



Press release

For immediate release

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HHS and CMS take action to mitigate looming \$300M Rate Cut for Medicare Advantage Beneficiaries in Puerto Rico for 2017

San Juan, Puerto Rico. April 8, 2016. On Monday, April 4, 2016, the Centers for Medicare and Medicaid Services (CMS) announced in its 2017 Rate Announcement and Call letter (Call Letter) that there will be significant positive changes in the 2017 funding structure for Medicare Advantage (MA) beneficiaries in Puerto Rico, although more work is needed to provide long-term stability for the program. Without the recent changes, the 2017 outlook was an expected incremental loss in funds to Puerto Rico of -7.7% or approximately \$300 million. As a result of the collaborative work between the Puerto Rico healthcare community, the Department of Health and Human Services (HHS) and the Centers for Medicare and Medicaid Services (CMS) policy changes were adopted by CMS, and Puerto Rico will be able to mitigate the projected funding cuts, providing temporary relief to the island for 2017. Based on an initial analysis of the Call Letter, MA rates in Puerto Rico are expected to range from an overall -1% reduction to a 1.25% increase depending on how the impacted changes relate to the Stars bonus calculation for individual MA contracts.

“We are appreciative of the effort by HHS Secretary Sylvia Burwell, the CMS Leadership and our allies on Capitol Hill to temporarily mitigate the funding cuts and recognize the uniqueness of Puerto Rico in the regulatory implementation of the Medicare Advantage (MA) and Part D programs, after years of discussions and exchanges about complex policy issues and proposals. However, the disparity in payment persists, with Puerto Rico MA base rates 38% below the lowest state for 2017. Under the 2017 rate structure, baseline monthly rates for MA will still drop to \$473 per beneficiary, from \$488 in the prior year, so unfortunately, no “permanent fix” was given to the island yet, and the historical funding inequities for Puerto Rico continue,” explained Jim O’Drobinak, President of the Medicaid and Medicare Advantage Products Association (MMAPA). “Still, we believe it is good news and we are thankful that CMS adjusted the fee-for-service (FFS) cost estimates in Puerto Rico to account for the fact that the data shows there are three times more beneficiaries that do not use services in the FFS program of Puerto Rico compared to the National average. MMAPA is continuing with a very careful technical analysis to clearly understand the full impacts of this lengthy document,” O’Drobinak stated.

“It is worth noting that CMS included important proposals for risk adjustment and STARs which seem to be a positive step for the MA program and beneficiaries on the island. Thus, we are thankful to the HHS and CMS leadership for the steps taken, but it is crucial to continue the analysis of the Medicare FFS program and data for Puerto Rico”, Dr. Richard Shinto, CEO for MMM, explained. “The 2017 Final Rule provides important provisional relief, but it has to be clear that the work is not done in terms of providing the fair and adequate funding for the Medicare beneficiaries in Puerto Rico. There are important questions about the unique size and data for the Traditional Medicare FFS program in Puerto Rico. It is crucial for the analysis of all the data to continue. The MA and Part D programs are still at



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risk for Puerto Rico, and permanent solutions still need to be achieved for the 570,000 Medicare Advantage beneficiaries on the island” he explained.

In 2016, MA base rates in Puerto Rico are 34% below the next lowest state, a much larger disparity than in 2011, when the average in PR was 21% lower than the lowest state, Hawaii. The disparity will increase to 38% below the lowest next lowest for 2017. So far, cuts in MA funds have created tangible benefit reductions, and impacts on provider networks as well as access to care for the beneficiaries on the island. The MA program in Puerto Rico was already an outlier at the bottom of healthcare expenditures in Medicare and healthcare funding in general. In the aggregate from 2012 to 2016, Puerto Rico is losing approximately \$4 billion compared to 2011 levels, which continues to generate additional benefits reductions and increased pressures to reduce provider compensation.

Earl Harper, Market President of Humana stated: “Despite the existing gaps and pressures, opportunities have arisen to continue holding open and productive discussions which increase understanding of the market’s vulnerabilities and disparity impact. This ongoing conversation among all stakeholders is essential to reach equity solutions.

The united efforts by Puerto Rico healthcare stakeholders have been crucial moving HHS and CMS to mitigate the projected cuts in MA for Puerto Rico. Roberto García, CEO of Triple S Management, Corp. stated, “In the past 10 months, we have worked as a community to produce new technical analysis and additional data for Federal policymakers. It is clear that MA program in Puerto Rico is unique, and requires unique adjustments to produce a rational result, compared to other jurisdictions. We need to thank the MMAAPA team, the Puerto Rico Healthcare Crisis Coalition, and all the Government officials for the effort with HHS and CMS. We believe these mitigating measures and, most importantly, future permanent relieve are needed to ensure and continue the legitimate access to care for the low income population in the island provided through the Medicare Advantage program,” concluded García.

MMAAPA together with other key Puerto Rico healthcare community leaders are calling on federal government leaders to continue the in-person meetings with technical staff to enhance and protect federal funding for the island’s healthcare delivery system. In addition, Puerto Rico still needs help from HHS to support our policy interpretation with the Treasury Department so that the Health Insurance Provider’s Fee (HIT) does not apply to Puerto Rico. Also, healthcare relief language, like providing Puerto Rico Part D beneficiaries with access to the low-income subsidy, needs to be included in any legislative package by Congress for Puerto Rico.

MMAAPA (www.mmapapr.org) is a non-for profit association comprised of the leading Medicaid and Medicare Advantage organizations in Puerto Rico: Humana, MCS, MMM/PMC and Triple-S. This association was born in 2009 to evaluate and act on the implications of new government policy on funding for Puerto Rico’s healthcare system.

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