

Statement of Angela Avila
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U.S. House of Representatives Committee on Natural Resources
Oversight Hearing: “The Insular Areas Medicaid Cliff”
Thursday, May 23rd at 10:00 A.M. – 1324 Longworth House Office Building

Chairman Grijalva, Ranking Member Bishop, and Members of the Committee:

Thank you for the opportunity to testify today on Puerto Rico’s impending Medicaid cliff and the significant and detrimental impact this funding cliff will have on the people of Puerto Rico and our healthcare system if Congress fails to act. I am honored to be here on behalf of the Government of Puerto Rico and to be joined at the witness table with my friends and colleagues from the other territories. We are united in our need for sustained federal funding for Medicaid so that we can provide adequate healthcare to our people.

I appear before you today to request Congress’s continued and expedient support to remedy the Medicaid funding crisis Puerto Rico is facing. On September 30, 2019, the increased Medicaid funding and the temporary 100% Federal Medical Assistance Percentage (FMAP) we received in the aftermath of Hurricane Maria – the worst natural disaster in our nation’s history – will expire. It is only through this additional federal funding and the 100% FMAP that we have been able to sustain our healthcare system.

Without this temporary funding provided in the Bipartisan Budget Act for Puerto Rico’s Medicaid system, Medicaid beneficiaries in Puerto Rico would have been forced to forgo care, would have suffered needlessly and in many cases, would have died prematurely. These people include some of the most vulnerable citizens of the United States of America. We serve approximately 425,000 children, 305,000 elderly and disabled individuals, and more than 17,000 pregnant women at any given time. We provide care to 1.5 million individuals through our

Medicaid program, -- out of a population of 3.2 million U.S. citizens – who may be suffering from mental and physical illnesses, often both and, all of whom are financially destitute. Without a more permanent and sustainable funding solution, we will be unable to complete the planning necessary to stabilize the system and improve health outcomes for our citizens.

Congress must act before September 30, 2019, to avert catastrophic damage to our healthcare system and the health and well-being of the people of Puerto Rico. If no action is taken for fiscal year 2020, the FMAP will revert back to the statutorily mandated 55% FMAP (established in 1968) for most of our Medicaid program, up to the Federal Medicaid funding cap of approximately \$380 million. This level of Federal support for Puerto Rico’s Medicaid program is not sustainable as that funding is projected to only cover 19% of the Federal funding needed during fiscal year 2020 for the Medicaid expenditures supported by that capped federal allotment. If Puerto Rico only receives its statutory cap of \$380 million at the fixed FMAP of 55% for FY20, federal funding of Puerto Rico’s Medicaid will only last three months. These simple and stark numbers represent the Medicaid “fiscal cliff” that we have been talking about for some time. Unless Congress acts on the Government of Puerto Rico’s request before September 30, 2019, we will be faced with potentially catastrophic damage to our Medicaid program and our healthcare system:

- We will have to conduct a review of all current benefits and potentially remove any services that are not required under Medicaid rules, such as Pharmacy coverage and Dental coverage.
- We will have to abandon all plans to modify the Puerto Rico Poverty Level to add uninsured individuals presenting at hospitals to receive uncompensated care.

- We may have to end coverage for the current population who receives healthcare with local funds.
- We will have to pay for any needed Medicaid healthcare services with all local funds that are not available in our budget at this time.
- We will face further delays in much needed improvements to our hospitals, clinics, and other healthcare infrastructure as funds will have to be diverted to current Medicaid obligations.
- We will continue to lose more of our medical providers because we will not be able to ensure reasonable reimbursement to retain this critical workforce. Our healthcare workforce shortage is compounded by our inability to attract new medical professionals to Puerto Rico due to concerns of financial instability and is especially problematic with specialty providers needed to treat expensive and prevalent health conditions.
- Finally, we will face a mental health crisis as individuals and families continue to struggle to have their most basic needs met, particularly in the aftermath of Hurricane Maria which provoked a 20% increase in suicide rates.

Due to the disproportionately low level of Federal Medicaid funding historically available to Puerto Rico, we have been forced to limit Medicaid eligibility to income levels well below the federal poverty level used by the states. For example, Puerto Rico covers individuals with income up to 138 percent of the Puerto Rico poverty level, which is \$11,736 annually for a family of four or approximately 46 percent of the federal poverty level for a family of the same size in 2019 on the mainland.

Once the cap is exhausted, Puerto Rico would have to fully fund the deficit in Federal Medicaid funding, as it has in the past, and pay for its Medicaid services with 100% local funding. Given the island's current financial situation, local funding is not available. Come October, if Congress fails to act, nearly 1.5 million U.S. citizens may lose the essential healthcare they need, our already fragile healthcare infrastructure would be further destabilized, and the island's recovery would be further delayed.

I would like to take a moment to clear up a misconception that seems to be all-to-common when it comes to Puerto Rico. Puerto Rico has not mismanaged any funds in administering its Medicaid program, in fact, we have made extraordinary efforts and worked tirelessly to provide the best care for our citizens with the fewest resources. For FY 2020, for example, Puerto Rico's projected total spend per full year equivalent, including federal and state funds, is estimated to be lower than the federal spending in any of the states. We are aware that additional and sustained Federal support comes with additional responsibility on our part to ensure that the Medicaid program is efficient, effective, and accountable. Toward that end, we have already taken several actions outlined below:

- We implemented a fully functioning Medicaid Management Information System (MMIS).
- We implemented a Medicaid Fraud Control Unit (MFCU).
- We enhanced our most recent Managed Care Organization (MCO) Contracts with additional requirements, including financial conditions, related to encounter data, program integrity activities, achieving improved health outcomes, and one of the highest Medical Loss Ratios in the nation.

