



Congressman Pedro R. Pierluisi
Statement as Prepared For Delivery (Via Taped Video Message)
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Greetings from our nation's capital.

I want to begin by expressing my regret that my work obligations have made it impossible for me to be there with you in person. I know this will be an enjoyable and enlightening event, featuring some of the sharpest health care minds in the country.

Let me recognize a few people at the outset. First, I want to express my gratitude to Pedro González, Jaime Plá, Enrique Baquero and their colleagues from the Puerto Rico Hospital Association for sponsoring this event. I also want to acknowledge Nemuel Artiles, the President of the Puerto Rico Chapter of the American College of Healthcare Executives. And I want to thank Bill Toby, the former CMS Administrator, who has always been a fierce champion for equitable treatment for Puerto Rico. Thank you gentlemen.

Next, I want to thank Puerto Rico's Secretary of Health, and my good friend, Dr. Lorenzo González, who has a demanding job and is doing it very well.

Last but not least, I want to thank the senior CMS officials who have made the trip to Puerto Rico for this event, including Jim Kerr and Mike Melendez. I met with Jim and Mike earlier this week. They strike me as being public servants of the highest caliber: tough but always fair.

I promise not to speak for too long, but I do want to outline how far we have come, and how far we have to go, when it comes to fair treatment for Puerto Rico under Medicaid, traditional Medicare, and Medicare Advantage.

Most of you have probably heard me describe the efforts that Governor Luis Fortuño and I—working side-by-side with so many of you—took to ensure that Puerto Rico was treated in an equitable manner under the Affordable Care Act. As I always underscore, while the final result was historic for Puerto Rico, it was *not* inevitable. To the contrary: we had to struggle for every dollar we got.

Most significantly, the legislation dramatically increases federal funding for Puerto Rico's Medicaid program, known as Mi Salud. As you know, the federal government pays a significant share of the program's cost in the states—and up to 80 percent in the poorest states. By contrast, federal law imposes a cap on funding to Puerto Rico. Historically, Puerto Rico's cap was so low that the federal government paid under 20 percent of the program's costs on the Island each year. This has made it difficult for Puerto Rico to provide quality health care to our most vulnerable residents. It has also required the Puerto Rico government to spend a tremendous amount of its own funds to compensate for the shortfall in federal dollars, which has caused damage to the Island's fiscal health.

Some people now forget that the first significant increase in federal funding for Puerto Rico's Medicaid program was not provided by the Affordable Care Act, but rather by the February 2009 Recovery Act. Early versions of ARRA proposed an increase in Puerto Rico's Medicaid funding of between 11 and 15 percent. Because of our efforts, however, the final bill contained a 30 percent increase. This translated into over \$230 million dollars in additional federal funding for Puerto Rico between 2009 and 2011. At the time, this was the largest increase in funding for health care in the Island's history.

Of course, the temporary funding infusion achieved in ARRA was later surpassed by the long-term gains realized in the Affordable Care Act. Under this legislation, federal funding for Mi Salud will essentially triple over the next decade. Instead of receiving about \$300 million dollars a year, we will now receive over \$1 billion dollars annually. This is not parity, and we should not be under any illusion that it is, but it is a remarkable improvement over the status quo.

Let me explain how Puerto Rico is using this new money. There are approximately 1.5 million individuals currently enrolled in Mi Salud: about 900,000 in the federal-state program and about 600,000 in the state program. Armed with this new funding, the Puerto Rico government will migrate hundreds of thousands of individuals from the state plan to the federal-state plan, where they will receive better benefits and pay less out-of-pocket costs for their care. Instead of the Puerto Rico government paying the entire cost of covering these individuals, the federal government will bear over half the cost. According to estimates, this migration will save Puerto Rico about \$2 billion dollars over the next decade. In addition to this migration, the new funding

has already enabled the current administration to add about 180,000 individuals to Mi Salud, many of whom were removed from the program by prior administrations and became uninsured.

