an economic impact on Puerto Rico's future, we note that health care represents 20% of our local GDP and employs 85,000 U.S. Citizens locally. As a "quality of life" concern for all, it's important to note that the availability of quality health care is a key factor when it comes to attracting and maintaining good workers and their families. The further loss of health professionals and specialized hospital services will have a major economic impact going forward. Urgent action is needed. Unfortunately, Puerto Rico's depressed economy, government fiscal crisis and disproportionally lower Medicaid and Medicare reimbursements have all contributed to a struggling health care system which has seen the closure of one hospital and forced several close to bankruptcy.

It's important to note that when Federal health care funding is compared between Puerto Rico and the rest of the country, the disparity is clearly illustrated when noting that Federal health program resources average \$3,400 per capita for Puerto Rico when



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compared to the national average of \$10,000. When a US Citizen qualifying for Medicaid or Medicare relocates to a stateside location, the Federal costs jump to the higher number.

RECOMMENDATIONS:

We recommend two action items which require **URGENT action by Congress:**

First, we recommend lifting the statutory cap on Federal Medicaid funding for Puerto Rico. We also note that if this issue is not addressed in the coming fiscal year, Puerto Rico is likely to face its impending Medicaid Cliff which will result from the exhaustion of an allocation of extra funding provided by Congress as an alternative to lifting the cap in 2010. When the Medicaid Cliff occurs, Puerto Rico will lose 75% of its Federal Medicaid funds with crippling results to local health care providers.

Second, we urge Congress to work with the Centers for Medicaid and Medicare Services (CMS) to reform the Wage Index and establish a proxy for the SSI which disparately impact Medicare reimbursements for our hospital, doctors and clinics.

BACKGROUND ON MEDICAID: Medicaid, the health program for low-income individuals, is funded in part by the federal government and in part by the state or territory government. In the states, federal funding for Medicaid is open-ended, with the federal contribution—known as an FMAP—ranging from 50 percent for the wealthiest states to 83 percent for the poorest states. By contrast, the amount of funding that the federal government provides to support the Medicaid program in each territory is capped.

Puerto Rico has a population of 3.4 million U.S. Citizens residing within the Territory. Unfortunately, she also has the nation's highest poverty level of 46 per cent of the population. Every health provider serves an estimated 1.4 million Medicaid population. Unfortunately, the current fiscal and economic crisis has placed an even greater financial burden on hospitals. Today Puerto Rico's hospitals are forced to reduce

services while suffering a loss of top medical and technical talent to the mainland in search of better compensation.

Through 2009, Puerto Rico's cap was only \$260.4 million a year and the FMAP was just 50 percent. In 2010, Congress enacted the Patient Protection and Affordable Care Act (ACA). Rather than simply removing the cap, the legislation instead provided \$6.4 billion in additional "temporary" Medicaid funding for Puerto Rico. This funding was to be drawn down by the territory beginning with the fourth quarter of Fiscal Year 2011 and with the hope these funds would last until the end of Fiscal Year 2019. However, these projections turned out to be incorrect and CMS now projects they will be exhausted as early as July of 2017 but certainly during the local government's FY 18 budget year.

As a result, Puerto Rico now receives \$1.1 to \$1.3 billion a year in combined federal Medicaid funding. This is a major improvement but only temporary. It is still far less than Puerto Rico would receive if it were a State. Oregon, which has roughly the same number of people as Puerto Rico with a much lower poverty level, receives \$5 billion a year in Federal Medicaid funding. In another comparison illustrating the disparity, the District of Columbia received \$1.8 Billion in Federal Medicaid funds in FY 14 while only having a population one-fifth the size of Puerto Rico. In simple terms, the Medicaid system serving U.S. Citizens in Puerto Rico is today receiving 25% compared to State like treatment. When the Medicaid Cliff occurs this number will drop to 8%.

Medicaid in Puerto Rico is managed under a "managed care" system with existing agreements expiring in the spring of 2017 between the local government, managed care companies and their providers. The impending Medicaid Cliff complicates the ability of the local government to move forward with contracts beginning in July, 2017, for the next fiscal year (FY19) with such a high level of uncertainty regarding Federal Medicaid Funding during this time period.

Without action by Congress, Puerto Rico faces the loss of almost 75% of its Federal funding early in the Commonwealth's FY 18 budget year which begins in July of 2017. Puerto Rico administers its Medicaid program similar to most States by using a managed care system to control costs. When the cliff occurs and the Federal funding

portion of the local Medicaid system drops significantly, it will have dire consequences for Puerto Rico's already struggling health care system as every hospital, doctor and community health center are Medicaid providers.

