



**Statement for the Record: U.S. Senate Committee on Energy and Natural Resources hearing to “Examine the State of the U.S. Territories.”**

**Medicaid and Medicare Advantage Products Association of Puerto Rico  
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Chairman Manchin, Ranking Member Barrasso, and Members of the Committee, thank you for holding this important hearing to assess the current state of the U.S. Territories. The Medicaid and Medicare Advantage Products Association of Puerto Rico (“MMAPA”)<sup>1</sup>, which I am honored to preside, appreciates this opportunity to bring to the Committee’s attention some specific concerns regarding the impact of the enduring inequities in the implementation of federal health care policy and programs on the 3.2 million American citizens residing on the Island, and the highly detrimental effect they have had on Puerto Rico’s ability to overcome the unprecedented challenges facing the Island.

The Biden Administration and CMS leaders have been emphatic about the need to “look at everything through the lens of health equity”.<sup>2</sup> Unfortunately, historic socio-economic and statutory disparities have made Puerto Rico the poster child of long-standing health inequities in Federal programs which will require Congressional and administrative action to be eliminated. **In Medicaid, per capita funding for 2019 in Puerto Rico was more than 60% below the US median, and more than 90% below in the case of Medicaid beneficiaries who are aged or disabled.<sup>3</sup> In parallel, for 2022, Medicare Advantage benchmarks in Puerto Rico are 41% below the national average and 23% below the rates applicable to the neighbor Territory of the U.S. Virgin Islands.**

The time has come for a long-term and equitable solution for the chronic underfunding of Puerto Rico’s health care programs. The disparate treatment of more than 3 million U.S. citizens in Puerto Rico must end. We in MMAPA look forward to working with you to ensure that the people

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<sup>1</sup> MMAPA, comprised by the leading Medicaid and Medicare Advantage organizations in Puerto Rico that serve close to 3 million citizens: First Medical, Humana, MMM/PMC, Plan de Salud Menonita, Triple-S Advantage, and MCS. MMAPA is a non-profit organization created in 2009 to promote public policy to support the Puerto Rico healthcare system.

<sup>2</sup> Chiquita Brookes-LaSure, Meena Seshamani, Elizabeth Fowler; *Building On the CMS Strategic Vision: Working Together for a Stronger Medicare*. Health Affairs January 11, 2022.  
<https://www.healthaffairs.org/doi/10.1377/forefront.20220110.198444>

<sup>3</sup> <https://www.medicaid.gov/state-overviews/scorecard/how-much-states-spend-per-medicaid-enrollee/index.html>

of Puerto Rico have access to the same standards of quality health care under Medicaid enjoyed by their fellow citizens in the States, and to address the ever-widening gap in federal support for the Medicare Advantage program between Puerto Rico and the States. If these two programs are not fixed, Puerto Rico will be relegated to a second-tier health care system within the United States.

## **I. State of the Puerto Rico Healthcare System**

Puerto Rico has faced an array of longstanding fiscal and health challenges which have only been exacerbated by recent natural disasters and the still-ongoing COVID-19 pandemic. Inequities in Medicaid financing, including a statutory cap and an arbitrarily set matching rate, as well as differences in the application of the Medicare program, have contributed to even broader fiscal and health systems challenges for the Island.

### ***i. Medicaid Funding is Limited***

Unlike in the 50 states and Washington, D.C., annual federal funding for Medicaid in Puerto Rico and the other U.S. territories is subject to a statutory cap and a fixed 55% matching rate. Both the capped federal allocation (known as the Section 1108 allotment) and the territories' federal matching rate (known as the federal medical assistance percentage, or "FMAP") are established by statute. This funding arrangement is unlike federal Medicaid funding for the States, where federal dollars are uncapped and the FMAP is adjusted annually based on a State's relative per capita income. Once a territory exhausts its capped federal funds, it no longer receives federal financial support for its Medicaid program during that fiscal year. This limit on federal Medicaid funding ultimately perpetuates inequities in provider compensation, deficient infrastructure, and the exclusion of basic Medicaid benefits covered in states, including the Medicare Savings Program ("MSP").

Even though Puerto Rico's base year is set at the FY 2020 allocation of \$2,716,188,000, this level of funding falls very short of establishing an equitable economic support for citizens residing on the island. The program in Puerto Rico still has deficient coverage in crucial benefits like non-emergency transportation and Durable medical equipment ("DME"), while it does not cover Long Term Services and Supports ("LTSS") or helps dual eligible beneficiaries to pay for the Medicare Part B member premium. Additional funding for Medicaid was included in the House-passed BBBA legislation (H.R. 5376) but awaits the outcome of the ongoing negotiations in the Senate on matters completely unrelated to this provision. The incremental funds would be a significant next step in mitigating the gaps for beneficiaries and providers, and crucial in the path to state-like treatment.

