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Press release

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Minor Increase in Medicare Funding for 2018 but No Permanent Solution in Sight

Puerto Rico needs all the help possible to make sure

CMS considers significant policy adjustments

The Advance Notice and Draft Call Letter issued by the Centers for Medicare and Medicaid Services (CMS) includes proposals that if finally implemented would result in a minor net increase of 1.6% to Calendar Year 2018 Medicare Advantage benchmark rates for Puerto Rico.

This assessment takes into account the impact of the Health Insurance Tax (HIT) for 2018.

The Advance Notice and Draft Call Letter includes much needed relief to certain program challenges, but does not provide a permanent solution to the significant disparities in the island's Medicare Advantage (MA) funding. These disparities result from key differences in how Medicare is applied in Puerto Rico and the MA program's very high penetration rate on the island, which CMS's methodology does not take into account.

Actuaries and technical staff of the Medicaid and Medicare Advantage Products Association of Puerto Rico (MMAPA) have jointly assessed the changes to the MA rate calculation formulas that CMS has proposed in its Draft Call Letter. MMAPA shall continue lobbying to receive permanent relief for additional healthcare industry challenges, such as the elimination of the Health Insurance Tax (HIT), which represents a negative impact of 2.5% to healthcare spending for 2018, and a change in the methodology used to establish rates for Puerto Rico.

"This slight increase is in the right direction but it is far from restoring funding to adequate levels, due to the significant cuts that Medicare Advantage rates in Puerto Rico have suffered since 2011," said Roberto García, MMAPA Board President and Triple-S Management Corporation CEO. The MA base rates for Puerto Rico in 2017 are 21% below the average in 2011, the year before MA rate reductions began under the Affordable Care Act. Despite the projected minor increase, the gap between MA base rates for Puerto Rico and the rest of the nation continues to increase.

"Key issues need to be addressed in the final call letter and we call on all stakeholders in our healthcare system to join in a united effort," indicated Jim O'Drobinak, MMAPA Board member and CEO of MCS Healthcare Holdings, LLC. (MCS).



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Need to adjust for zero claims and benchmarks for End-Stage Renal Disease (ESDR)

Two critical issues that need to be addressed are zero claims and the proposed drop in rates for treatment of End-Stage Renal Disease (ESRD). The Call Letter states that CMS will evaluate whether to continue the adjustment for zero claims awarded to Puerto Rico in 2017, which represented a 4.4% increase to the local benchmark. CMS awarded this adjustment to account for the anomalous propensity of cases in which no utilization was registered among Traditional Medicare beneficiaries on the island.

In addition, CMS proposes continued reductions to MA ESRD Benchmarks, which have decreased over 40% since 2012, from \$7,000 to \$4,200. *“We are concerned about the effect this cut has on providing life-saving dialysis services to such a vulnerable population,”* stated Dr. Rick Shinto, MMAPA member and CEO of MMM Healthcare.

CMS did maintain favorable adjustments for STARs rating methodologies that are unique for Puerto Rico. CMS will also consider increases to certain components of Traditional Medicare cost estimates, used by CMS to calculate MA rates, to more accurately reflect fee-for-service healthcare spending on the island.

“Puerto Rico needs all the help possible to make sure CMS considers significant policy adjustments during the comment period of the proposed rule and implements the same in the final regulation and guidance,” said O’Drobinak. While Dr. Shinto added, *“the priority proposal is for CMS to make the same or a higher adjustment for the unique proportion of zero-claimants in Puerto Rico.”*

Juan Domínguez, of First Medical, added, *“This is the only short-term opportunity for CMS to bring tangible incremental funding for Puerto Rico healthcare”*. CMS issued the Advance Notice and Draft Call letter on February 1, 2017 and expects comments from the public by March 3, 2017. The Announcement of Calendar Year 2018 MA Capitation Rates and MA and Part D Payment Policies and Final Call Letter, which sets forth MA rates for 2018, shall be issued no later than April 3, 2017.

Earl Harper, of Humana, concluded that *“beyond incremental changes, Puerto Rico urgently needs a permanent solution to the disparity in MA funding.”* In 2017, Puerto Rico rates were 43% below the US average, 38% below the lowest state, and 26% below the USVI. The current scenario for 2018 implies a minor mitigation of the funding cuts experienced since 2011.

About MMAPA

The Medicaid and Medicare Advantage Products Association of Puerto Rico (www.mmapapr.com) is a non-for-profit association whose membership is comprised of the leading Medicaid and Medicare Advantage organizations in Puerto Rico: First Medical, Humana, MCS, MMM/PMC, Molina Healthcare and Triple-S. This



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association was established in 2009 to evaluate and act upon matters related to new government policy governing funding for Puerto Rico's healthcare system.