

HEALTHCARE REFORM DEVELOPMENTS IN PUERTO RICO



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**“When you get to a fork on the road...
keep going straight”**

Yogi Berra



- Both the Medicaid and the MA programs in Puerto Rico suffer by gross disparities in the island's treatment under federal health care law.
- Puerto Ricans are at the very bottom of federal health care funding in contrast to every other U.S. citizen by virtually every measurement available.
- The Puerto Rico Health Care Community and MMAPA believe that these disparities are resulting in provider shortages and emigration from the island, further deteriorating the health care system.



Who is MMAPA?



- Medicaid and Medicare Advantage Products Association of PR
- 6 Managed care organizations in Puerto Rico
- MCS, Triple-S, MMM/PMC, Molina Healthcare, First Medical, Humana
- Over 575,000 MA beneficiaries served; Over 280,000 in D-SNPs
- www.mmmapr.org



OUR MESSAGE

- Due to the unique social, economic, and health system characteristics of Puerto Rico, both the Medicaid and MA programs are successful for what they are able to accomplish.
- MA has resulted in increased benefits, access, choices and quality at the lowest cost possible compared to any other Medicare beneficiary population in the nation.
- Medicaid has proven to be cost-effective, but its success depends in adequate federal cost-sharing, which on its current course was on its way to drop so significantly that it would cripple the island's health care system.



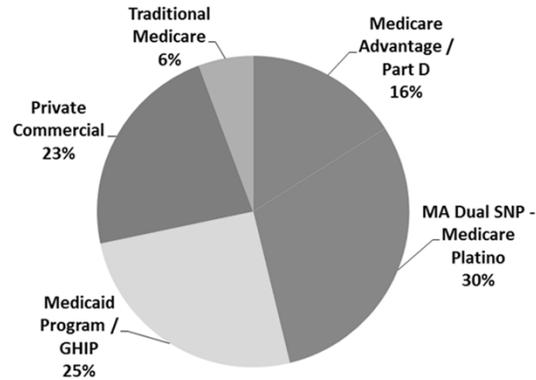
STATUS BEFORE THE HURRICANE

- The Commonwealth of Puerto Rico is a U.S. territory located in the Caribbean, with a population of approximately 3.41 million* residents as of July 2016**.
- Puerto Ricans are U.S. citizens by birth.
- The island was already in the midst of a debt crisis, following years of economic recession, and in May 2017 filed for bankruptcy relief.
- Close to half of Puerto Rico's residents lived at or below the federal poverty level in 2016 (43.5%), compared to just 12.7% in the U.S. overall.



Distribution of Healthcare Resources

Estimated Distribution of Healthcare Resources in Puerto Rico (\$12B)



POST-HURRICANE PUBLIC HEALTH STATUS

- Hurricane María significantly damaged key transportation, communication, and electricity infrastructure across the island further impacting already challenged health conditions.
- Given the state of emergency on the island the full impact of the Hurricane on public health was difficult to assess.
- Even before Hurricane María, the island faced a host of economic and public health concerns, and that the storm exacerbated many of these challenges, while introducing new ones.
- Concerns may change over time as the immediate crisis response transitions to recovery, and additional health issues may manifest over the longer-term.

Range of Challenges for the Puerto Rico Health Care System

- Hospitals laying off employees and closing wings; medical centers cancelling or limiting health care services such as operating room hours; air ambulance suppliers ending services.
- Puerto Rico's median household income was 36 percent of that in the 50 states and the District of Columbia (\$19,350 compared with \$53,889).
- Poverty rate was nearly four times that of the 50 states and D.C. (41 percent compared with 12 percent of people with incomes below the federal poverty level [FPL], respectively, and escalating).
- Puerto Rico has less than half the rates of emergency physicians; neurosurgeons; orthopedists and hand surgeons; plastic surgeons; and ear, nose, and throat specialists, compared to the availability of these providers on the U.S. mainland.



PUERTO RICO AND MEDICAID

- As U.S. citizens, Puerto Ricans would be eligible for Medicaid in the states to which they move as would be true for any low-income U.S. citizen moving between two states.
- Jet Blue Solution
- Puerto Rico's federal Medicaid match rate for medical assistance (FMAP) is a fixed rate of 55 percent set by statute.
- If calculated by the same statutory formula used for the 50 states and D.C., Puerto Rico's FMAP would be 83 percent, although the unbounded FMAP would be 93.34 percent.



Federal Funding for Puerto Rico's Medicaid Program

- FFY 2014 - \$321.3 million
- FFY 2015 - \$329 million
- FFY 2016 - \$335.3 million
- FFY 2017 - \$347.4 million

- Unlike the 50 states and D.C., where the federal government will match all Medicaid expenditures at the appropriate (FMAP) for that state, in Puerto Rico, the FMAP is applied until the Medicaid ceiling funds and the ACA available funds are exhausted.
- Due to these federal funding constraints, Puerto Rico has placed limits on certain services typically provided under Medicaid.



