MMAPA

Medicaid and Medicare Advantage Products Association of Puerto Rico

mmapapr.com

The Advantage of Medicare in Puerto Rico, in Crisis

Urgent Action Required

June 9, 2016

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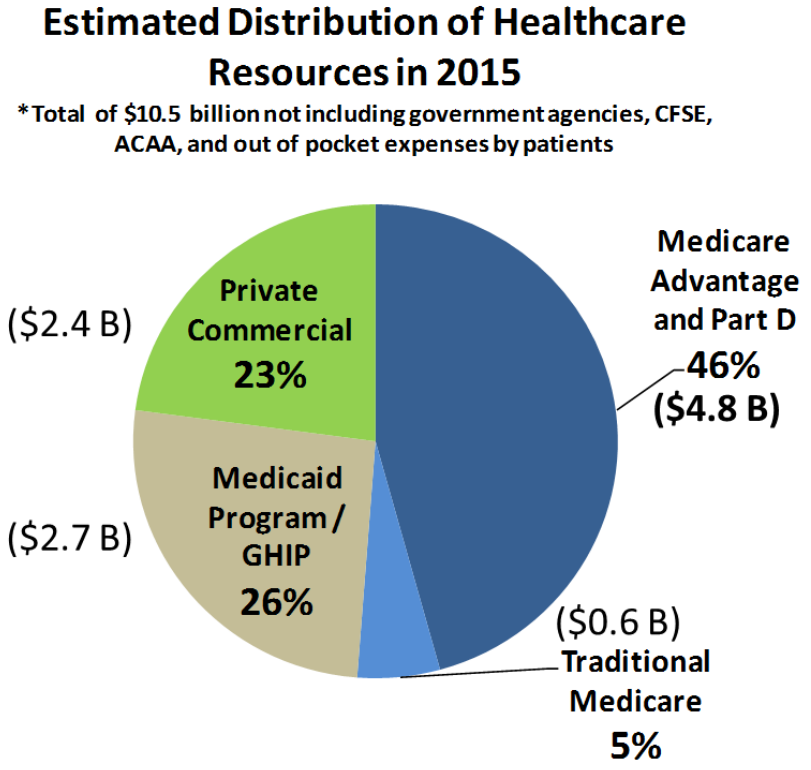
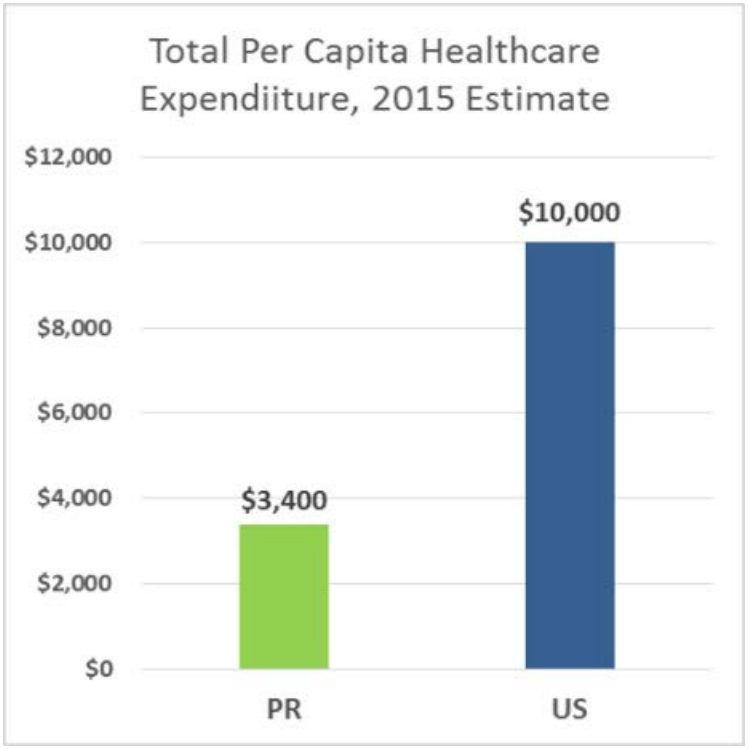
1. The Advantage of Medicare in Puerto Rico

Away from FFS Issue, PR can Do More with Less

MA within the System in PR





Number of Beneficiaries

Over 1.4 M in Mi Salud

Over 570,000 in MA.

Over 280,000 in Medicare Platino (Integrated D-SNPs)

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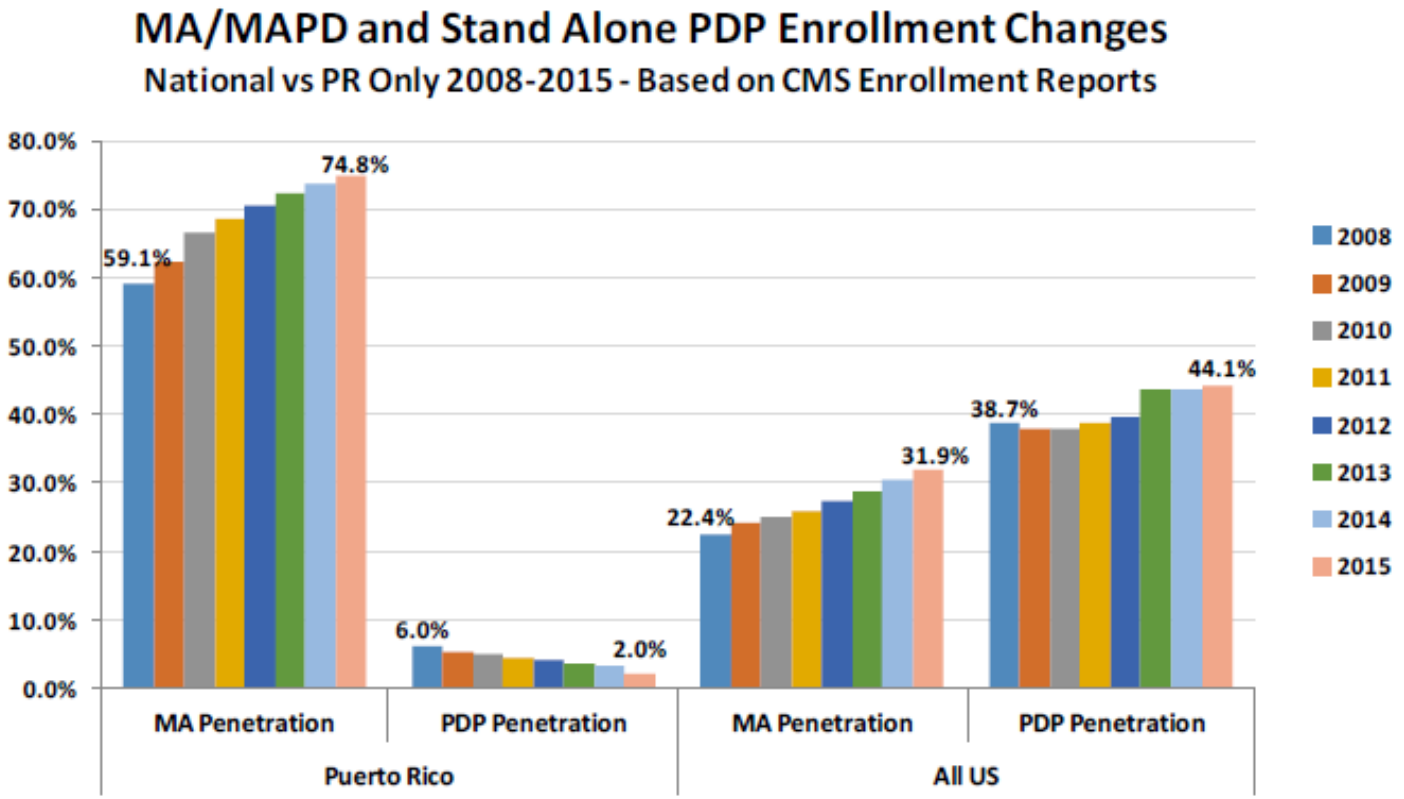
The Advantage of Medicare in Puerto Rico

