STATEMENT OF
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BEFORE THE
HOUSE ENERGY AND COMMERCE COMMITTEE
SUBCOMMITTEE ON HEALTH
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Honorable Chair Eshoo, Ranking Member Burgess, and Members of the Committee, it is my pleasure to extend to you greetings from my Governor Lolo Matalasi Moliga and Lt. Governor Lemanu Peleti Mauga. On behalf of the American Samoa Government and our people, thank you for the opportunity to submit to the committee this written testimony to provide input on the subject matter of this hearing, "Strengthening Healthcare of the U.S. Territories for Today and Into the Future." For the first time in our history, American Samoa and the other territories have this extraordinary opportunity to share with this Congressional Committee, the heavy financial and human tolls that inadequate federal Medicaid funding has on our peoples and our local governments. We thank you sincerely for the opportunity to share with you proposed solutions to these challenges.

American Samoa's Health Care System

American Samoa (AS) is located half-way between Hawaii and New Zealand and is a two-to-three days travel by air to Washington, D.C. Our five inhabited islands have only one hospital and five community health clinics under the umbrella of the Federally Qualified Health Centers. The only hospital that serves approximately 60,000 people is located on the main island and two of the clinics are located on two of the outer islands. Any emergency or acute care cases from the outlying islands must be transferred to the main island via boat or airplane. Medically necessary or emergency care that is not available on island must be referred off-island to New Zealand (NZ) or Hawaii (HI). We send our patients to NZ where the medical care is affordable. In the case of AS, Medicaid is fundamentally our only health insurance plan. Medicaid is the key funding source that supports the whole AS health care system.

Medicaid Cap and FMAP for the Territories

The AS Medicaid program was approved in 1982 with a special 1902(j) waiver where the only provisions of federal law that cannot be waived by AS are the FMAP rate, the cap and the mandatory medical benefits. These two statutory barriers have caused significant hardships for our government. This prohibition against waiving the capped funding and the FMAP has had an unintended effect which basically puts AS in a compromising position of not being able to provide coverage for all the mandatory medical benefits—as mandated by the Social Security Act. In addition to not being able to cover all the mandatory medical benefits, our territory cannot fully cover the medical benefits that we do provide. When our block grant is exhausted in the second quarter, the local government must find supplemental appropriations to cover

the shortfall. In essence this further increases our local match outlays to as high at 80% and for a poor territory, this is an extremely heavy and unsustainable financial obligation.

Impact of the Affordable Care Act Medicaid Funding

The availability of the ACA funding helped provide financial relief to our local hospital which no longer had to take out loans to continue operations after our regular annual Medicaid funding was exhausted. It also helped AS expand the Medicaid program to add new benefits and new providers.

The only challenge was, AS could not come up with the local match requirements. Up until 2017, we were unable to add any new Medicaid providers because our local government did not have the local revenues to provide the local match for new providers. The government-owned hospital utilizes a certified public expenditure payment method that does not require direct cash match, but any new providers or services outside of the hospital would require direct cash match. In 2017, our government was able to provide $2 million in the Governor's special programs budget to launch new Medicaid services such as the off-island referral program to New Zealand.

Second, American Samoa's small population only incurs a certain level of expenditures per annum based on medical care services delivered by providers; and third, our government does not have enough Medicaid providers that could increase reimbursement claims. Adding new Medicaid providers to deliver services outside of the hospital can never be done unless our government can identify sources of revenues to provide Medicaid local match. Currently, the hospital receives government subsidies from the general fund to support hospital operations. Based on the hospital's annual final settled Medicare Cost Report, Medicaid is able to provide stable monthly reimbursement funds to the hospital. The new providers outside of the hospital is supported by the Governor's Special Programs budget that also comes from the government's general fund. Because of ACA funding, our government was able to significantly improve delivery of medical care services to our people with the addition of new Medicaid services and providers to the Medicaid program. The new providers have helped our territory draw a little more of the ACA funds, but it continues be limited to the extent of available local matching dollars. Without more local match funds to serve more patients and add more services, AS cannot spend its ACA funds in the time allotted.

Since Governor Lolo Matalasi Moliga and Lt. Governor Lemanu Peleti Mauga came into office in January 2013, we have consistently shared our concerns with the Administration through the Centers for Medicare and Medicaid Services as well as Congress to either extend the availability of the ACA funds or to increase the territories Medicaid block grants. Although grateful for the additional Medicaid funding provided by ACA, our government was never going to be able to expend the full *$197,800,000* million made available to American Samoa within the timeframe of the ACA law. At the time that Governor Lolo and Lt. Governor Lemanu began their administration in 2013, our territory had only spent *$10,357,446.17* million of the ACA funds. Currently, we have a remaining balance of *$152,338,473* million. Our regular annual

block grant is usually exhausted by the 3rd quarter of the fiscal year and only then, is our territory able to tap into the ACA funds. With the addition of our new providers, we exhaust our regular Medicaid funds in the 2nd quarter. Our territory's historical spending of ACA funds has averaged only *$ 5.4 million* a year. We estimate given our historical spending of ACA and of the new services and trending of those services into the future, AS needs approximately $30 million a year in federal Medicaid dollars to effectively support comprehensive health care services. With a steady increase per year, this would be a more sustainable level of funding in the form of a block grant. Again, our government will have to find new sources of local revenues to raise the local match.