- The Affordable Care Act (ACA), in addition to raising Puerto Rico's FMAP, provided additional sources of new funding for its Medicaid program.
- ACA gave Puerto Rico an additional \$5.4 billion in federal Medicaid funding, to be spent between 2011 and 2019.
- \$925 million to provide private insurance subsidies through a health insurance Marketplace.
- Puerto Rico projects (already) to spend both the \$5.4 billion and the \$925 million as early as by the end of the first quarter of FY 2018.
- HHS analysis estimates that nearly 900,000 people in Puerto Rico could lose their health insurance when that funding expires.



PUERTO RICO MEDICAID: MI SALUD

- The future financing of the Medicaid program in Puerto Rico is a serious and urgent issue facing policymakers attempting to address the territory's economic and social challenges.
- MI Salud has about 1.4 million enrollees, which is close to 47 percent of the island's population, a higher proportion than the 50 states and the District of Columbia.
- Puerto Rico uses a managed care system to deliver Medicaid services on a set per-member, per-month payment, known as a capitation payment.
- It would also be wrong to deny that this funding disparity has been a meaningful factor contributing to Puerto Rico's fiscal condition.



Medicaid ASKS

- Puerto Rico should be treated in a more equitable and sustainable manner under the Medicaid program.
- There's an urgent need to improve patient outcomes, strengthen the health care system, reduce the incentive for migration and the associated financial costs to state governments and the federal government.
- Federal financing of the Medicaid program in Puerto Rico should be closely tied to the size and needs of the territory's low-income population.
- Finally, it's recommended that any additional federal Medicaid funding provided to Puerto Rico must be paired with appropriate oversight and safeguards.



- States and territories are required to operate an automated claims processing and information retrieval system, or Medicaid Management Information System (MMIS), to administer their state Medicaid plans
- The overarching purpose of an MMIS is to enhance the efficiency and improve the internal controls and minimize the potential for waste, fraud and abuse
- Puerto Rico is already working with CMS on the MMIS program, a must in order to access new funding to cover MI Salud expenses for FY 2019-2020.
- Now that Puerto Rico implemented the first MMIS, we are eligible to access \$1.2 billion in Disaster Relief Funds already identified for the Island.
- New funding for the MI Salud program for FY's 2019-2020 has been granted at 100% FMAP rate (\$3.6B)
- Efforts are already on their way to secure a fair and secure rate for the Island after 2020.

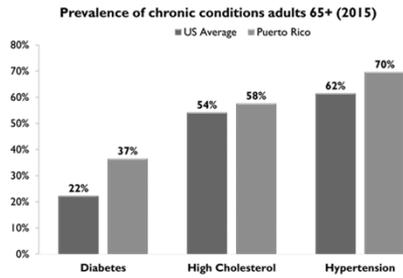


PUERTO RICO AND MEDICARE

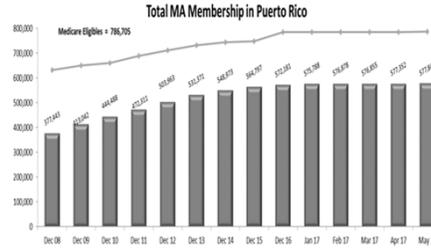
- The overwhelming majority of Puerto Ricans enrolled in Medicare (more than 75 percent) elect to receive Medicare benefits through Medicare Advantage, which delivers Medicare benefits through private managed care plans.
- In contrast, only about 30 percent of U.S. mainland beneficiaries enroll in these plans.
- MA plans in Puerto Rico, as on the U.S. mainland, often subsidize Medicare's Part B premium and have lower cost-sharing than does traditional Medicare, which has made these plans particularly attractive to low-income Puerto Rican Medicare beneficiaries.
- The MA program gives Medicare beneficiaries the option to receive covered benefits from private health plans that are paid a per-member, per-month amount to provide services covered by the traditional Medicare fee-for-service program for Part A and B benefits.
- Many Medicare Advantage plans provide additional supplemental benefits.