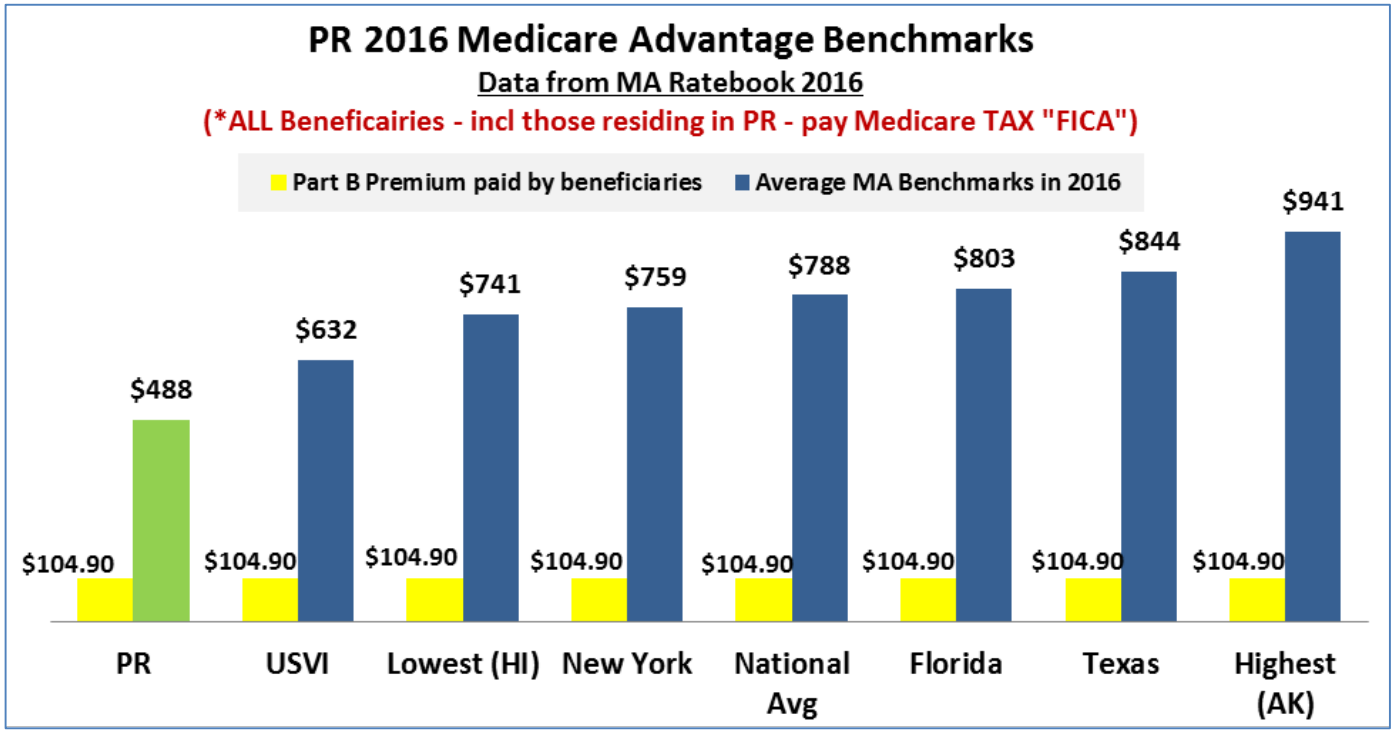
MA Transformed Care for Our Citizens



MA Allowed for Reasonable Access to Care for Medicare Beneficiaries

- **Dual Eligible Beneficiaries in MA:** Approximately **20%** in US vs **97%** of A&B duals in PR
- **Individual Medigap enrollment:** Over **20%** of all Medicare in US vs **1%** of all Medicare in PR
- **Estimated Medigap + Employer Supplemental:** Over **40%** in US vs less than **5%** in PR

The Real Scoring of Medicare Savings in PR



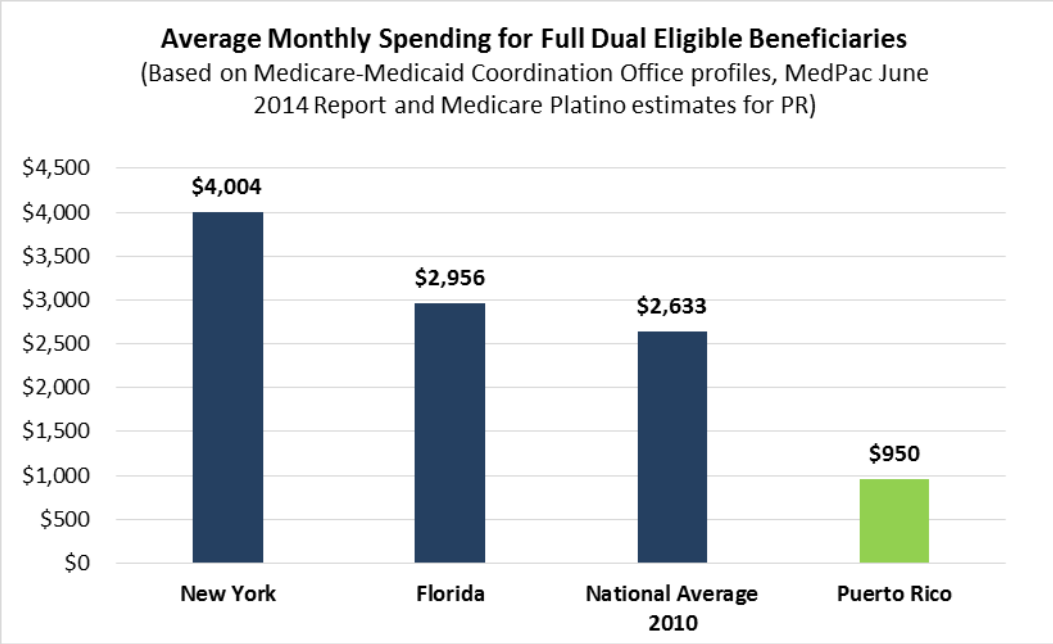
Ratio of Premium Paid by Beneficairies to Medicare Advantage Funding

