

PRESS RELEASE

Contact: Marién Amézaga
Email: marien.amezaga@medicalcardsystem.com
Phone number: (787) 667-3400

A UNITED PUERTO RICO HEALTHCARE COMMUNITY PRESENTS PROPOSALS TO PROMESA TASK FORCE

August 4, 2016. San Juan, Puerto Rico. The Puerto Rico Healthcare Community expressed today its full support for the Congressional Task Force on Economic Development in Puerto Rico (The Task Force), and submitted for this newly-created entity's consideration a letter featuring a series of proposals and recommendations to help provide significant, short-term relief and economic stabilization to Puerto Rico. The complete letter is available at <http://www.mmapapr.org/events---presentations-.html>.

The proposals presented to the Task Force include establishing parity in Puerto Rico's Medicaid federal funds matching levels, eliminating the application of the Health Insurance Tax (HIT) to Puerto Rico, establishing a defined minimum Medicare Advantage (MA) rate benchmark and ending the exclusion of the territories from the Medicare Part-D Low-Income Subsidy program, among others.

"The Puerto Rican healthcare system is in crisis, and resolving the many problems facing the local healthcare system is critical to addressing the island's overall economy," said Jim O'Drobinak, Chief Executive Officer of MCS and President of Medicaid and Medicare Advantage Products Association of Puerto Rico (MMAPA). "For the good of all Puerto Ricans, we need the Task Force to identify health care as one of the urgent issues that need to be addressed legislatively in its September 15, 2016 preliminary report to Congress, in order to urge the Congressional committees with jurisdiction to act on such recommendations before the legislative session ends."

One of the fundamentals problems facing Puerto Rico revolve around the decades of Medicaid under-funding. "This has contributed significantly to Puerto Rico's financial crisis because the government was forced to issue bonds to raise funds to meet their Medicaid program obligations," explained Dennis Rivera, Chairman of the Puerto Rico Healthcare Crisis Coalition. "The Affordable Care Act (ACA)'s special allocation for Puerto Rico's Medicaid program provided welcome short-term relief, but that allocation is expected to expire very soon, by the end of 2017 at the latest. At that point, the Federal contribution to the island's Medicaid program would be reduced by nearly 75 percent. That fall off the "cliff" will have a devastating effect on health care delivery, the fiscal situation of the Government, and the Puerto Rico economy as a whole," Rivera said.

Another of the major problems facing Puerto Rico is migration. Jaime Plá, President of the Puerto Rico Hospitals Association explained that the massive outward migration of physicians reduces the quality and access to care on the island, while the exodus of millennials impacts the local labor workforce and the available tax base —resulting in an accelerated aging population for Puerto Rico that is becoming increasingly more expensive for the social services and health care infrastructure. "These trends, in turn, aggravate the fiscal situation of the local government. In addition, the migration of Puerto Rico has the effect of increasing overall healthcare spending for the Medicaid and Medicare programs at a national level, as the annual healthcare cost for a Medicare beneficiary grows dramatically (from \$5,856 to \$9,636), when that beneficiary moves from Puerto Rico to the mainland," Plá explained.

Already some scholars and commentators are beginning to call the current wave of migration the *Second Great Migration of Puerto Rico*, even larger than the last one which took place during the 1950s. Recent data from the U.S. Bureau of Transportation Statistics indicates that net air passenger departures out of Puerto Rico reached an all-time record, with over 90,000 more passengers leaving Puerto Rico than arriving during FY 2015.

The Medicare funding cuts enacted by the Affordable Care Act (ACA) represent another key problem. “To give you a clearer perspective, at the national level, Medicare Advantage benchmark payments for 2017 average \$826 per member per month. In Puerto Rico, the benchmark will average \$473, which is 43 percent below the national average,” explained Dr. Rick Shinto, Chief Executive Officer for MMM Holdings, Inc. “The fee-for-service formula used to establish the Medicare Advantage benchmark in Puerto Rico is not representative of actual program costs for a number of technical and enrollment-related reasons, and the payment disparity is particularly problematic given the high level of program participation in Puerto Rico,” Dr. Shinto added.

Also, there is no individual mandate to purchase health insurance, no marketplace subsidies and no Medicaid expansion funding from 100% to 133% to Puerto Rico as applicable to states. However, despite these differences, the Health Insurance Tax (“HIT”) is still being applied to plans operating in Puerto Rico. The 2016 tax amounts to an approximately \$200 million obligation on Puerto Rico’s Government, its health plans and its citizens. “The critical and urgent importance of the healthcare system to the success of the economy as a whole is why we recommend to the Task Force, among other proposals, the permanent elimination of the Health Insurance Tax (HIT) for Puerto Rico since we are paying for a product for which we are not receiving full benefits,” O’Drobinak said. “Healthcare needs urgent action and should be identified in the September 15 report of the Task Force.”

“In a time of economic turmoil, rising health care costs and increasing demand for health care services collide with austerity, exposing the Puerto Rican population’s health to further risks. And if you add to it the fact that the cost of living in Puerto Rico is around 15 percent higher than in the mainland, and yet the only way to manage program underfunding is to keep labor costs low, you have a vicious cycle that perpetuates the island’s overall economic crisis,” explained Roberto García Rodríguez, President and CEO, Triple-S Management Corporation.

“While familiar programs such as Medicare, Medicaid, and certain provisions of the Affordable Care Act (ACA) exist in Puerto Rico, they operate under different rules than those that apply to the rest of the country. Those differences serve to perpetuate disparities and contribute to economic destabilization on the island. That’s why we urge the Task Force to examine these systemic challenges as part of its work and to propose reforms that will bring stability and predictability to Puerto Rico’s health care delivery system and, consequently, to the Island’s broader economy,” explained Dr. Joaquín Vargas, president of the IPAs Association.

In addition to the disparity in the MA benchmark rates, the exclusion from the Part D Low Income Subsidy is another of the major differences that should be resolved. “This subsidy is a benefit that would go directly to the beneficiary’s pocket representing significant savings in cost sharing requirements. The exclusion from this subsidy leads to reduced medication adherence, resulting in costlier care services down the road,” Dr. Vargas said.

“The 12 different associations who have signed our letter represent key, multi-sector stakeholders involved in our economy and our entire healthcare system, who have actively presented comments and proposals to legislation and regulation individually and as a community, including through the Puerto Rico Healthcare Crisis Coalition. And once again, we eagerly and enthusiastically look forward to working with the Congressional Task Force and other members of Congress to address Puerto Rico’s economic and health care crisis successfully. We are grateful for the opportunity to present these views and recommendations,” O’Drobinak concluded.