



STATEMENT BY JAIME PLA CORTES
EXECUTIVE PRESIDENT OF THE PUERTO RICO HOSPITAL ASSOCIATION
before the
U.S. House Committee on Natural Resources Oversight Hearing
Titled: The Insular Areas Medicaid Cliff
Thursday, May 23, 2019

Chairman Grijalva, Ranking Member Bishop and Committee Members:

Thank you for the opportunity to present my statement on behalf of the Puerto Rico Hospital Association (PRHA) representing our 58 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 3.4 million U.S. Citizens residing in our Territory; the Commonwealth of Puerto Rico.

We appreciate this hearing's attention to the impending "Medicaid Cliff" facing Puerto Rico's Medicaid system in the third quarter of 2019. Without action by Congress, we face the 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 is vitally important to note that 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 provide a reimbursement increase for hospitals and other providers since 2011 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 availability of specialized care.

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.

We must also draw attention to the recently negotiated Debt Restructuring Agreement (RSA) between Puerto Rico's electric utility monopoly, PREPA, and its bondholders. Respected Third Party experts predict this RSA will cause an increase of 28% in costs to consumers and local hospitals. Hospitals do not receive any discounted rate from PREPA and this will only burden local hospitals further with financial pressures. The PRHA has joined many organizations in opposition to this RSA and we hope the Federal Courts will reject it.

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's 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.

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 2018 by providing for an allocation of additional funds with the anticipation that these funds would be exhausted in the last quarter of FY 2019. 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 2019; only one quarter of the way through Puerto Rico's upcoming fiscal year.

A PERMANENT SOLUTION NOW IS NEEDED DURING THE MID-YEAR OF 2019:

The Governor's recent request on May 1st for an allocation of \$15.1 Billion to be dispersed over five years with an 83% FMAP is a major step forward towards this goal. We believe that permanently removing the statutory cap will help Congress 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 2020 Medicaid Program immediately because CMS must certify that these contracts are actuarially sound before they can go into effect for the local FY 2020 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, 2019, and June 30, 2020. 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 removing the current statutory cap to allow equal access for Medicaid funding needed to maintain a quality health care system for the 1.25 million Medicaid eligibles 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 funding package to be acted on by Congress to provide continuity for Puerto Rico's health care system. We've suggested



language which provides a permanent solution to prevent the Cliff from occurring in the coming year by eliminating the statutory cap on Puerto Rico's Medicaid funds.

PR's health system and its hospitals are under a tremendous amount of financial stress because of 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, 2019.

Here's the sense of urgency: Many doctors and health care professionals would prefer to remain in their homes in Puerto Rico but the lack of certainty is weakening their resistance to being recruited away by other offers. Hospitals are laying off workers and continue to reduce services. Local hospitals also struggle to obtain the bank financing needed to upgrade and modernize their facilities. It will take many years to recover the current capacity of PR's health care system if more talented and experienced health professionals leave the island and hospitals are unable to modernize their facilities. By providing certainty through a permanent solution, 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 and removing the cap will eliminate the need for Congress to return to the issue time and time again. Removing the statutory cap will be the permanent solution to this perennial problem facing Puerto Rico and the Congress.

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.

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