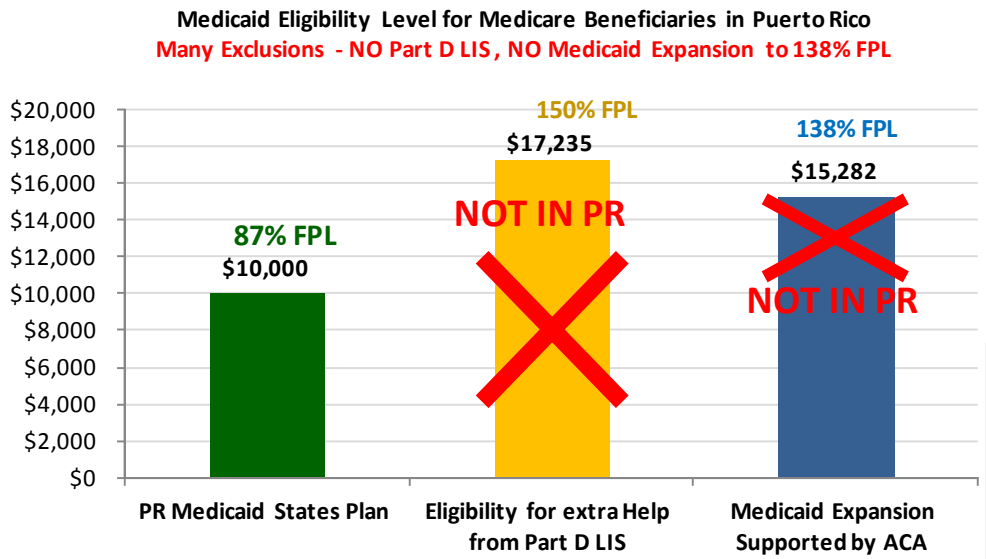
	PR	USVI	Lowest (HI)	New York	National Avg	Florida	Texas	Highest (AK)
Paid by Beneficiary	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Medicare Funding	$3.65	$5.02	$6.06	$6.24	$6.51	$6.65	$7.05	$7.97

Saving the Puerto Rico system saves money for the Federal Government.

Source: *CMS MA Ratebook 2016 data.*

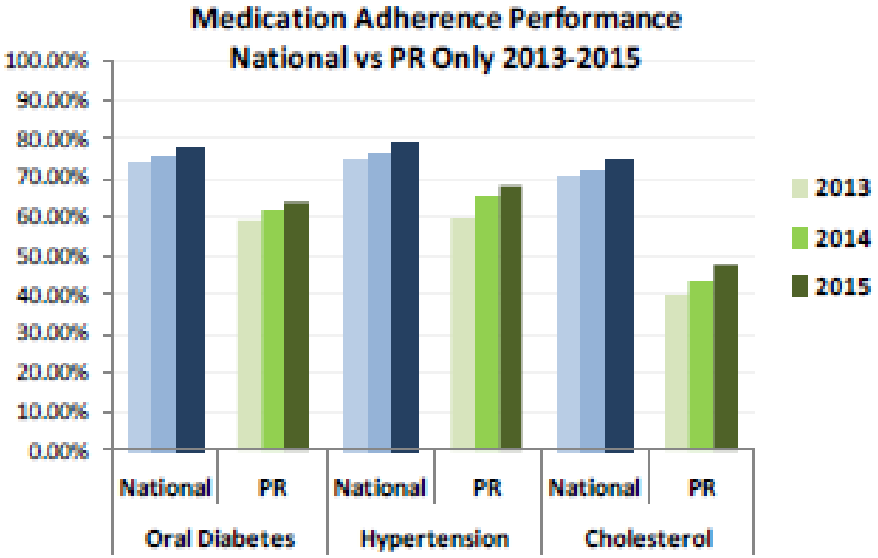
The Real Scoring of Medicare Savings in PR