The MA Platform has taken care of the Neediest Quality and benefits driven by competitive market



Source: Centers for Disease Control and Prevention; Behavioral Risk Factor Surveillance System 2015



□ 577,842 MA Enrollees reported as of May 2017

□ 73.45% of Total Medicare in PR (786,705 Medicare eligible)



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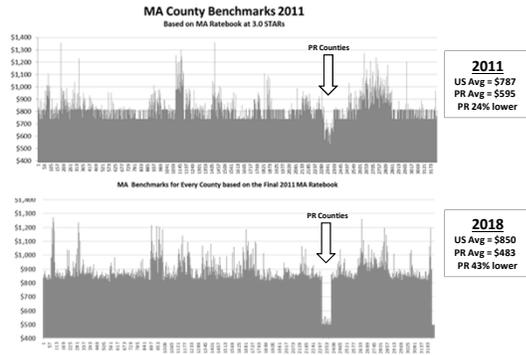
MA CALL LETTER POLICIES

- Included a number of policies to improve stability in the Medicare Advantage program in Puerto Rico.
- These policies include a change in payment that CMS estimates will result in increased revenue for MA plans in Puerto Rico.
- A change in the risk adjustment model will increase payments to plans with high proportions of full benefit dual eligible beneficiaries, which CMS estimates will benefit Puerto Rico more than any other state or territory.
- An adjustment to the fee-for-service payment basis for plans to reflect the higher payments made to hospitals in Puerto Rico.
- An adjustment to the weighting of the enrollment and risk scores for Medicare beneficiaries based on the nationwide proportion (rather than Puerto Rico alone) of Medicare beneficiaries enrolled in both Parts A and B in fee-for-service that have no Medicare claim reimbursements for a year.
- Changes to the Star Ratings System to reflect socioeconomic status specifically related to low income subsidy/dual eligible and/or disability status.



“Blue Sheet” Comparison of all US Counties/Municipalities

Increasing PR Funding Disparity in MA continues...the Poor get poorer!



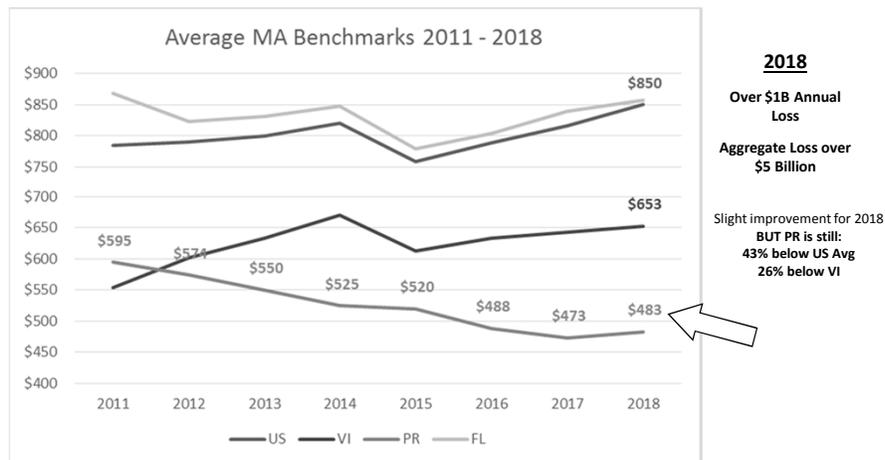
- ✓ Ongoing deficiency in the underlying MA formula for PR
- ✓ Imperfect FFS data that does not reflect the cost of a functional Traditional Medicare program.
- ✓ MA funding formula NEEDS to be revised to treat PR similar to the states and other territories
- ✓ HHS-CMS will need to make comparable adjustments on a year-by-year basis to alleviate the disproportional cuts to MA.



*Beneficiaries residing in Puerto Rico are also excluded from Part D LIS benefits.

2011- 2018 MA Rate Comparison

Lingering effects of the ACA (Obamacare) and Flawed FFS Calculation are killing PR MA rates... Forcing Doctors to Leave Puerto Rico



Medicare Advantage - Average MA Benchmarks

State	2018	2019	Change (%)
US avg.	\$840	\$892	6.2%
Hawaii	\$788	\$840	6.6%
USVI	\$653	\$682	4.4%
New York	\$805	\$858	6.6%
Florida	\$857	\$898	4.8%
Texas	\$894	\$953	6.6%
Puerto Rico	\$483	\$511	5.8%*

*(expected change in revenue is approx. 3-4%, similar to national MA scenario)



ESRD Rates

State	2018	2019	Change (%)
US avg.	\$6702	\$7260	8.3%
North Dakota (lowest)	\$5792	\$6476	11.8%
USVI	\$5996	\$6851	14.3%
New York	\$7420	\$8214	10.7%
Florida	\$6955	\$7509	8.0%
Texas	\$6894	\$7618	10.5%
Puerto Rico	\$4314	\$4727	9.6%



LOW INCOME SUBSIDY (LIS)

