

FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO



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BY ELECTRONIC MAIL

October 31, 2018

The Honorable Darren Soto
U.S. House of Representatives
1429 Longworth HOB
Washington, DC 20515

Dear Congressman Soto:

The Financial Oversight and Management Board for Puerto Rico has received and reviewed your letter, dated October 17, 2018, concerning Medicaid in Puerto Rico, and very much appreciates this opportunity to respond.

The Oversight Board is grateful for your efforts advocating for Puerto Rico, which include helping convince Congress to provide Puerto Rico significant Medicaid support through the Bipartisan Budget Act of 2018. However, as you know, that funding will expire in September 2019. Without a change in federal law, next year Puerto Rico will revert back to the statutorily capped federal funding that it receives for Medicaid, which is a small fraction of what similar states receive. Not only does Puerto Rico have a predefined 55% as its federal matching assistance percentage, but also Section 1108 of the Social Security Act imposes an additional hard, lower cap on Puerto Rico's Medicaid share.

For example, in fiscal year 2018, the Section 1108 cap for Puerto Rico was just under \$360 million while the total cost of Medicaid in Puerto Rico was over \$2.8 billion. Had Puerto Rico instead simply received its predefined 55% federal match, Puerto Rico would have received over \$1.3 billion. Had Puerto Rico received the federal match that the most relevant comparable state enjoys (Mississippi at 76%), Puerto Rico would have received over \$1.8 billion. Instead, the Section 1108 cap yielded an effective federal match of roughly 13%.

Each dollar that the federal government does not provide for Medicaid, the Government of Puerto Rico must find while it contends with the devastating aftermath of hurricanes Irma and Maria and attempts to resolve its crushing debt burden. Without a long-term solution to the federal government's share of Puerto Rico's Medicaid costs, the Government of Puerto Rico's spending on Medicaid will account for an untenable portion of its annual budget. In fact, by fiscal year 2021, the Commonwealth's Medicaid costs are projected to comprise roughly 23% of the general fund's budget.

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Forced to grapple with this reality, the Government of Puerto Rico and the Oversight Board have worked together to establish a sequence of reform priorities for the Island's healthcare system to deliver high quality, cost-effective care. The Government of Puerto Rico intends to:

1. Implement systems and controls (e.g., T-MSIS, Medicaid Fraud Control Unit) to reduce fraud, waste and abuse within the public insurance system and ensure that all current enrollees are qualified to receive benefits;
2. Establish value-based payment models to incentivize better care coordination among providers, particularly for those with chronic conditions who currently generate the majority of the Island's healthcare expenditure and suffer from the worst health outcomes;
3. Enable primary care physicians to provide preventive care and encourage a shift toward lower-cost care settings; namely, reducing the number of emergency room visits;
4. Ensure communities have the infrastructure and coordination capacity to promote efficiency of services and a community-wide focus on health.

These value-based savings measures, which are outlined in the certified Fiscal Plan, represent a joint effort between the Government of Puerto Rico and the Oversight Board to permanently "bend the curve" on the Island's unsustainable medical cost growth while also providing better services to the residents of Puerto Rico.

We trust this letter adequately addresses your concerns and look forward to your continued support for the healthcare needs of Puerto Rico.

Sincerely,



José B. Carrión

Andrew G. Biggs
Carlos M. García
Arthur J. González
José R. González
Ana J. Matosantos
David A. Skeel, Jr.

CC: Natalie A. Jaresko
Christian Sobrino Vega