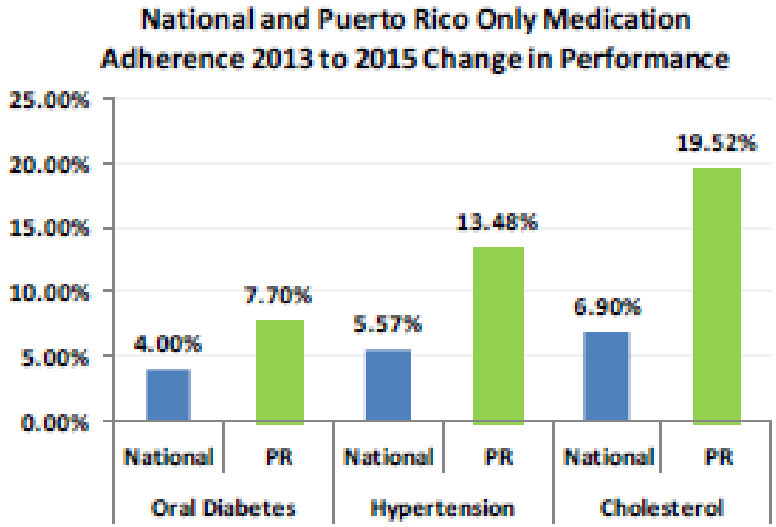




***No ACA Marketplace**
No subsidies.

STARS Improvement at the Lowest Cost





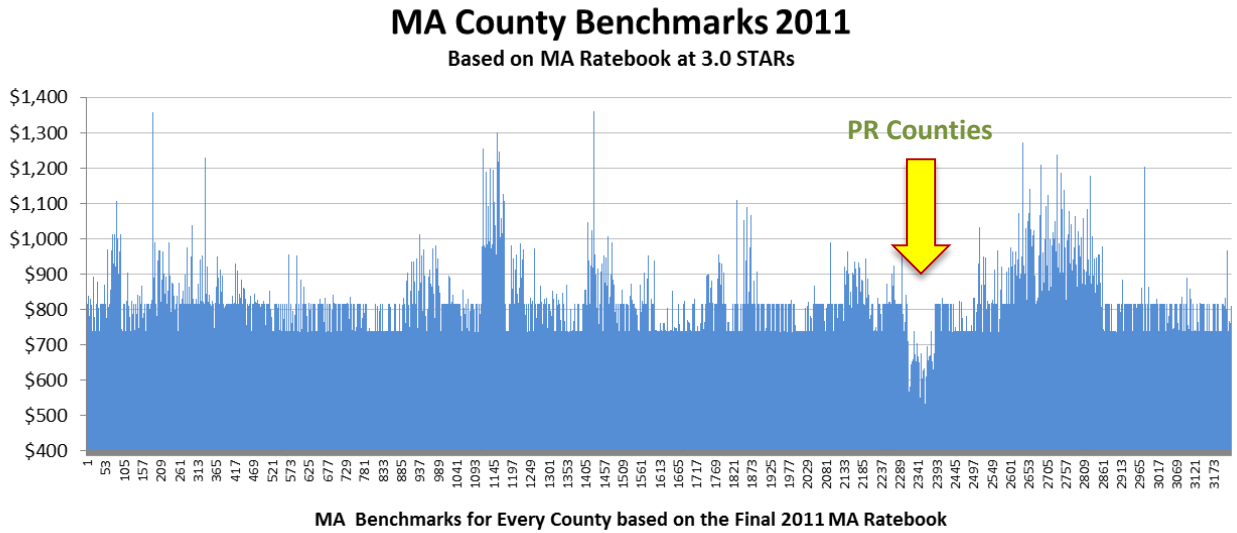
However,

Cuts & Disparities are barriers that require balancing measures

2. MA Cliff, MA Crisis, PR Crisis

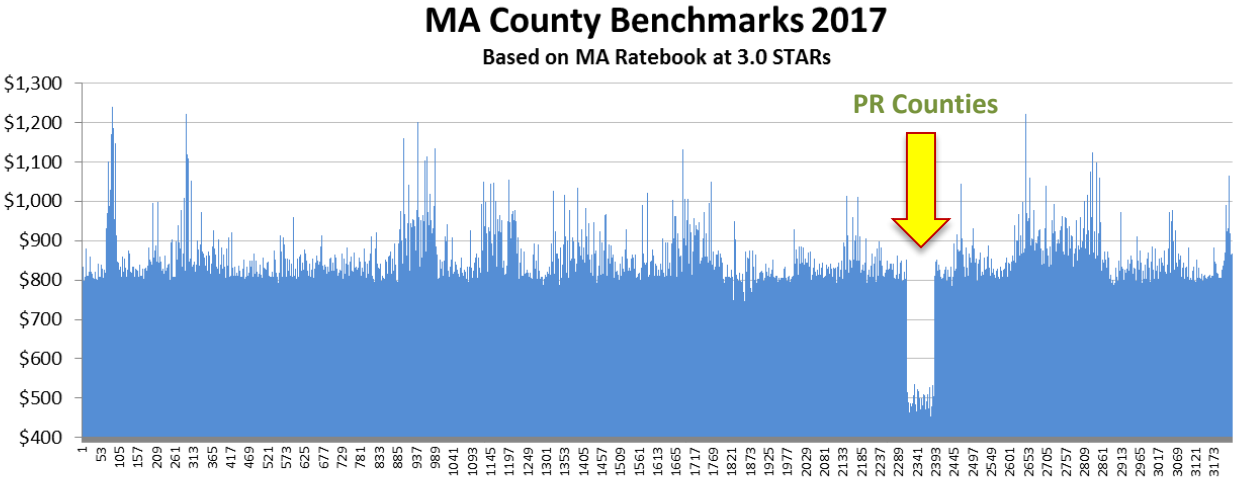
Increasing Disparity in Medicare

Increasing Disparity in the MA Benchmark – The Poor are Now Poorer



MA Benchmarks for Every County based on the Final 2011 MA Ratebook

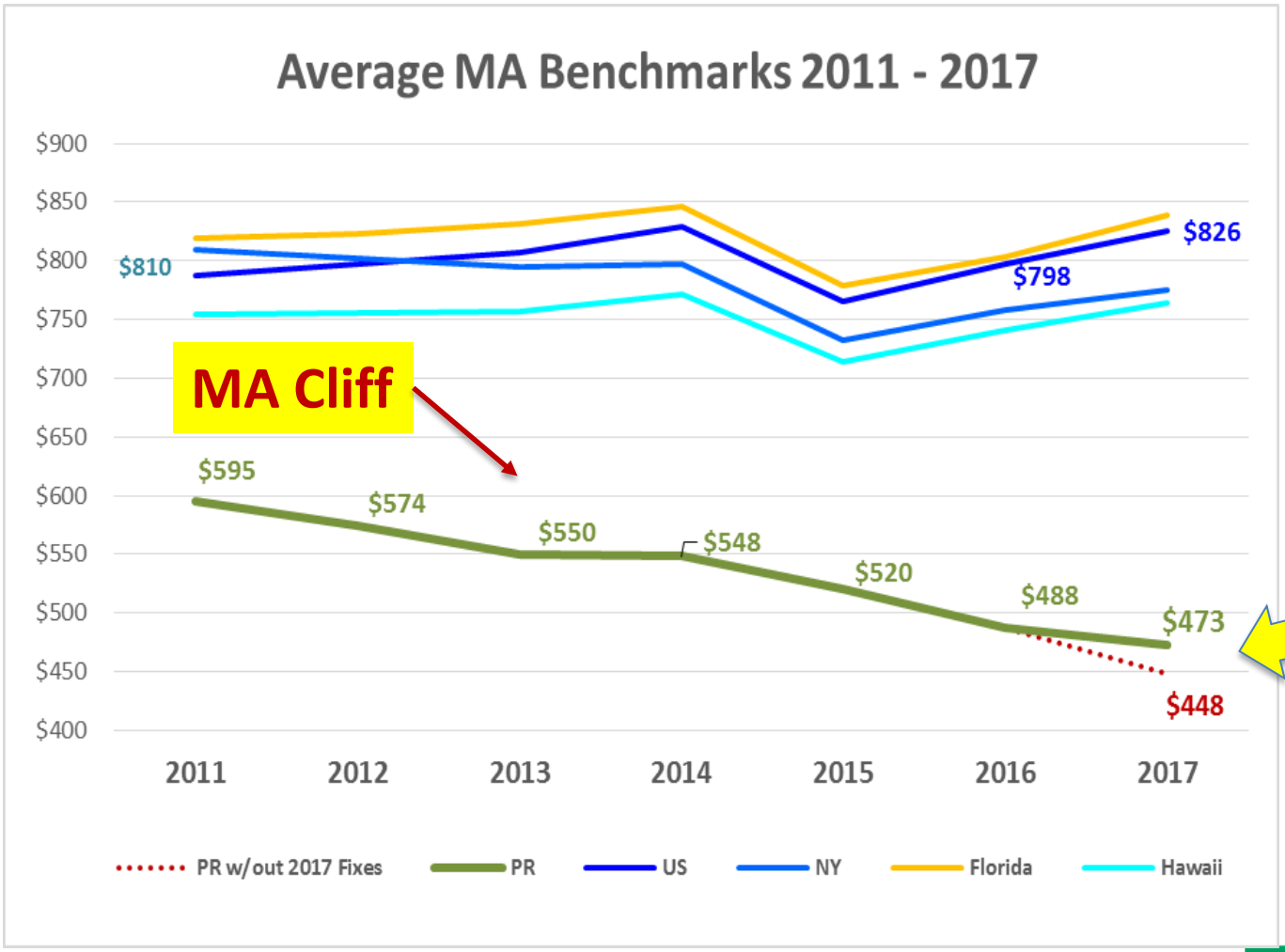
2011
US Avg = $787
PR Avg = $595
PR 24% lower



MA Benchmarks for Every County based on the Final 2017 MA Ratebook

2017
US Avg = $826
PR Avg = $473
PR 43% lower

Steps Taken, But MA Cliff still very real



2017

Over $1B Annual Loss

Aggregate Loss over $4 Billion

Mitigated cut for 2017
BUT PR is still:
43% below US Avg
38% below lowest (HI)

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Unintended impacts of ACA increase disparity

EFFECTs ARE REAL – Risk to Delivery System

Minimum Margins,
Many have left
FROM PR
Office of the Insurance Commissioner Report 2014

Índices	2014	2013	2012	2011	2010
Razón de Pérdida Médica	87.2%	86.0%	86.5%	87.4%	84.6%
Razón Combinada	98.5%	98.7%	97.2%	97.6%	94.8%
Razón Margen de Beneficios	-1.5%	1.2%	2.5%	1.9%	2.2%

- **When $1 billion is reduced, at least 87% is being reduced from:**
  - (a) Less coverage for medicines
  - (b) Increasing copays to see doctors
  - (c) Increasing member premiums
  - (d) Reducing help to pay for Part B
  - (e) Reducing provider compensation
  - (f) Reducing number of providers in networks
  - (g) Reducing plan options, consolidation

- Beneficiaries and providers leaving PR
- This is a reduction in taxable income to PR Government
- Employment loss (80,000 approx in healthcare total)
- Quality and progress in STAR rating hindered vs other jurisdictions
- Real RISK: Costs will shift back to Mi Salud if fixes are not achieved NOW

3. Proposals Implemented

Not close to a solution yet

Administrative Proposals Implemented

Not enough

Pre-2017 - **Core Issue**: FFS Cost Estimates are wrong, deficient

- Excluding Part A Only beneficiaries from FFS Calculation
- Reflecting Part A Uncompensated Care costs

2017 - From a potential -8% cut to -1% **(not incl. STARs Impacts)**

1. **MA Rates 2017 – Adjustments to the MA base rates, FFS Costs**
   - Analysis of FFS data / Moran Report; anomalies for PR, x3 of AB with zero claims
   - 4.4% adjustment for zero claims, Part A IPPS Changes, 0.8% impact
2. **Recognition of impact of Part D LIS Exclusion**
   - Use of proxy to assume proportion of LIS membership in PR for the SES adjustment
   - Change in weighting for medication adherence measures, in overall plan rating
3. **Proposal to use a proxy for SSI days – to account for exclusion to PR residents by law**
   - **Status:** CMS Proposed a proxy for Oct 2016, $8.5M more with hospitals in 2017
   - *Will not be reflected in 2017 MA rates; Impact of 0.5% MA rates approx. in 2018