CMS has projected that the impending Medicaid "cliff" may occur as early as July, 2017. We urge action by Congress to prevent the "cliff" and suggest that Congress provide for a "bridge" to prevent the Cliff by raising the statutory cap on Federal Medicaid funding for Puerto Rico to at least the current level of funding provided in order to prevent the cliff. This serves as a temporary solution while we work together to provide Puerto Rico health care providers similar treatment to that given to the District of Colombia and the States

THE BEST MEDICAID SOLUTION:

During this Congress, H.R. 2635 and S. 1961, offered by Cong. Pierluisi and Senator Schumer offer a solution by providing the territories with state-like treatment under Medicaid within well-defined parameters. Each territory's Medicaid program could cover individuals whose family income is equal to or less than 100 percent of the federal poverty level, with the federal government providing state-like funding for that purpose. In essence, as long as a territory government covers individuals whose household income is within these limits, the federal government would fund the territory's Medicaid program as if it were a state Medicaid program. That means that the annual funding cap would be eliminated. Each territory would receive an FMAP based on its per capita income. However, the limiting principle is that if a territory wants to cover individuals earning above 100 percent of the federal poverty level, it will generally be required to use territorial dollars, not Federal dollars.

We also note that the Administration's budget proposal for FY 17 included the elimination of the statutory cap on Federal Medicaid funds for Puerto Rico. We endorse this important and just reform and offer it as a alternative solution.

BACKGROUND ON MEDICARE:

Like all U.S. Citizens, residents of Puerto Rico pay payroll taxes and contribute to Medicare throughout their lifetimes. Our local hospitals serve Medicare patients and meet the same standards as other U.S. hospitals, however we are still treated in a disparate way even with the decision of Congress to include in last year's Omnibus legislation a fix to the Medicare IPPS and provide the same 100% IPPS as provided to hospitals elsewhere in the United States.

Nevertheless, even with these adjustments our hospitals remain in a significantly detrimental position, in which average payments in Puerto Rico are still approximately half the level of the national average. These depressed payment levels result from the remaining, unaddressed imbalances in the administration of the program's by CMS.

THE BEST MEDICARE SOLUTIONS:

We recommend the Task Force recommend these reforms to CMS where they have the ability to make these changes under their administrative authority.

Specifically, we urge CMS to consider and implement our proposals for the following:

1. The use of an alternate proxy for SSI days in payment formulas for both the Disproportionate Share Hospital (DSH) and uncompensated care payments. It's important to note that residents of Puerto Rico are not eligible to participate in SSI so it is not an appropriate component in the payment formula for Puerto Rico.
2. The use of an alternate wage index that would result in more reasonable payments and stop the current "death spiral" that results from the application of the standard formulas to the unique character of the Puerto Rico health economy. We propose that Puerto Rico wage indices in Medicare FFS should not be lower than the average ratio of Puerto Rico non-healthcare wages to US non-healthcare wages, using the data from Occupational Employment Statistics (OES).

NEXT STEPS: Now that Congress has enacted PROMESA and created an Oversight Board to bring the finances of the Commonwealth's government back in order, preventing the Medicaid "cliff" and addressing the unfair treatment of Puerto Rico's health care providers under Medicaid and Medicare must become an **URGENT** priority.

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We urge inclusion of meaningful initiatives to bring about changes in the unfair treatment of Puerto Rico's health care providers under Medicaid and Medicare.

Our recommendation is for Congress to remove the cap on Federal reimbursement under Medicaid for Puerto Rico in the proposals under consideration by Congress. At a minimum, Congress should prevent the impending "cliff" and ensure stable Medicaid funding for Puerto Rico into the foreseeable future.

The Administration and CMS should use their authority to address the unfair treatment of Puerto Rico hospital reimbursements by using their administrative authority to address the need to revise the Wage Index and address the need for a "proxy" for the SSI.

We also note that providing parity under Medicaid and Medicare is also considered a top priority by the Private Sector Coalition (PSC) representing the united front of the thirty leading employer and business trade associations representing 100% of the private sector economy of Puerto Rico. They join in making this request and recognize how critical a vibrant health care system is to their need to retain and recruit employees.

Thank you for the opportunity to submit our statement and recommendations for the Task Force's consideration. We look forward to working with you to establish a sound and stable health care system to serve the 3.4 million U.S. Citizens residing in Puerto Rico.

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