



THE SECRETARY OF HEALTH AND HUMAN SERVICES

WASHINGTON, D.C. 20201

APR 25 2017

The Honorable Ricardo Rosselló
Governor of Puerto Rico
PO Box 9020082
San Juan, PR 00902-0082

Dear Governor Rosselló:

Thank you for your letter regarding critical health care challenges currently facing Puerto Rico. It was good to meet with you as well in February and to hear first-hand about your health care priorities. You raised several important issues that impact health care services and coverage for the Medicare and Medicaid populations, including federal funding. As our senior leaders assume their positions, we will keep your thoughtful recommendations in mind.

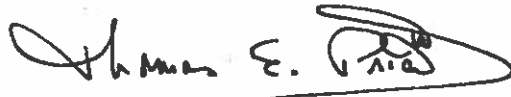
Our goal is to achieve fair and equitable health care reforms that lower costs, improve quality of care, increase choices and, most importantly, give all Americans an opportunity to receive quality, affordable health care. We want to ensure that we have a health care system that best serves the needs of all Americans, including those in the U.S. territories, in a fiscally responsible way.

We are aware that, according to the Puerto Rico government, Puerto Rico is projected to exhaust its \$6.4 billion in additional Patient Protection and Affordable Care Act funding by the end of 2017. As a result, Puerto Rico is experiencing difficulties in finalizing its Medicaid Managed Care contracts in advance of the next fiscal year, which begins on July 1, 2017. We estimate that it will cost approximately \$900 million to fully fund the Puerto Rico Medicaid program through June 30, 2018, which is the end of the next Puerto Rico fiscal year, as well as the end of the contract period. We recognize that Puerto Rico may need additional time to finalize its Medicaid Managed Care contracts accordingly. Given the circumstances, we have extended the deadline for Puerto Rico until May 5, 2017, to submit its Medicaid managed care contracts to the Centers for Medicare & Medicaid Services (CMS) for approval.

We also want to take this opportunity to highlight some additional actions we have taken in order to stabilize Medicare Advantage (MA) payments in Puerto Rico. Over the past several years, CMS has made adjustments to the methodology used to set rates in Puerto Rico, and in the recent 2018 Rate Announcement, CMS once again made the zero claims adjustment and based rates on the estimated fee-for-service costs of beneficiaries with both Medicare Parts A and B. CMS also incorporated increases to the Geographic Price Indices in Puerto Rico in the 2017 Physician Fee Schedule, and for 2018, determined that some counties in Puerto Rico will be eligible to receive an increased quality bonus adjusted benchmark. When accounting for the expected growth in coding acuity, we estimate that these final payment policies for Puerto Rico will increase average Part C payments by more than 7%.

We appreciate you sharing your concerns as we work towards strengthening the Medicaid and Medicare programs for all beneficiaries. We also appreciate the close relationship that has developed between your Medicaid staff and the CMS regional office team. We look forward to that continued relationship. If you or your staff have additional concerns, please feel free to contact our Office of Intergovernmental and External Affairs at (202) 690-6060.

Yours truly,

A handwritten signature in black ink, appearing to read "Thomas E. Price, M.D.", with a large, stylized flourish extending from the end of the signature.

Thomas E. Price, M.D.