We believe that all of these activities, in addition to our complete responsiveness to the Financial Oversight Management Board (FOMB) created by Congress under the Puerto Rico Oversight Management and Economic Stability Act (PROMESA), P.L. 114-187, indicate the island's ongoing commitment to ensuring the integrity of our programs and our responsible stewardship of the Federal Medicaid funding that we receive.

Earlier this month, the Governor of Puerto Rico, the Honorable Ricardo Rosselló submitted Puerto Rico's official Medicaid ask to Congress - \$15.1 billion in funding at an 83% FMAP for five years in order to prevent the collapse of the healthcare system in Puerto Rico.¹ This funding would provide the island with certainty in the short term while Congress works with us to determine a sustainable, long-term funding mechanism that eliminates the inequity in funding and allows us to meet the healthcare needs of our most vulnerable residents. As part of the Governor's request, we have identified critical sustainability measures needed to further stabilize and improve the healthcare system in Puerto Rico as a whole:

- **Keep physicians within the system to avoid critical shortages** – The number of registered physicians has decreased due in part to low reimbursement rates and lack of infrastructure. This is especially problematic with key specialty physicians. We are working on a strategy to ensure dollars earmarked for increased provider reimbursement reach providers under managed care, whether the provider is an individual practitioner or part of a larger group practice.

¹This assumes that other Federal matching requirements and funding under the Medicaid program remain in place during this period for areas such as CHIP allotments, MMIS, Eligibility and Enrollment, and Medicare Part D co-insurance and deductibles.

- **Provide life-saving Hepatitis-C drugs** – Unlike in the mainland’s Medicaid system, currently, Puerto Rico’s Medicaid system does not cover the drugs that cure the Hepatitis-C virus and there are an estimated 14,000 Puerto Ricans with the disease. While the short-term cost of proving this benefit is high, significant savings can be realized by investing in the long-term health of our members and avoiding costly treatment options in the future.
- **Prevent collapse of hospital system due to losses** – According to the latest Centers for Medicare and Medicaid Services (CMS) cost reports, over 50% of Puerto Rico’s hospitals reported losses. Because Medicaid covers over half of the population of the island and has the lowest reimbursement rates for hospitals, our funding status jeopardizes the hospitals’ ability to operate and reinvest in infrastructure. Additional funds are needed to compensate hospitals for losses attributable to Medicaid.
- **Provide Medicare Part B Premium coverage** – Coverage of Part B premiums has the potential to help approximately 282,000 Medicaid and Medicare dual eligibles that pay Medicare Part B premium out-of-pocket or opted not to enroll in Medicare Part B due to the cost. In most cases, this is a deduction from each individuals Social Security check, which for most recipients is their sole source of income. Since premiums can be as high as \$135.50 per month, some elderly residents must choose between food, rent and healthcare. This is a choice no U.S. citizen should be forced to make.
- **Adjust the Puerto Rico Poverty Level to increase fairness in Medicaid eligibility** – Due to the low level of federal Medicaid funding, Puerto Rico uses its own poverty level as the basis for determining eligibility. As I mentioned earlier, the Puerto Rico Poverty Level is less than 50% of the Federal Poverty Level used by other states. As a result, a significant

percentage of vulnerable families and individuals in Puerto Rico lack healthcare coverage. Currently, Puerto Rico covers approximately 120,000 of these individuals directly with local funds. As local dollars may not consistently be available to cover these individuals, they may have no choice but to move to the mainland in search of adequate healthcare coverage.

As we have stated in previous meetings with the Administration, and in testimony before Congress and recently, the Medicaid and CHIP Payment and Access Commission (MACPAC), federal healthcare funding in Puerto Rico has been insufficient for generations. Under Medicaid, the historically low FMAP, a correspondingly high local matching requirement, and the cap on Federal funding have imposed severe and unsustainable financial demands on Puerto Rico.

The Medicaid cliff that Puerto Rico is facing is an emergency that must be dealt with swiftly and smartly. As this Committee knows, the Government of Puerto Rico is currently in the midst of working with the Oversight Board to obtain approval of our revised Fiscal Plan and our FY20-21 state budget, all of which must happen by June 30, 2019. Given the very limited time available for approval, we ask that you address this issue in the next available legislative vehicle. Our proposal will allow us to continue to provide urgent health care services to our citizens while we work to rebuild our health care infrastructure and economic viability and will serve to provide a temporary “fix” to the disparate, arbitrary, and insufficient treatment that Puerto Rico continues to receive under the Medicaid Program.

I am grateful for the opportunity to share these facts with you and thank you for allowing me to testify before this Committee on this critically important issue. I love my island – it is my home, and I am committed to working with Congress to create a Medicaid system that all of us

can be proud of and that provides the necessary care to the 1.5 million U.S. citizens who rely on it. We look forward to working together to address the immediate issue of the impending Medicaid fiscal funding cliff and we look forward to finding a solution that can eliminate the unequal treatment for Puerto Rico, provide parity for Medicaid enrollees and the full benefits of the Federal Medicaid program for our citizens and our providers once and for all. Thank you for your consideration and attention to these urgent matters. I am honored to be heard and open to answer any questions you may have.