- Medicare Part D provides an outpatient prescription drug benefit, either through private prescription drug plans that offer only drug coverage, or through Medicare Advantage prescription drug plans that offer coverage as part of broader, managed-care plans
- In the states, Medicare beneficiaries with incomes up to 150 percent of the federal poverty level are eligible to receive a low-income subsidy (LIS) from the federal government, which reduces or eliminates their monthly premium and other out-of-pocket costs associated with Part D
- Pursuant to federal law, residents of the territories are not eligible for the LIS



CMS ADMINISTRATIVE FLEXIBILITY

- Because Puerto Rico is treated differently than the states, it is not uncommon for a literal interpretation by the Centers for Medicare and Medicaid Services of a statutory formula that provides for payments to physicians, hospitals or health plans to lead to anomalous results for Puerto Rico that may not have been intended by Congress, as evidenced by Medicare Part A
- It's being recommended that Congress consider providing the CMS with flexibility to make reasoned and justifiable adjustments to a formula providing for payments to physicians, hospitals or health plans in Puerto Rico
- Use of this flexibility should be limited to any formula that is dependent in whole or in part on data that are not available or not reliable as it pertains to the territories, or dependent on factors that are inapplicable to the territories

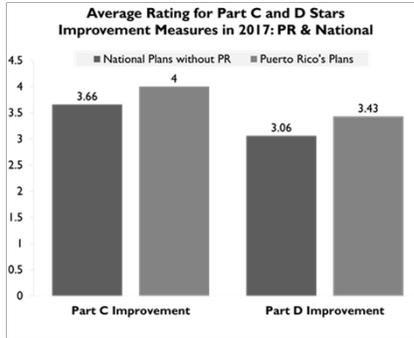


Dual SNP Enrollment

State	Enrollment
PR	283,209
FL	269,981
NY	236,452
TX	148,171
CA	136,232
PA	121,215
TN	91,953
AZ	87,000
AL	51,787
IA	43,918
GA, SC	43,501
MN	40,315
LA	38,719
GA	37,927
WA	30,981
WI	26,087
NJ	23,818
NC	22,989
OR	22,481
OH	22,320
CT	22,216
AR, MO	21,004
HI	21,277
MS	19,138
MS	17,117
MI	11,701
CO	10,529
IL	10,405
KY	9,321
UT	8,278
AR	6,105
RI	5,945
DC	5,340
SC	4,857
DC, DE, MD	4,245
ME	3,791
MD	3,289
MO	3,244
VA	2,802
ID	2,308
MI, OH	2,049
KS	1,357
RI	1,140
OH, WV	841
DE	819
MT	245
NE	62
Grand Total	1,976,975

PR is Doing More with Less

- Largest D-SNP Program in the nation = Medicare Platino.
- Over 95% of beneficiaries in 4 STAR plans in 2018.
- Higher than average improvement measures.
- Provider P4P programs directly tied to STARs performance.
- Physician led home visits program.



Legislative Solutions – which can get passed by Congress

1. Medicaid cliff – multi-year solution to retain current funding levels
2. HIT Repeal Nationally – likely to be contemplated as part of Repeal and Replace
3. HIT Repeal for PR – a stand-alone issue contemplating Administrator Tavenner’s (CMS) July 2014 letter to PR, coupled with the fact that PR receives no benefits (e.g. market subsidy, admin. expense support) from Washington for Obamacare products or market
4. Minimum MA Benchmark



Points to be Considered

- CMS maintained previously approved key policies (Stars, Zero-claims, double bonus)
- Puerto Rico does not have a permanent solution for the MA base payment yet. Change in MA benchmarks maintained the same disparity level as in 2018
- Still, both HHS and CMS continue their support of the MA program
- Puerto Rico still 25% below the USVI rates /
- 39% below the lowest State (HI)
- 43% below the national average
- Annual loss still estimated at \$1Billion compared to 2011
- CMS needs to establish a proposed minimum Average Geographic Adjustment (AGA) floor, using a proxy benchmark in the MA rates.
- Same for ESRD rates.



WORK HAS TO CONTINUE!!!

- The Puerto Rico Healthcare Community looks forward to joint workgroup sessions with HHS / CMS leadership
- Need to share information and further discuss pending policy proposals
- Need to protect long-term viability of the MA program in PR
- Need to protect our Medicaid program
- We need to keep going straight, even as we get to the forks on the road!!!



“IT’S NOT OVER ‘TILL IT’S OVER”

Yogi Berra



REFERENCES

- **The Medicaid and Medicare Advantage Products Association (MMAPA)**
- **Kaiser Foundation**
- **US Department of Health and Human Services**
- **Final Report, Congressional Task Force on Economic Growth in Puerto Rico**
- **MACPAC Fact Sheet, “Medicaid and CHIP in Puerto Rico**
- **PR Secretary of Health presentation to United Retailers of Puerto Rico**
- **MMAPA Policy Committee**

