



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 "AVERTING A CRISIS: PROTECTING ACCESS TO
HEALTHCARE IN THE U.S. TERRITORIES"***

Wednesday, March 17, 2021

Chairwoman Eshoo, Ranking Member Guthrie and Subcommittee Members:

Thank you for the opportunity to present my statement on behalf of the Puerto Rico Hospital Association (PRHA) representing our 68 hospital members 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.

We wish to ask the Members of this subcommittee to address the need for equal treatment of U.S. Citizens residing in Puerto Rico under the Federal Healthcare Programs, Medicaid and Medicare. Every provider in Puerto Rico is a Medicaid provider and historically, we have received disparate treatment even while we serve to provide the highest quality of care for local residents and visitors.

Like every hospital system in the USA, we have faced great challenges over the past year as the COVID-19 pandemic has threatened the health of our communities while placing extreme financial challenges on our hospital system.



We also ask to draw the Subcommittee's attention to the urgent need to prevent the impending "Medicaid Cliff" facing Puerto Rico's Medicaid system in the third quarter of 2021. Without immediate action by Congress, we face a devastating loss of 85% of our Federal Medicaid funding likely forcing a large number of Medicaid enrollees to lose their coverage and jeopardize the financial viability of our island's hospital system. It would also jeopardize the financial stability of every hospital in Puerto Rico.

We have always urged a permanent solution to the need for equal treatment for Puerto Rico. Two years have gone by very quickly since Congress chose to provide additional funding (P.L. 116-94) to prevent the previous Medicaid Cliff in 2019. However, we now approach another Cliff in September of this year and we again urge that Congress repeal the statutory cap on Medicaid funding for Puerto Rico and provide permanent and equal treatment for our health care system and the U.S. Citizens whom we serve.

It is important to point out:

1. Providers in Puerto Rico are forced to operate with much lower reimbursement rates than their counterparts in the States. In fact, our Medicaid reimbursements are barely one-half or less than the U.S. average.
2. The Medicaid Cliff and the uncertainty it has created over the past decade has been a major contributing factor to the loss of doctors, specialists and health care professionals who have been recruited away by Stateside health care systems offering more generous compensation packages. The uncertainty and financial squeeze imposed on Puerto Rico's hospitals and other providers has made it very difficult to offer attractive and competitive compensation packages to retain our experienced, bilingual medical staff and professionals. The inability of our Medicaid system to properly reimburse our hospitals and other providers due to the combination of the



reduced level of Federal funding along with uncertainty of the impending Medicaid Cliff has been a primary factor for this loss. This has certainly impacted the ability of Puerto Rico's health care system to provide readily available care to the Medicaid population as well as to the general population throughout Puerto Rico.

For example, we have witnessed a significant loss of doctors, specialists and healthcare professionals over the past decade. The waiting lists to see specialists has grown and it is impacting the availability of care. In the area of Pediatrics, we only have one remaining Child Psychologist currently serving the entire island of Puerto and I will emphasize that the majority of children born on our island are Medicaid eligible. Overall, we have witnessed a significant drop in the overall availability of specialists over the past decade increasing waiting times for patients and general decrease in the availability of specialized care.

3. Another consequence of the uncertainty created by the Medicaid Cliff is the impact on the ability of Puerto Rico's hospitals to modernize and upgrade their physical plant and facilities as well as medical diagnostic and treatment technologies. Approximately, 90% of local hospitals are privately owned and have 30-40 year old buildings and physical plant. These hospitals are dependent on bank financing to make physical improvements and upgrades. However, the short-term approach to addressing the Medicaid Cliff has resulted in the Puerto Rico's banks being hesitant to provide financing for improvements. Puerto Rico's hospitals are willing to invest and want the most state-of-the-art facilities and equipment to provide quality health care. We must remember that banks always look at the long-term ability of their clients to repay their loans and without the guarantees provided by a permanent solution to the Medicaid Cliff, bank financing has



been limited. This lack of financing has delayed and frozen the ability of local hospitals to modernize and obtain the best medical technologies.

BACKGROUND:

Like many States, America's largest Territory; Puerto Rico, operates its Medicaid system by enlisting managed care to serve a jurisdiction of 3.5 million U.S. Citizens. However, that is where the similarity ends as Puerto Rico's eligibility for Federal Medicaid funding is statutorily capped at \$375 million annually, limiting the total amount of funding it can receive compared to any State which operates with no funding cap. Oregon for example has a similar population size, although with a much smaller poverty level and still receives \$5 billion in Federal Medicaid funding.