MA Benchmark have still gone down 21% since 2011

2017 MA Year to Year Change as Informed by CMS

Overall Impacts:							
Impact	**2016 Advance Notice**	**2016 Rate Announcement**	**2017 Advance Notice**	**2017 Rate Announcement**	**2016 Rate Announcement Puerto Rico**	**2017 Advance Notice Puerto Rico**	**2017 Rate Announcement Puerto Rico**
Effective Growth Rate	1.70%	4.20%	3.00%	3.10%	4.10%	3.10%	3.10%
Changes to MA Benchmarks	-0.80%	-0.80%	-0.80%	-0.80%	-4.40%	-6.10%	-6.10%
Rebasing/Repricing	n/a	-0.30%	n/a	0.00%	-5.40%	n/a	0.60%
Improved Star Ratings	0.50%	0.50%	0.10%	0.10%	0.10%	1.50%	1.50%
Risk Model Revision	-1.70%	-1.70%	-0.60%	-0.60%	-2.60%	3.00%	3.00%
MA Coding Intensity Adjustment	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%
Normalization	-0.40%	-0.40%	-0.10%	-0.60%	-0.40%	-0.10%	-0.60%
Expected Average Change in Revenue from Prior Year	-0.95%	1.25%	1.35%	**0.85%**	-8.85%	1.15%	1.25%
Historical Improved Coding Trend	2.00%	2.00%	2.20%	2.20%	4.80%	5.10%	5.10%
Total	1.05%	3.25%	3.55%	3.05%	-4.05%	6.25%	6.35%
EGWP Policy 2-year Transition (-1.25% on EGWPs directly)				-0.20%			0.35%

Totals may not add due to rounding.

Impacts do not account for plans having lower costs as a result of the one year moratorium of the Health Insurance Provider Fee in 2017.

Rebasing/ Repricing (0.6%)

1. Zero-claim adjustment
2. Part A IPPS from 75% to 100%
3. **FFS Cost – Rebasing**

????

*** MA benchmarks went down 3% from 2016 to 2017 even after adjustments for PR.**

Our Urgent Situation Persists

1. **Financial distress of Plans and Providers**

2. **Benefits continue to be lost**
   A. A $300 estimated increase in the out of pocket costs, no help to pay for Part B
   B. Increased pharmacy cost due to MA rate cuts, with no Part D LIS

3. **ASES (Medicaid Program) owes money** to providers and plans, cash flow issues

4. **HIT** $200M+ bill to be paid based on an incongruent applicability and implementation of the ACA

5. **Economic disparities** continue to increase, impact migration, development of system

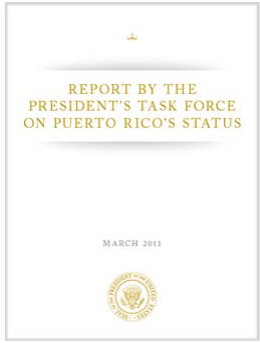
6. **The current system is inadequate** and limited to manage the spread of **Zika,** which has added additional pressure and risk in 2016.

4. Active Proposals Impacting MA

"Medicare FFS Does not Work in PR"

The CORE FFS DATA ISSUE

1. Historic partial implementation of Federal Programs
   - FFS reduced rates, Medicaid caps, NO SSI, NO Part D LIS, No marketplaces
2. Traditional Medicare and Medicaid implemented in a NON-Private healthcare services market (1960s)
   - Decades of co-existence with public delivery
3. Under-developed private healthcare economy
4. Socio-economics make A&B benefits non-accessible
   - No Medigap, No Stand Alone Part D
5. Less than 10% of A&B beneficiaries in FFS Medicare
   - Too small, too distinct group – self selected out of MA
6. **Recent work on FFS Data; Zero-claim anomaly, others?**



Since 2011

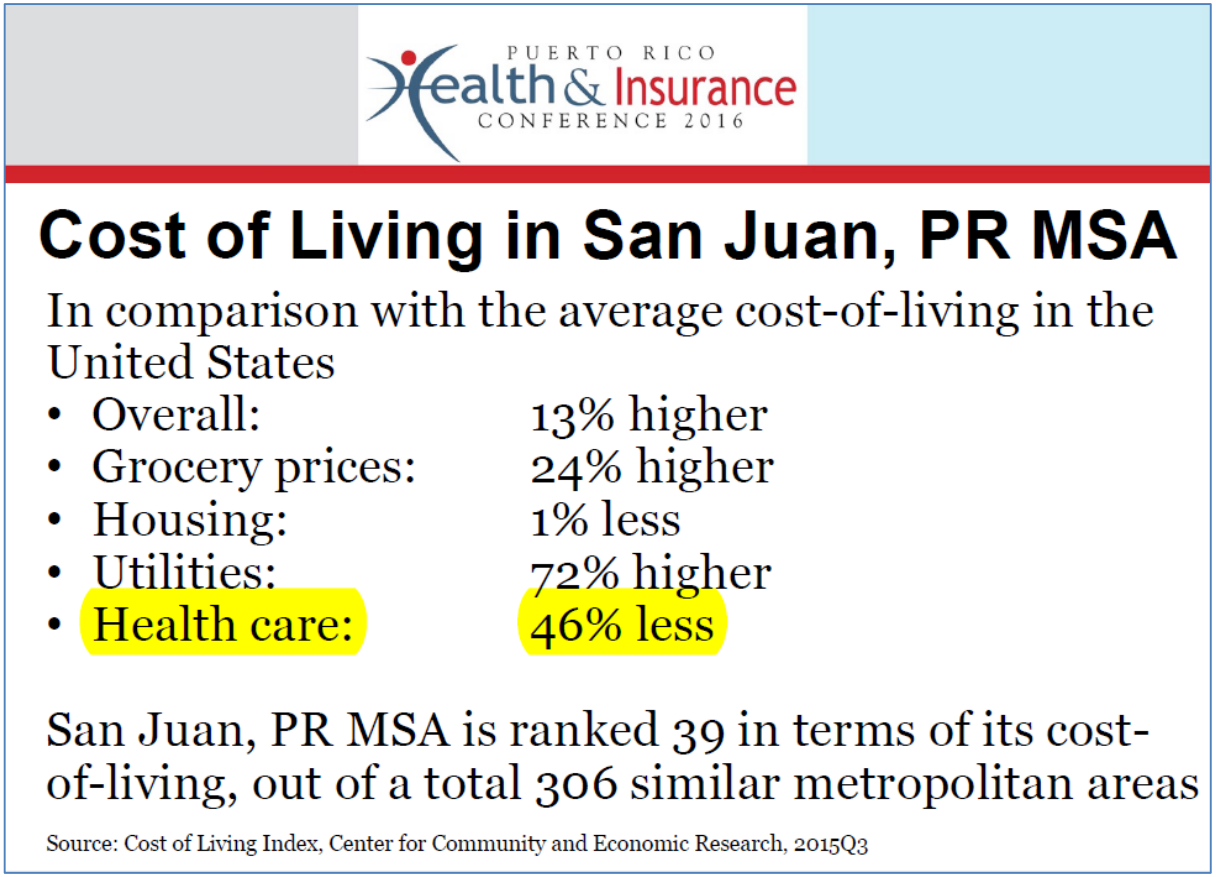
FFS Medicare in PR =

is NOT the program that Congress assumed existed to base MA rates.

