



STATEMENT BY JAIME PLA CORTES
EXECUTIVE PRESIDENT OF THE PUERTO RICO HOSPITAL ASSOCIATION
before the
U.S. House Health Subcommittee of the Committee on Energy and Commerce
Hearing on:

“Hearing on Protecting Scientific Integrity in the COVID-19 Response”

Thursday, May 14, 2020

Chairwoman Eshoo, Ranking Member Burgess and Subcommittee Members:

Thank you for the opportunity to present my statement on behalf of the Puerto Rico Hospital Association (PRHA) on behalf of our island’s 68 hospitals and over 45 thousand plus health care professionals and staff. Hospitals are the core of our island’s health care system and vital to the quality of life for the 3.2 million U.S. Citizens residing in our Territory; the Commonwealth of Puerto Rico. Notably, the population of Puerto Rico is larger than 20 States and suffers the highest level of poverty in the United States.

Our hospitals and the entire health care system are facing tremendous challenges due the COVID-19 Pandemic and suffering tremendous financial strains while we have focused on addressing the needs of those infected and turned away those seeking non-essential services. Statistics today show that we have confirmed 2,198 cases on island while 746 have recovered while suffering the loss of 111 deaths. Our island has had a relatively lower impact from COVID-19 resulting in a major loss of revenues needed to maintain payroll and other basic expenses needed for operation. Today, our hospitals are experiencing an average census of 35 -38% with at least a necessary level of 70% or more to prevent bankruptcy. This cannot continue without a financial collapse of many of our hospitals.



As you know, Puerto Rico receives significantly less in reimbursements under Federal health care programs including Medicare and Medicaid compared to Stateside providers. However, our costs are like Stateside expenses; especially as we compete for the pool of talented workforce available throughout the U.S. We have also forgone revenues normally generated from elective procedures; now prohibited during this crisis and denying needed revenues for basic operations.

The allocations of advanced Medicare payments and other direct Federal assistance through CMS and HHS to Hospitals and other providers have totaled \$80,972.703; proportionally much less than funding provided to hospital systems in the States. . This amounts to less than 1% of the total distributed of the total of \$72 billion Nationwide. In comparison, we note that the payroll for our entire hospital system averages \$65 million each month. While we appreciate the help during this crisis, this amount of funding has been woefully inadequate to meet the needs of our struggling hospitals system and has left our system very vulnerable.

We also note that the allocations of funding by HHS have not fully taken into consideration the high Medicare Part C (Medicare Advantage) enrollment numbers in Puerto Rico which total over 80% as well as our high level of Medicaid eligible population comprising one-half of our island's populations. These two factors along with the decision of HHS to base their formula on 2018 reimbursement numbers also put us at a disadvantage as the year 2018 was the time of recovery from Hurricane Maria; the worst hurricane to devastate our island in 500 years. Many hospitals were physically damaged by Hurricane Maria and it impacted their operations and revenues during that year.

Frankly, our hospital system is on the brink of collapse and layoffs have begun. It's anticipated that our entire hospital system will downsize payroll by 25% this month and many hospitals are on the verge of financial collapse. Much more needs to be done to ensure the long-term financial stability of our hospital system needed to provide healthcare for 3.2 million U.S. Citizens.



OUR RECOMMENDATIONS:

1. We encourage Congress to move quickly to provide another round of significant funding directed to our Nation's hospital system. The formulas for distribution of these monies should fully include both the Part C Medicare reimbursements (Medicare Advantage) as well as Medicaid reimbursements to ensure more adequate funding for hospitals highly dependent on Medicare Part C and Medicaid populations.
2. We ask that the U.S. Department of Health and Human Services (HHS) and the Centers for Medicare & Medicaid Services (CMS) include capturing Medicare Advantage and Medicaid costs as they obligate the remaining \$28 billion from the Public Health and Social Services Emergency (PHSSE) Fund under the CARES Act and the \$75 billion appropriated to PHSSE under the Paycheck Protection Program and Health Care Enhancement Act to best support Puerto Rico's health care infrastructure during this unprecedented pandemic. Distressed hospitals who received less funding proportionately should be given priority.
3. We encourage Congress to construct a program to assist hospitals facing bankruptcy; especially the private hospitals which provide 90% of care in Puerto Rico. These initiatives that can bring acute care hospital facilities up to standard while allowing for the restructuring of debt to ensure stability. Puerto Rico has only three banks and private credit is very limited. Our recommendations include three alternative options which according to our estimates will require \$1.5 billion for all of Puerto Rico's hospital systems to participate:
 - A. Strengthen the Main Street Lending Program to allocate funds to provide assistance to private Hospitals in Puerto Rico and provide affordable financing for refinancing restructuring.



- B. Directly allocate additional funds to the Government of the Commonwealth of Puerto Rico to implement a revolving fund throughout the Economic Development Bank for Puerto Rico, to develop a lending program to ensure private hospitals in Puerto Rico can preserve their operations through debt restructuring.
- C. Amend the CARES Act's aid programs to state and local governments which in turn would provide additional funds to allow the Commonwealth of Puerto Rico to implement a permanent lending program for private hospitals in order to refinance debt.

We appreciate the decisions made by Congress to prioritize the direct impact of COVID-19 during the allocation of needed funds to address this National crisis. However, the indirect consequences of precautions preventing elective procedures in communities with few COVID-19 patients on top of several years of major disasters including hurricanes and earthquakes has devastated our island's hospital system.

We request to work with you to prevent the collapse of our hospital system and welcome the opportunity to bring about a bipartisan solution designed to bring the desired result of a financially stable hospital system in Puerto Rico.

Again, thank you for the opportunity to share my statement on behalf of our entire hospital system.

With best regards,

A handwritten signature in black ink, appearing to read "Jaime Plá Cortés".

Jaime Plá Cortés
Executive President
Puerto Rico Hospital Association