An estimated 1.25 million of PR's population is now eligible for Medicaid. Hurricane Maria left the island with a weaker economy and reduced population. However, the Medicaid-eligible population has increased as a

proportion of the population and the majority of newborns today are Medicaid eligible.

Every health care provider in PR is a Medicaid provider including all hospitals, doctors and community health care centers. Without action by Congress, it is projected that PR will lose an estimated 85% of its Federal funding later in 2019, when the Cliff occurs with terrible consequences for the local health care system. To maintain the current level of overall Medicaid funding, it will require an allocation of \$1.625 Billion in Federal funding to just maintain the balance while returning to the 55% FMAP.



Many Stateside policymakers have made an incorrect assumption about Medicaid coverage available in Puerto Rico, unfortunately, reduced Federal support has also caused limitations in what Puerto Rico's Medicaid system will offer Medicaid-eligible patients. Some of the important coverage offered Stateside that is not available to Puerto Rico's Medicaid population due to financial constraints include these listed below:

- **Durable medical equipment**
- **Home healthcare**
- **Other non-durable medical products**
- **Skilled Nursing care facilities**
- **Continuity care retirement communities**
- **Rehab**
- **Institutional rehab services**

We argue it is time to come up with a permanent solution that provides long-term stability to our health care system so that our hospitals retain our doctors and health care professionals currently being recruited away by better salaries and stable health care systems located Stateside. It takes years to recruit and replace lost doctors, specialists and other key health care professionals lost to higher paying opportunities elsewhere.

In previous years, Puerto Rico health care providers have asked to remove this funding cap and provide for equitable treatment under Medicaid for our Medicaid system. Congress last attempted to address this need in the FY 2020 by providing for an allocation of additional funds with the anticipation that these funds would be exhausted in the last quarter of FY 2021. Congress also waived the FMAP requirement to provide a local match due to the devastating impact of the hurricane on local government finances. CMS has since certified that PR's Medicaid system has met the requirements



to establish a Medicaid Fraud Unit and provide for better data collection. Time has now passed, and these additional funds are now projected to be exhausted at the end of the Federal Government's FY 2021; only one quarter of the way through Puerto Rico's upcoming fiscal year.

A PERMANENT SOLUTION NOW IS NEEDED in 2021:

We believe a fair solution is to provide State like treatment for Puerto Rico. This requires permanently eliminating the statutory cap and discriminatory FMAP for Congress to achieve this goal to provide greater confidence to our health care system and allow for delivery of the highest quality health care which we all wish to deliver to the U.S. Citizens of Puerto Rico.

The Puerto Rico Medicaid system needs to enter into contracts for its FY 2022 Medicaid Program immediately because CMS must certify that these contracts are actuarially sound before they can go into effect for the local FY 2022 operating budget for the coming year. Without the confidence of certainty regarding the level of funding available, it will be very difficult to attract willing contractors to administer and implement a managed care system between July 1, 2021, and June 30, 2022. The current fiscal state of the local government prevents it from making up any of the difference; something no State would be asked to do.

We continue to urge equal access for Medicaid funding needed to maintain a quality health care system for the 1.4 million possible Medicaid eligible in Puerto Rico. Frankly, the uncertainty of Federal funding complicates our ability to retain and recruit doctors and other vital health care professionals who are constantly tempted to leave our island for higher salaries elsewhere in the United States. The uncertainty over Congress's resolution of the



Medicaid Cliff also hampers the ability of local hospitals to obtain bank financing for moderation and upgrades.

We ask that a provision be included in the first available Federal health care funding package to be acted on by Congress to provide continuity for Puerto Rico's health care system. We welcome the opportunity to work with you to develop the best and most appropriate legislative language to achieve this goal.

PR's health system and its hospitals are under a tremendous amount of financial stress due to the challenges of Covid-19, the island's weak economy and overall underfunding by Medicaid. The lack of certainty regarding funding complicates the ability to meet CMS requirements for operation of PR's Medicaid program for the coming Fiscal Year beginning July 1, 2021.

By providing certainty through a permanent solution achieving equal treatment for the U.S. Citizens of Puerto Rico, Congress can inject the needed sense of confidence to PR's hospitals necessary to continue delivering the high level of quality care expected by patients and the Federal government and retain top medical staff.

We also emphasize that Congress has continually returned to face this issue of the Medicaid Cliff. A permanent solution to this perennial problem facing Puerto Rico and the Congress is the best solution.

We are prepared to collaborate and provide whatever information is necessary to address and solve this urgent issue and we look forward to working with you.



Contact information:

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

Jamie Plá Cortés
Executive President
Puerto Rico Hospital Association
Villa Nevárez Professional Center, #101
San Juan, Puerto Rico 00927
Phone: 787-764-0290