Although much has been accomplished on the health care front, much work—as always—remains to be done. For example, the Affordable Care Act, for all of its positive features, did not mitigate the various disparities that Puerto Rico faces under Medicare, though not because of a lack of effort on our part. In Congress, as in life more generally, you win some battles and you lose some battles. But you live to fight another day. And you never stop fighting.

I want to briefly mention three Medicare inequalities that I am working to address. First, Puerto Rico is the only U.S. jurisdiction—state or territory—where individuals who become eligible for Medicare Part A must take affirmative steps to opt in to Part B. Simply stated, this approach has failed. About 53,000 Part B beneficiaries in Puerto Rico have opted in to Part B after the seven-month enrollment period and are therefore paying a lifetime penalty. All told, these seniors—most of whom are individuals of limited means—are paying over \$7 million dollars per year in late enrollment fees to the federal government. In addition, there are over 100,000 eligible Puerto Rico seniors who are not enrolled in Part B at all. If and when they enroll in the future, they too will have to pay a late penalty.

I am working this issue on both the administrative and the legislative front. Senator Charles Schumer of New York and I have successfully persuaded CMS and SSA to improve the written materials they make available to Island seniors, so that they are better informed about the enrollment period and the financial consequences of late enrollment. In addition, I introduced a

bill that would convert Puerto Rico from the nation's only *opt-in* jurisdiction to an *opt-out* jurisdiction—just like everywhere else. My bill would also reduce the late penalties now being paid by Puerto Rico seniors who enrolled late and would authorize a special enrollment period during which Island seniors who do not have Part B could enroll on favorable terms. Senator Schumer and I are working hard to enact this bill into law.

Another Medicare-related fight I am waging involves the HITECH Act, which provides bonus payments under both Medicare and Medicaid to hospitals and doctors that become meaningful users of electronic health records. Illogically, the bill excluded Puerto Rico hospitals from the Medicare payments, but included the Island in all other components. I introduced legislation in 2010, and again in 2011, to rectify this oversight. Senator Bob Menendez of New Jersey has introduced companion legislation. It won't be easy, but I am hopeful that we can achieve success on this issue.

Third, I recently reintroduced legislation to improve the way that Puerto Rico hospitals are reimbursed under Medicare. Besides not receiving fair DSH payments because the SSI program has not been extended to the Island, Puerto Rico hospitals also receive a lower base rate than hospitals in the 50 states. The base rate is intended to cover a hospital's operating and capital costs. Every hospital in the states receives the same base rate, regardless of where the hospital is located. But Puerto Rico hospitals receive a blended rate that is 13 percent lower than the base rate in the states. Puerto Rico hospitals—and the patients they serve—deserve nothing less than full equality.

Finally, I have spent considerable time seeking to ensure that Medicare Advantage providers in Puerto Rico are fairly reimbursed so they can continue to provide high-quality care to Island seniors. Puerto Rico's MA penetration rate is the highest in the nation by a substantial margin, with nearly 480,000 of our 690,000 Medicare beneficiaries enrolled in an MA plan. Starting this year, payments to MA plans in a jurisdiction will be based on the amount spent, on average, to treat patients enrolled in fee-for-service Medicare in that jurisdiction. For various reasons, including the lack of automatic Part B enrollment, the lack of fair DSH payments, and the lower base rate paid to Island hospitals, fee-for-service estimates in Puerto Rico are understated. Thus, payments to MA plans on the Island will be too low—unless CMS uses its authority to adjust the formula used to make those estimates. Although CMS has already made some much-needed changes at our urging, I firmly believe that additional steps are warranted. For that reason, I recently sent a detailed letter to the agency on this issue, which was signed by my colleagues Charlie Rangel, José Serrano, Nydia Velázquez, and Luis Gutierrez. I will continue to be a strong ally in this fight, given the importance of MA in Puerto Rico.

Although there is so much more to discuss, I will end here. I hope you are having a wonderful time and that you enjoy the remainder of the symposium. Thank you for all that you do for Puerto Rico.

Gracias—y qué disfruten!