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Congress of the United States
House of Representatives
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June 23, 2021

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Chuck Schumer
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Pelosi, Majority Leader Schumer, Minority Leader McConnell, and Minority Leader McCarthy:

Puerto Rico has faced the challenge of inequitable Medicaid funding since the inception of the program. Unlike the States, for which federal Medicaid spending is open ended, Puerto Rico can access federal dollars only up to an annual ceiling established by Section 1108(g) of the SOCIAL SECURITY ACT. Section 1108 establishes funding caps for each of the territories that increase annually at the rate of the Consumer Price Index for all Urban Consumers. The amount of funding provided under Section 1108 has historically been insufficient to meet the needs of the territories' Medicaid programs and bears no relation with the healthcare expenditures needed for its medically indigent population to receive proper and effective diagnosis, treatment, care and medication services.

In the FURTHER APPROPRIATIONS ACT OF 2020, we reached a short-term, bi-partisan, bi-cameral agreement to provide a historic amount of funding for the Territories for FY19-20 and FY20-21. For Puerto Rico, this additional funding allowed our Medicaid program to enact several critical sustainability measures, such as: increasing the eligibility from the program from 40% Federal Poverty Level (FPL) to 85% FPL; providing coverage for life-saving Hepatitis C drugs, which cure the disease and avoid years of suffering and more costly and invasive procedures such as liver transplants; increasing the payments to private hospitals to 90% of the Medicare Fee Schedule rate (MFSR) and to public hospitals to 97% MFSR, to supplement the loses incurred by treatment of a high level of indigent patients in light of the unavailability of Disproportionate Hospital Share payments for Puerto Rico hospitals; and increasing Medicare Part B provider payments to, at least, 70% MFSR. This funding, however, maintained the funding limitation established by the Section 1108 caps.

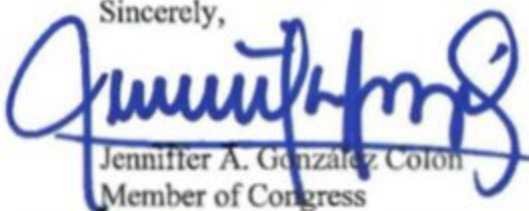
Our prime purpose in increasing the Section 1108 caps in the FURTHER APPROPRIATIONS ACT OF 2020 was to provide the Territories with sufficient financing to avoid the so-called "Medicaid cliffs". However, the COVID-19 public health emergency we have been facing since early 2020 has laid bare one of the most pernicious effects of the Section 1108 funding limitation: the lack of flexibility of our territorial Medicaid programs to deal with additional costs resulting from unforeseen circumstances. Thus, despite the fact that the increase in Section 1108 caps for Puerto Rico were based on estimates from actuarial studies, these estimates did not contemplate the unexpected financial stresses on our Medicaid program, such as: an increase in enrollment due to increased unemployment caused by the pandemic; increases in expenses due to covered COVID-19 testing, treatment, and vaccines; and waivers from annual eligibility certifications which stemmed the natural flow of beneficiaries out of the program. And although we raised both the Federal Medical Assistance Percentage and the Section 1108 caps in the FIRST CORONAVIRUS RESPONSE ACT as an early response to the pandemic, history has confirmed that it was not enough.

We are all currently working to avert another Medicaid cliff at the end of this fiscal year, when the federal financing for Puerto Rico's \$3.5 billion Medicaid program will revert to less than \$400 million. However, even before we reach that point, ***Puerto Rico is expected to exhaust its federal Medicaid funding by September 1, 2021 and to experience a shortfall in excess of \$106 million by September 30th.***

I ask that funding to cover for this shortfall be included in a timely manner in the appropriate legislative vehicle, including any Continuing Resolution that may be considered, to prevent a collapse of our healthcare system as early as September 1, 2021.

Thank you for your prompt consideration of this request and look forward to continue working with you on this urgent matter.

Sincerely,



Jennifer A. González Colon
Member of Congress