**Table 1. Medicaid Per capita Expenditure Estimates for States and Data Quality Assessment (2019)**

State	Total	Children	Adult: non-expansion, non-disabled, under age 65	Aged	People with disabilities	Adult: ACA Medicaid expansion
Puerto Rico	\$2,142	\$1,446	\$2,299	\$1,516	\$2,001	\$2,956
Median	\$8,436	\$3,556	\$6,451	\$18,610	\$21,372	\$6,709
Annual Difference	\$6,294	\$2,110	\$4,152	\$17,094	\$19,371	\$3,753
% Difference	-75%	-59%	<b>-64%</b>	<b>-92%</b>	<b>-91%</b>	-56%

<https://www.medicaid.gov/state-overviews/scorecard/how-much-states-spend-per-medicaid-enrollee/index.html>

**ii. Medicare Advantage rates substantially lower than in the States and other Territories and falling further behind**

Puerto Rico’s unequal treatment in health care policy is not limited to Medicaid, and any true effort to address the Island’s health care inequities must also include the Medicare Advantage (“MA”) program.

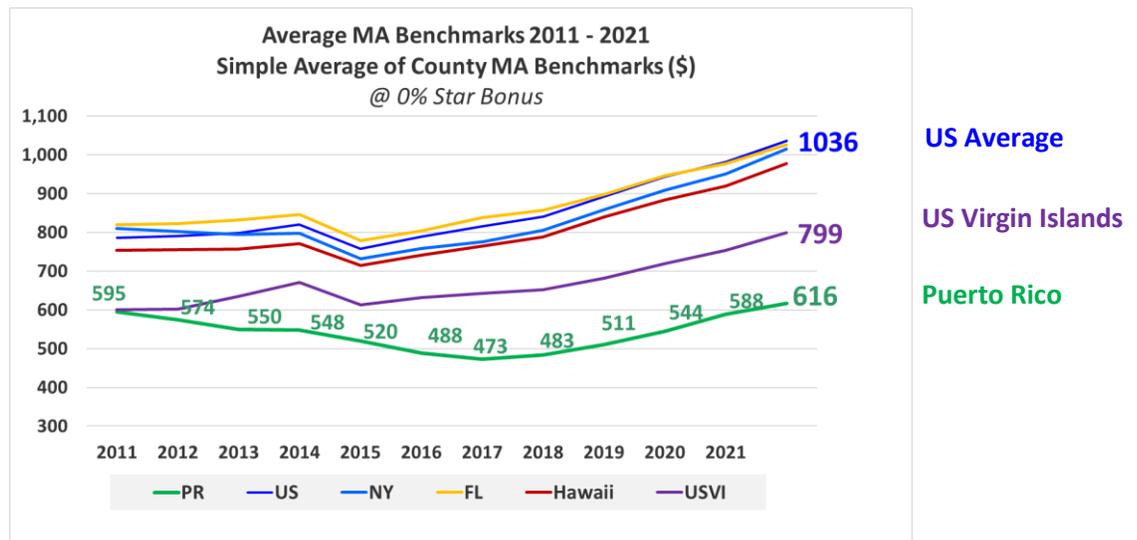
Over the years, MA has grown to become a cornerstone health care program for patients and providers in Puerto Rico. However, even though the residents of Puerto Rico pay the same Medicare payroll taxes as their fellow American citizens in the States, deepening federal payment disparities are severely affecting this Medicare program on the Island.

More than 630,000 seniors in Puerto Rico are covered by MA, representing over 80% of the territory’s Medicare beneficiaries, which constitutes the highest MA penetration in the nation and the 7th largest MA population in the United States. This number includes more than 286,000 dual eligible seniors, the Island’s most vulnerable population, for whom Medicare funding is essential considering the sizeable limitations in Puerto Rico’s Medicaid program.

Regrettably, MA has not been immune from Congressional actions to limit federal support to Puerto Rico. Payment methodologies instituted under the Affordable Care Act (“ACA”) effectively reduced federal support for the MA program in Puerto Rico by over 20%. Furthermore, the very limited corrective actions implemented by HHS and CMS since then have not eliminated the huge disparities in the MA payment rate level for beneficiaries residing on the Island. **The fact is that MA rates in Puerto Rico have fallen for 7 consecutive years, relative to other States and those in other Territories, to a benchmark that is now 41% below the national average, 37% lower than in the lowest state (Hawaii), and even 23% below our neighboring U.S. territory of the Virgin Islands.**

Despite this, MA has evolved to become the foundation of Puerto Rico’s health care system covering health care and addressing social determinants of health for beneficiaries that need it the most. Less than 10% of Medicare beneficiaries in Puerto Rico have chosen to remain in Original Fee-for-service (“FFS”) Medicare with Parts A and B, reflecting how MA has addressed clear health care and social needs of the eligible citizens. Approximately 30% of the FFS beneficiaries in Puerto Rico switch to an MA plan annually. This contrasts with a 3-5% national average switch rate to MA.