Depressed Economy of Healthcare

Costs Relative to Elsewhere within US

Reflect Healthcare Pricing Anomaly in PR



- Puerto Rico is the **39th most expensive** within 306 US metro areas.

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Administrative Asks

Proposal	Status	Impact
1. Medicare FFS does not Work in PR • Get correct FFS data and continue detailed analysis • Maintain current fixes, increase adjustment • General MA proxy	Pending PR-HHS meeting with K. Martin and Sean Cavanaugh. SC wants to discuss OACT report. We are insisting on data.	Could mean from 5% (current fixes) to 20% (proxy) in MA in the future. From **$250M-$1B, 2018 and fwd**
2. CMS to Finalize SSI Proxy proposal for Part A UC • CMS finalizes proposal in 2017 draft rule • CMS uses proxy also for old 25% DSH • CMS makes corresponding adjustment in MA rates	PR to send comments, as usual. Final rule comes out in August, Oct. effective date.	Current: **$8.5M** in FFS for 2017, 0.8% in MA 2018. Could be more if 25% DSH is also fixed. **MA rates will be understated 2017.*
3. Exempt Territories from Health Insurance Providers Fee • Legitimate legal theory presented to Treasury, and to the WH General Counsel • Can mitigate Governments deficit	White House meeting last week. Pending answer after they speak to Treasury. Or expressly propose amendment to Congress.	**Almost $200M** All segments – Medicaid, Medicare & Commercial Government Financials
4. CMS to correct GPCI for Part B physician fees • housing bias as documented by PR I. Statistics	Draft rule to come out in July 2016; for Jan 1 effective date.	Est. **4%** impact on Medicare FFS physician fees 2017; **1%-2%** impact on MA 2018. **MA rates will be understated 2017.*

*** No Cadillac Tax Relief**

Recent Steps:

- 2017 MA adjustments for 5%+ (zero-claims in FFS), Part A rate adjustment.
- STARs adjustment to estimate LIS eligible for Socio Economic Status adjustment, and to adapt medication adherence measures.
- Use of proxy for SSI days to increase the Part A uncompensated care payments for PR.

Legislative Asks

Proposal	Status	Impact
1. Elimination of HIT for Territories • Alternative to Treasury action • In line with recent moratorium and Cadillac tax delays already legislated	Not being included in any bill yet. Presented to Congressional staff and leaders. Included in Pieruisi's petition to House Natural Resources Comm.	$200M+
2. Part D Low Income Subsidy for Territories • Eliminate the exclusion of this benefit for residents of Territories.	In Pierluisi bills. In Senate bill from Bill Nelson (Fla). In Obama 2008 promise. K. Martin said she would evaluate if it can be included in Administration's request.	$300M in pharmacy benefits for 300,000 to 400,000 citizens.
3. Administrative Flexibility Language • Allows CMS and HHS to use alternative methodologies when regular formulas do not make sense in Territories.	Amendment presented to some Congressional offices.	$0 to $XX Depends on what HHS does.
4. Minimum MA Benchmark* • Defines a minimum MA benchmark for PR, to avoid ongoing issues and the spiral towards the bottom with regards to MA funding.	Pierluisi has proposed using a minimum of 80% of the average in the states, and caped at the level of the lowest county within the states and DC. Presented language.	$0 to $XX
5. Medicaid Parity / Avoiding Cliff, Jan 2018 • Eliminate cap, increase matching fund to the resulting % based on regular formula.	Presented in Pierluisi's bill; included in President's budget 2017. Needed for 2018.	$2B+

Recent Steps:

- HITECH funds approved for Medicare Hospitals.
- Part A IPPS formula increased from 75% national to 100% national for the case of PR.

Appendix

Basics of our Current Context

Puerto Rico does a lot with Funding Levels at Lowest in US, 43% less than average

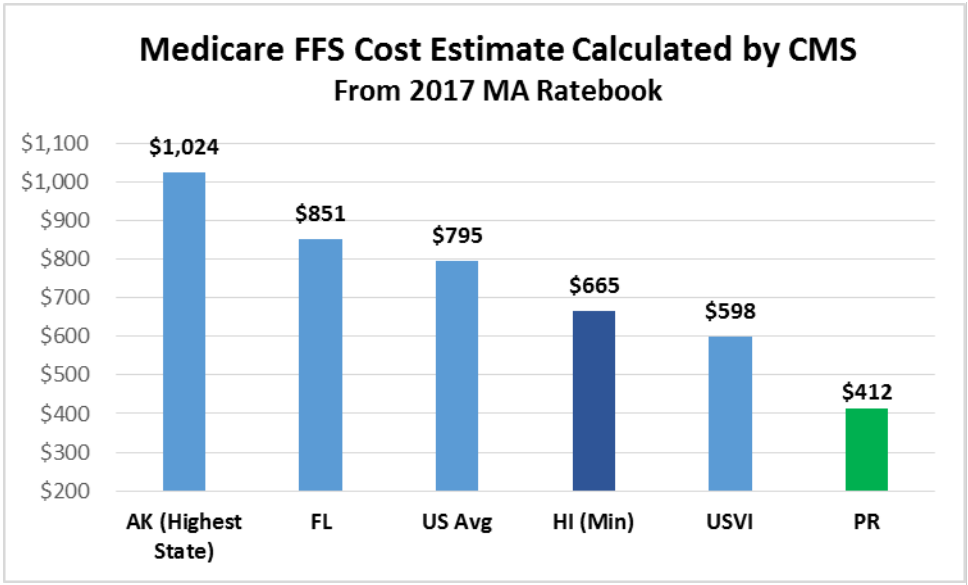
- PR has more **Medicare** beneficiaries than 24 states and DC (740,000+)
- PR has more **Medicaid** beneficiaries than 39 states and DC (1.6M)
- 570,000+ in MA, 270,000 in D-SNP Plans – highest MA penetration in US (75%)
- PR per capita healthcare expense is about 1/3 of the US Avg ($3,400 vs $10,000)
- Historic disparities in Medicare FFS, Medicaid, MA and Part D (NO LIS)
- Citizens residing in PR pay the same Medicare Tax and same Part B premium

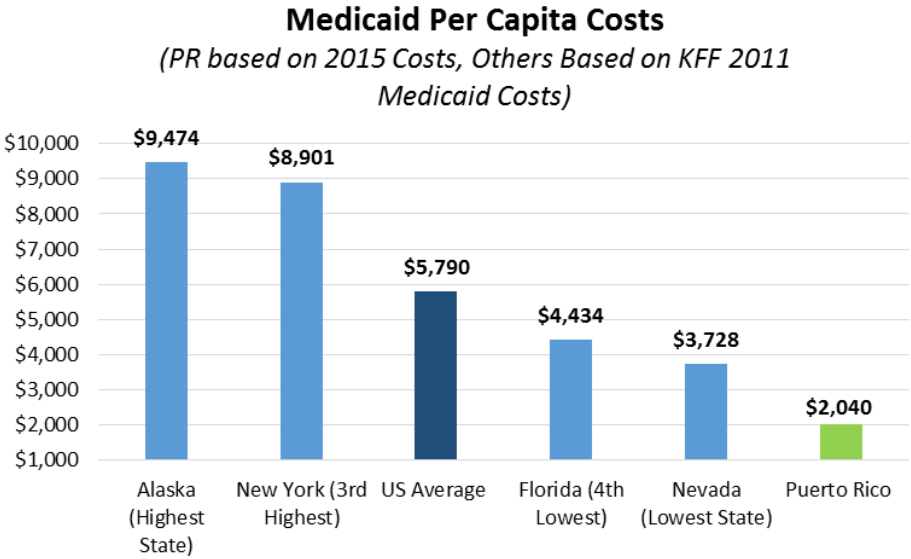
However – Puerto Rico is Getting the Highest Cuts

