



May 23, 2019

The Honorable Congressman Gregorio Kili Camacho Sablan  
Vice Chair for Insular Affairs  
House Committee on Natural Resources  
U.S. House of Representatives  
2411 Rayburn HOB  
Washington, DC 20515

Subject: Medicaid Funding Cliff Hearing

Dear Congressman Sablan:

We are pleased that you have scheduled a hearing on May 23, 2019, to address the Medicaid Funding Cliff that will be experienced in the U.S. Insular Areas of Puerto Rico, U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands (CNMI) when the Affordable Care Act (ACA) funding expires on September 30, 2019. If nothing is done to extend the deadline to utilize unspent ACA funds, or more importantly, change the way that the federal government provides matching funds for the Medicaid programs in the Insular Areas, the results will likely be catastrophic.

As you are aware, the Insular Areas have the nation's lowest per capita incomes and, therefore, should be eligible to receive up to the maximum Federal Medical Assistance Percentage (FMAP) rate of 83%. Instead, the FMAP rate in the Insular Areas is unfairly pegged at 50%, temporarily 55% under the ACA, which is equated to the nation's highest per capita income states. There should be parity and the FMAP formula should be applied in the Insular Areas the same way that it is applied in all 50 states. To make matters worse, federal Medicaid spending in the Insular Areas is also subject to an annual cap that does not apply in the 50 states or the District of Columbia. The annual cap will go back into effect on October 1, 2019 and will restrict federal Medicaid spending in Guam to approximately \$18M in FY20 when it was nearly \$60M in FY18, a 70% reduction of about \$42M.

Guam Regional Medical City (GRMC) is a 130-bed private acute care hospital that opened in July 2015. Our Philippines-based parent company invested more than \$250M in GRMC so that the people of Guam and the Micronesian Region, including the CNMI, would have convenient access to specialized care without having to travel a great distance. In fact, GRMC is currently the only hospital in Guam that accepts patients from the CNMI Medicaid program. While GRMC provides many specialized services, our four pillars of excellence include cancer, cardiac, diabetic, and stroke care. The only other civilian hospital on Guam is Guam Memorial Hospital (GMH), which is a 161-bed government acute care hospital that has been perennially challenged by a lack of funding and an aged facility. Prior to GRMC opening,

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GMH was consistently at 100% occupancy since it was the sole hospital supporting Guam's population of approximately 170,000. Even with GRMC and GMH both serving the community now, there remains a shortage of beds to support the needs of the growing population. Guam's population is expected to increase by approximately 10% over the next five years due to the military buildup and relocation of 5,000 marines and their family members from Okinawa, Japan.

In Guam, there are approximately 21,500 individuals enrolled in adult Medicaid and 22,500 individuals enrolled in the Children's Health Insurance Program (CHIP). In 2018, GRMC had approximately 28% of its payer mix represented by Guam and CNMI patients with Medicaid as their primary health insurance. According to audit reports, Medicaid also represents about 20% of GMH's payer mix.

Due to the Government of Guam's frequent inability to cover the local match requirement, Guam healthcare providers, including GRMC, have had to wait several months for payment on Medicaid claims. For this reason, many local clinics do not even accept Medicaid patients. If nothing is done to prevent Guam from falling off the Medicaid Funding Cliff, Medicaid beneficiary access to healthcare will be even more restricted since it is likely that no private clinics will accept Medicaid patients. This will result in patients not getting proper care in a timely manner and overutilization of the GRMC and GMH emergency rooms for nonemergent care due to lack of access to primary and urgent care. Therefore, GRMC and GMH will see their Medicaid payer mix increase while their ability to get reimbursed from the Government of Guam greatly diminish. As a private hospital, GRMC has had to explore all options available to ensure financial sustainability. If Medicaid financing falls off the cliff, GRMC may have to suspend its emergency services. That would mean all emergency transports on Guam would have to go to GMH, and GMH will not be able to handle the additional patients. GRMC may also have to consider suspending the acceptance of CNMI Medicaid patients.

Thank you for holding this important hearing. We request the help of the U.S. Congress and President Trump to provide the necessary funding for the US. Insular Areas and their respective Medicaid programs by extending the deadline to spend any remaining ACA funds, eliminating the annual funding caps, and implementing the FMAP formula the same way that is applied in all 50 states.

Sincerely,



Michael W. Cruz, M.D.  
President & CEO

cc: U. S. Congressman Michael San Nicolas, Guam