Congressional Action Needed to Strengthen the Territories Health Care Systems

We have always understood that only Congress can fix the Medicaid cap for the territories and fix the FMAP issue. Congress must either lift the cap or increase the cap on territorial block grants to give the territories sufficient Medicaid funding.

Second, Congress must allow the territories to use the same poverty level formula to set our FMAPs as is used by the states. The territories are subjected to an arbitrary percentage that makes no sense, since the territories are some of the poorest jurisdictions in the nation. The territories FMAP is similar to the wealthiest states in the country but if the FMAP formula were applied the same way as the states, American Samoa would have approximately an 70-80% federal FMAP rather than the current 55%.

Third and of utmost importance is the principle that both the cap and the FMAP must be addressed simultaneously. Fixing one and not the other will not help American Samoa or the other territories now and in the future. Lifting or raising only the cap won't be sustainable for us if the local FMAP match remains high and our governments cannot raise the local revenues to draw the increased federal funds. Raising only the FMAP without raising the cap simply means that we will exhaust our block grant faster like in the 1st or 2nd quarter. These two steps are complementary and must be addressed together.

Absent an increase in the statutory cap placed on the territories or the lifting of the cap, American Samoa will be forced to suspend all new Medicaid benefits after the expiration of the ACA funds this September. We will suspend our off-island program to New Zealand that has been a life-saving program for many of our patients who otherwise would not be alive today had it not been for the ACA funding.

Caveat for American Samoa's 1902(j) Waiver

A question has been asked whether the territories want to be treated like the states. It depends. For American Samoa similar to the Commonwealth of the Northern Marianas Islands, we have a 1902(j) waiver that has provided our program much relief from federal regulation that does not make sense for our small island government or our small program. This waiver allows our program to be innovative in how to manage our limited funding and it also allows us

to waive certain federal Medicaid regulations that don't apply to our program or are fiscally unsupported. The federal regulations that the states are subject to are extremely rigorous and appropriate for billion-dollar budgets and millions of people. But American Samoa has a small population with a presumptive eligibility program, four providers and with a very small Medicaid budget in the world of Medicaid funding. A lot of federal regulations do not make sense for American Samoa. However, depending on what Congress decides to do with the lifting or raising of our block grant and the FMAP, that may help determine how much we should be treated like a state. We understand and support the principles of program integrity and we welcome efforts in promoting accountability. We only ask that we are given any opportunities to provide input on potential legislation that will impact our program because of its unique characteristics. For now, American Samoa requests that we maintain our 1902(j) waiver but we are open to deliberations on this issue if it helps move our program forward in a sustainable manner.

Real Impact of Medicaid on Our People

Consider the case of a young 30-year old nurse and mother of five who is alive and fully functioning today after experiencing a traumatic brain hemorrhage—she is alive today because the additional Medicaid funds from ACA paid for the Air Ambulance and nearly $300,000 of medical treatment costs to save her life and rehabilitate her so she can still live life to the fullest as a mother. Although no longer working as a nurse, she is fully able to care for her children and her family.

Additional Medicaid funding made a difference to residents, young and old, adults and children alike, who live on because they received off-island, life-saving medical treatment not available at our local hospital. Amputees, diabetics, orthopedic and cancer patients have benefited from our off-island referral program, gaining critical medical treatment they otherwise would not have access to. People whose lives have been transformed, living life with less pain and an overall higher quality of life—all because there was more Medicaid funding under ACA. All of these success stories hinge on the presence of the ACA monies. Viewed in this light, failure to act by Congress before the September expiration deadline would be disastrous for our people. It literally will mean the loss of lives and permanent disabilities for people who will lose access to medically necessary care. All of these new services will have to be suspended in the new fiscal year—*if there is no solution provided to increase our annual Medicaid block grant and fix the FMAP.*

Again, Medicaid is the only health insurance program that is available to the general population in American Samoa, including government workers, cabinet Directors and other government officials from the legislative and judicial branches. Cannery workers. Children. Working individuals from the private sector and service industries. All of them rely on Medicaid for health care. As the Medicaid Director from American Samoa here in the U.S., I do not have health insurance coverage—until I return home where I am covered while on island. Medicaid is the lifeline for the people of American Samoa and without additional funds in the new fiscal

year to offset the loss of the ACA funds, we face an unconscionable medical crisis that could have been prevented.

I look forward to working with the Committee to provide it with any information it needs to address these issues for American Samoa and our sister territories. Thank you again Madame Chair and the members of this committee for this opportunity to appear before you today. We are deeply grateful to the Committee for providing this forum for the territories to bring our voices to Congress on how it can truly help the territories with our Medicaid cap and FMAP challenges.