- **CRISIS NOW:** Annual loss in Medicare estimated at **$1 billion** since to 2011
- **Medicare Advantage Cliff:** MA Benchmarks for Puerto Rico **-20.4%** vs 2011 (Pre-ACA), and **still NO Part D LIS**
- **Additional Cliff:** Over **$1 billion** in annual Medicaid funding will be lost in 2018

We need support and action for our most crucial legislative proposals

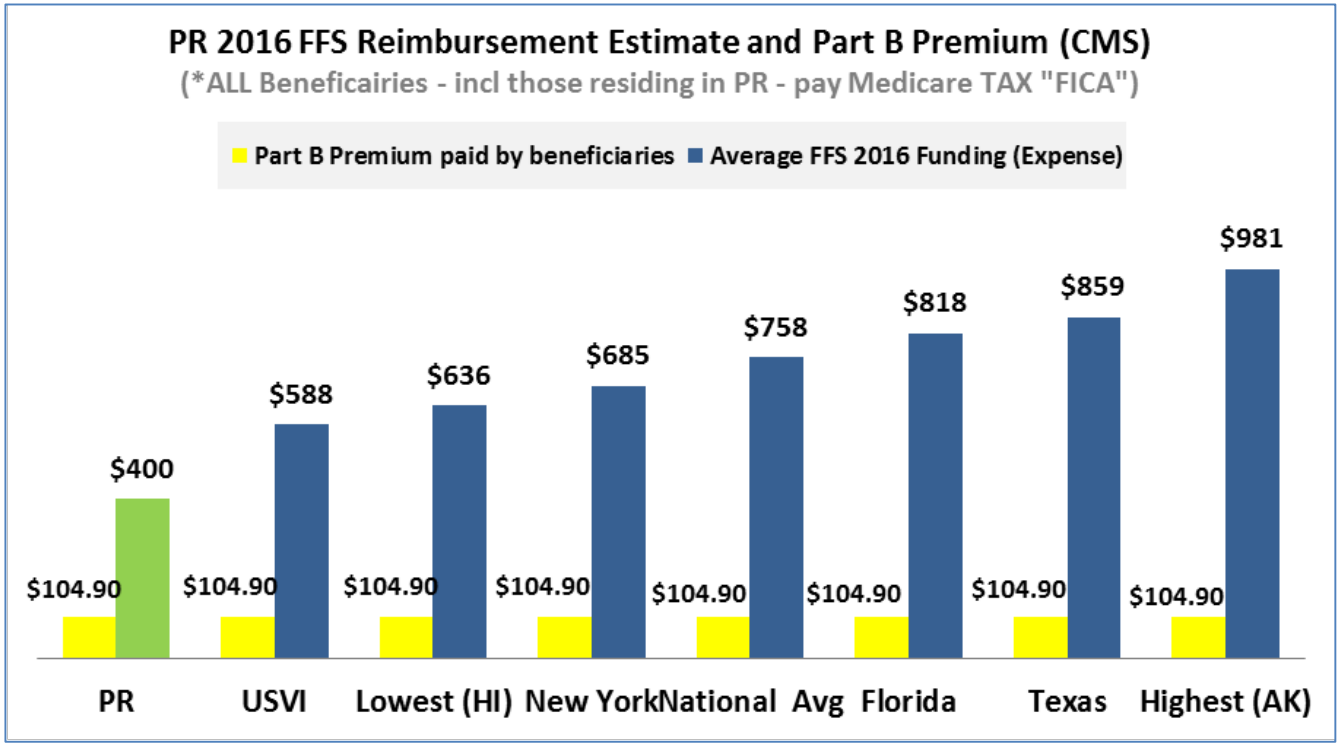
The Disparity is Too Much in Medicare FFS and Medicaid Too





- Even after the corrections and adjustments proposed, Puerto Rico will still have the lowest cost Medicaid and Medicare programs in the nation.
- For a beneficiary from Puerto Rico that moves to Florida, the Federal government:
  - Will pay 65% more for MA
  - Will pay 100% more for Medicare FFS
  - Will pay 250% + more for Medicaid
  - Will pay approximately $6,000 per beneficiary/yr more in Soc. Security for SSI
- Legislative solutions for PR are the most cost-effective solution for Federal Govt.

The Real Scoring of Medicare Savings in PR



Ratio of Premium to Medicare FFS Funding

	PR	USVI	Lowest (HI)	New York	National Avg	Florida	Texas	Highest (AK)
Paid by Beneficiary	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Medicare Funding	$2.81	$4.61	$5.06	$5.53	$6.23	$6.80	$7.19	$8.35

Is this a fair situation for Medicare-Tax paying and Part B Paying residents of Puerto Rico?

- ❑ The poorer beneficiaries pay the same and get much less.
- ❑ The price of the benefits for the poorest people is much higher.

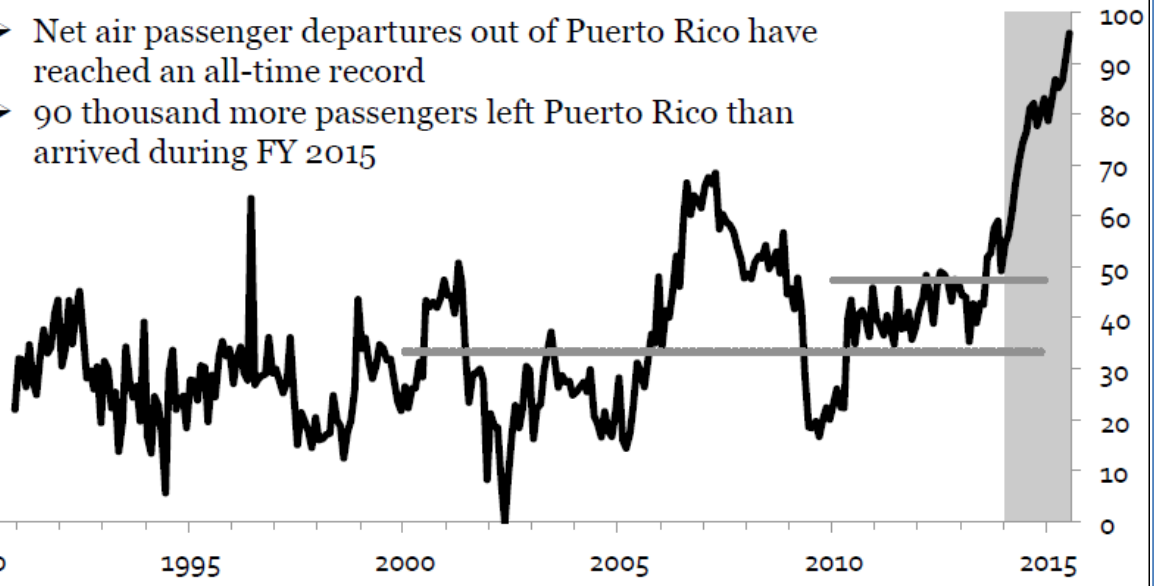
Source: *CMS MA Ratebook 2016 data.*

Exodus Increasing to Historic Levels

PUERTO RICO Health & Insurance CONFERENCE 2016

Second Great Migration appears to have begun

- Net air passenger departures out of Puerto Rico have reached an all-time record
- 90 thousand more passengers left Puerto Rico than arrived during FY 2015



Source: U.S. Bureau of Transportation Statistics, Air Carrier Statistics, Form 41 Traffic, T-100 Segment, All Carriers.