Given that the MA program is the primary source of health care for seniors in Puerto Rico, these disparities not only endanger appropriate health care access, but also put additional fiscal pressure on the Island’s already struggling economy and are forcing thousands of beneficiaries and health providers to move to the States. Quality outcomes for patients in Puerto Rico, and stability for the Island’s health care system, cannot be achieved without closing the gap in funding for the MA program.



**iii. The Puerto Rico Health Care System is Strained by an Older, Sicker, and Poorer Population**

According to the most recent U.S. Census, over the past decade, Puerto Rico’s population has declined by 11.8%. The younger population groups make up the majority of this exodus into the U.S. Mainland, increasing the median age of the Island’s residents to 43 years in 2018, surpassing the median U.S. average age. Conversely, the population over 65 years of age has the lowest rate of migration from Puerto Rico over the last ten years.

The historical underfunding of health care in Puerto Rico is a contributing factor to the mass exodus of residents to the continental United States. The migrating residents include doctors, nurses, and other medical personnel, seeking better salaries and reimbursement for their services. Over the past decade, approximately 5,000 doctors have left Puerto Rico, primarily for economic reasons, leaving fewer professionals to treat a more complex and older patient base.

According to the Puerto Rico College of Physicians and Surgeons, there are currently only five doctors for every 2,000 residents on the Island. Furthermore, the prevalence of chronic conditions among adults over 65 in Puerto Rico is substantially higher than the U.S. Mainland average. Additionally, the median household income in Puerto Rico is by far the lowest of any U.S. jurisdiction, while the unemployment rate is the highest. According to U.S. Census Bureau figures, Puerto Rico has an average income per household that is 64% below the national average. In contrast, cost of living is basically as expensive as the U.S. average. Federal program disparities, coupled with this economic scenario, continue to depress health care pricing that pushes infrastructure and professional compensation farther at the bottom every year.<sup>4</sup>

## II. Potential Next Steps

Congress has a historic opportunity to eliminate funding disparities and ensure long-term equitable treatment for Puerto Rico, not only under Medicaid, but also under MA, once and for all. While still short of equal treatment, the House-passed the Build Back Better Act (“BBBA”) to meaningfully address both the Island’s Medicaid allocation and FMAP issues. Maintaining the current levels of funding from FY2020 would mean no incremental progress and would risk perpetuating the current scenario of gaps in benefits, eroding infrastructure, and exodus of health professionals.

On the other hand, H.R. 1969, introduced by Puerto Rico’s Resident Commissioner in Congress, the Hon. Jennifer González-Colón, would provide a sensible solution that, at least partially, resolves not only Puerto Rico’s MA benchmark payment rate disparities, but also those for other U.S. jurisdictions where heightened MA penetration has begun to artificially decrease MA base payments. This legislation would establish a 0.70 Average Geographic Adjustment (“AGA”) floor to help stabilize MA base payment rates in any county with an average base payment rate under this benchmark. The bill would also support health care providers by requiring at least half of this additional funding be used to increase provider payments. We ask Congressional leadership to support this policy, being through legislation, or by visibly and effectively asking for the execution of meaningful administrative action by the Department of Health and Human Services (“HHS”). The time is now to support this proposal to be included in the MA 2023 Rate Announcement for which an advance notice is expected to be released this first week of **February 2022**. As approximately 80% of Medicare beneficiaries there are enrolled in MA, setting an AGA floor of 0.7 ensures that that majority of Medicare funding to Puerto Rico can never fall too far behind the national average, thus protecting the health care system from second-tier status.

Decades of unequal treatment, coupled with the Island’s ongoing economic and fiscal crisis, the catastrophic devastation of Hurricanes Irma and María, the 2020 earthquakes and the current COVID-19 pandemic, have resulted in a fragile health care system with poor quality infrastructure and a massive, untenable exodus of healthcare professionals to the U.S. Mainland. Together, we must ensure Puerto Rico can break historic structural inequities to avoid falling further behind.

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<sup>4</sup> Council for Community and Economic Research (C2ER), Cost of Living (COLI) Survey.