

PR Community Proposals

Healthcare Community Letter for PROMESA Task Force

July 29, 2016



1. Fixing healthcare is a must
 - For economic development
 - For fiscal crisis
2. There is an existing healthcare crisis
3. We have specific proposals presented by PR community
4. The proposals are more cost effective for Federal government vs cost of migration

Fixing Healthcare in Puerto Rico is imperative for socio-economic stability, cost-effective for the Federal Government, and crucial to restore economic growth.

Basic Context – An Existing Healthcare Crisis

1. **Underfunding within the US System** - PR healthcare expenditures are \$3,500 per capita compared to \$10,000 US national average.
2. **Cost of Healthcare Inputs is Higher** - The system is underfunded, and prices of healthcare inputs are above US average – prescription drugs, utilities, facilities, equipment, devices, and similar.
 - a. PR cost of living is 15% higher than the US average.
3. **MA Funding Cliff** - Medicare Advantage (MA) serves 90% of all Medicare beneficiaries with parts A & B, while MA benchmarks have been cut by 21% since the start of the Affordable Care Act.
 - a. The MA program has suffered reductions estimated over \$1 billion per year; and accumulated cuts are estimated to be close to \$3 billion in 2016.
4. **Incongruence of HIT** - Puerto Rico pays the HIT of the ACA, while key provisions that entail new Federal expenses do not apply – e.g. Medicaid expansion 100% to 133% FPL, subsidies for employers and individuals.
5. **Medicaid disparity and funding cliff** - The Medicaid Program in Puerto Rico will run out of the ACA temporary funds in at the end of 2017, and PR will be \$1.2 billion short in Federal funds for 2018 vs what is received currently.
6. **Population Leaving** – 1 physician a day, and 100,000 net in past year have left. Never seen before out-migration of the island. Movement means more cost to Federal Government.

How can Congress help?

Proposal	Other Points
<ul style="list-style-type: none"> • <u>Parity in Medicaid.</u> As the Medicaid cliff looms, steps must be taken to continue program operations by establishing parity in Puerto Rico's Medicaid Federal funds matching levels. 	<p>ACA funds will not be available Q1 2018. \$1.24B would be needed in 2018 just to keep the current funding.</p>
<ul style="list-style-type: none"> • <u>Part D Low-Income Subsidy program.</u> End the exclusion of the Territories from the Medicare Part D LIS program. 	<p>This program would help MA Platino and also give more benefits to low income population <150% FPL.</p>
<ul style="list-style-type: none"> • <u>Minimum Medicare Advantage.</u> The ACA benchmark reductions are unsustainable in Puerto Rico and should be replaced with a defined minimum benchmark tied to some percentage of the lowest average benchmark in the 50 states. (Estimate uses 85% of HI to 80% of US average.) 	<p>This program supports the PR dual eligible integrated program MA Plaitno. Saves \$600M+ a year to Medicaid.</p>
<ul style="list-style-type: none"> • <u>HIT.</u> Eliminate the application of the HIT tax to Puerto Rico. (a) Lower National HT amount, or (b) take Territories out of the HIT eligibility. 	<p>PR is not eligible for Medicaid expansion dollars or the marketplace subsidies.</p>
<ul style="list-style-type: none"> • <u>Administrative Flexibility.</u> Allow CMS to utilize data proxies, discretions and other flexibilities under federal health care payment methodologies. This is important when unique program distinctions in the Territories make traditional formula application unreliable. 	<p>This would allow HHS and CMS to adjust to program and regional disparities, and implement alternate methods that result in more rational funding for PR.</p>

Fixing Medicaid and Medicare in PR is the Most Cost-effective Solution for the Federal Government

From Medicaid Analysis

1. Almost 300,000 Puerto Ricans already in Florida's Medicaid program.
2. We could estimate that 200,000+ Puerto Rican migrants end in Medicaid during a 10 year period.
3. The Medicaid costs of this population in 10yrs could be \$100B+, compared to \$40B if they stayed in Puerto Rico.
4. Enhancing funding for Puerto Rico makes economic sense.

From Medicare Analysis

1. We estimate that 10,000 Medicare beneficiaries could be migrating per year
2. By moving to Fla and NY, the cost increment could be \$11B
 - Considers population in FFS Medicare, MA, PD, LIS, Duals(Medicaid), SSI
3. The same trend extended to 20 years could result in a cost increment of \$39B
4. The proposals to fix MA and Part D LIS could cost \$11B, and \$22B in 20 years