Unintended Impacts of ACA Increase Disparity

ACA Unintended Resulting Scenario for Citizens in PR and their Delivery System

(A) Medicare Advantage reductions

Over $1B in 2015, Accumulate to $7.7B in 2019

(B) Commercial - No Marketplaces, None of new Federal expenses for subsidies

$925 million assigned, originally proposed at $4 billion, used for Medicaid

(C) Medicaid - Temporary Increase in Block Grant

Total of $6.725 Billion increased from 2011 – 2019

PR still CAPPED at 55% matching and with finite allocation, Costs at Bottom

(D) Health Insurance Providers Fee

$187 million in 2015, Accumulates to $1.26 Billion in 2019

PUERTO RICO'S HEALTH CARE DELIVERY SYSTEM CAN FAIL WITHOUT ADDITIONAL FEDERAL FUNDING

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Unintended impacts of ACA increase disparity

NEW Federal TAXES are Making it Worse

Year Impacted	Applicable ammount in ACA for US	Estimated Impact % of Premium	Estimated Premiums in PR**	Estimated ACA "HIT" to be Paid by PR Healthcare
2014	$8,000,000,000	1.50%	$6,800,000,000	$102,000,000
2015	$11,300,000,000	2.12%	$8,870,000,000	$187,933,125
2016	$11,300,000,000	2.12%	$9,560,000,000	$202,552,500
2017	$13,900,000,000	2.61%	$9,560,000,000	$249,157,500
2018	$14,300,000,000	2.68%	$9,560,000,000	$256,327,500
2019*	$14,443,000,000	2.71%	$9,560,000,000	$258,890,775
Total ACA Federal Health Insurance Tax to be Paid by PR Healthcare =				**$1,256,861,400**

** 2014 is based in reported payments. 2019 estimated to increase 1% based on national increase in premiums. For the purpose of the estimate we assume PR premiums will increase at the same pace as the national ammounts.*

*** Based on NAIC 2013 financial statement figures. 2015 inclides 75% of the GHIP(Mi Salud) costs and 100% is assumed for 2016 and subsequent years. For the estimate, other increases are assumed over the period.*

Sequestration and New Federal TAX:

Will cost over $280 million in 2015

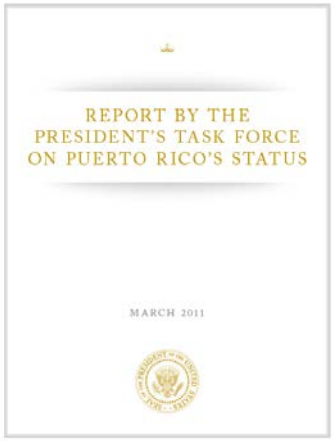
- ❑ Federal Sequestration will cost an additional $675 billion to Medicare beneficiaries in Puerto Rico from 2013 to 2019.
- ❑ Sequestration + HIT means PR is **losing $1.932 Billion in 2013-2019** in addition to the Medicare Advantage cuts.

Administration has Identified Issue for Years

Obama'08
BarackObama.com

BARACK OBAMA: IMPROVING HEALTH CARE IN PUERTO RICO

April 2013



March 2011

Issues Identified for Years by Administration

What can we do now?

(A) Exclusion of Part D Benefit (LIS)

Prescription Drug Subsidy or Low-Income Seniors: Puerto Rico was excluded from the low-income Part D subsidy of the Medicare prescription drug program. Instead, Puerto Rico receives an additional block grant in Medicaid to serve the poorest Medicare enrollees, leaving tens of thousands of low-income seniors without any assistance. Obama will work to phase-in an extension of the low income subsidy to enrollees on the Island on the same basis as in the states.

Obama Plan for PR, 2008

(B) MA Rates

"The Administration is taking steps to address healthcare access issues for Puerto Rico's Medicare beneficiaries by proposing to set Medicare Advantage payment rates in Puerto Rico in a more generous manner."

- **March 2011**, **Report by President's Task Force**

MA 2017 Rates Yr/Yr Changes

MA Advance Notice 2017 - Change to 2017 Impact Assessment

CY2016 MA Benchmark Average = $488pmpm

		2016 to 2017			Notes
Starting Point		**Duals**	**Non-Duals**	**ALL**	
(A)	MA Benchmark **6th** Year of ACA Phase In (2017 last year)	-6.0%	-6.0%	-6.0%	**Rejected: No Proxy** alternative accepted by CMS
(B)	Change in UC Part A Payments $77M to $66M (Imp 2017)	-1.7%	-1.7%	-1.7%	For 2016 impact was $95M to $77M in UC payments to PR Hosp
	Category Subtotal	**-7.7%**	**-7.7%**	**-7.7%**	
MA Benchmark Impacts with Announcement 2017					
(C)	National Effective MA Growth Rate	3.10%	3.10%	3.10%	As reported by CMS; applicable to all US
(D)	Rebasing of FFS Cost Estimates* (estimate, not provided by CMS)	-3.0%	-3.0%	-3.0%	Given other adjustments, we assume this had a negative impact for PR.
(E)	MA Normalization	-0.60%	-0.60%	-0.60%	As 2017 Annoucement.
(F)	Omnibus Part A IPPS Increase	0.8%	0.8%	0.8%	CMS included the Part A rate increase from Omnibus 2016 IPPS 100%
(G)	**MA Benchmark Zero-Claim Members Adjustment****	**4.4%**	**4.4%**	**4.4%**	**YES** - Included in AN2017, CMS proposes use of national average
	Category Subtotal	4.7%	4.7%	4.7%	
	Running Total	**-3.0%**	**-3.0%**	**-3.0%**	Benchmark changes are directly taken from 2017 ratebook by county.
Other Factors in Rates					
(H)	MA Coding Intensity Adjustment	-0.25%	-0.25%	-0.25%	Minimum decrease in statute
(I)	CMS Risk Score Model Proposal (Assumes CMS Mantains Proposal)	5.5%	-1.0%	2.3%	Estimated based on input from MMAPA plans; data sent by CMS
(J)	Adjustment for Non-Duals in Risk Score Proposal	0.0%	0.0%	0.0%	CMS decided not to do. CMS calculated a negative impact.
(K)	Change in EGWP metodology	0.0%	0.2%	0.1%	Based on CMS' input.
	Category Subtotal	5.3%	-1.1%	2.1%	
	Running Total	**2.3%**	**-4.1%**	**-0.9%**	

***NOTE** - The -0.9% does not include impacts related to STARs bonus or to coding acuity. Cosidering the 2017 scenario for PR, the -1.0% is consistent with a +1.25% after including STARS bonus impacts.

(K)	Impact of changes related to STARS bonus	2.0%	2.0%	2.0%	
	Category Subtotal	2.0%	2.0%	2.0%	
	Running Total	**4.3%**	**-2.1%**	**1.1%**	This coincides with CMS' assessment of a 1.25% yr to yr impact to PR.
Rejected - Legitimate Adjustments not directly Addressed by CMS in Advance Notice CY2017					
(L)	MA Benchmark SSI (UC Payment) increase assumption	0.8%	0.8%	0.8%	Not included in AN2017
(M)	MA Benchmark GPCI Adjustment assumption	0.8%	0.8%	0.8%	Not included in AN2017
	Category Subtotal	1.5%	1.5%	1.5%	

*These are high level rough estimates for illustration purposes only.

** We estimate the zero-claim fix could range from 7% to 15%, depending on the formula CMS uses to calculated it. They proposed national averge but NO details.