



Congressman Pedro R. Pierluisi
Statement as Prepared For Delivery (Via Taped Video Message)
2012 Puerto Rico Health & Insurance Conference
Economic Transformation in Health
Conrad San Juan Condado Plaza
February 2, 2012

Saludos!

Greetings from our nation's capital. I wish I could be there with you in person. But, unfortunately, my responsibilities in Washington made that impossible.

I want to thank the Puerto Rico Chamber of Commerce and the University of Miami School of Business Administration for organizing this conference and for putting together such an impressive list of speakers, including Dr. Jaime Torres, the Director of HHS Region 2. I know that you are discussing a variety of important issues related to the health care system in Puerto Rico, and I will touch upon a number of these topics in my remarks.

Let me begin with the Affordable Care Act, enacted in March 2010. I have previously described the efforts that Governor Luis Fortuño and I—working side-by-side with so many of you—undertook to ensure that Puerto Rico was treated in an equitable manner under this legislation. While the final result was extraordinary for Puerto Rico, it was not preordained. We had to battle for every dollar we ultimately received. It was a noble fight that I was proud to wage.

Most significantly, the Affordable Care Act dramatically increases federal funding for Puerto Rico’s Medicaid program. 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. Before 2009, 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.

Under the Affordable Care Act, federal funding for Puerto Rico's Medicaid program, Mi Salud, will essentially triple over the next decade, from \$3.1 billion dollars to \$9.4 billion dollars. Instead of receiving about \$300 million dollars a year, we will now receive over \$1 billion dollars annually. This is not parity, but it is a remarkable improvement over the status quo.

To explain how Puerto Rico is using this new money, a little background is helpful. Mi Salud actually consists of two programs: a federal-state program and a state-only program. There are over 1.5 million individuals currently enrolled in Mi Salud: about one million in the federal-state program and 565,000 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 additional 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 now pick up over half the cost. According to estimates, this migration will save Puerto Rico about \$2 billion dollars over the next decade, which will help further improve the Island's fiscal condition. In addition to this migration, the new funding has already enabled the current administration to add about 130,000 individuals to Mi Salud, many of whom were removed from the program by prior administrations and left uninsured.

Although much has been accomplished on the health care front, much work remains to be done. In its March 2011 report, President Obama's Task Force recommended that the Administration work with Congress to further close the Medicaid funding gap. This is positive language, and I am working to translate it into concrete action.

The Task Force also made several recommendations with respect to Medicare, where Puerto Rico is treated unequally in numerous ways. I want to briefly mention three of the various Medicare-related disparities that I am seeking to address.

First, the HITECH Act, enacted as part of ARRA, provides additional payments under both Medicare and Medicaid to hospitals and doctors that become users of electronic health records. Illogically, the bill excluded Puerto Rico hospitals from the Medicare bonus 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 from New Jersey has introduced companion legislation. It will not be easy, but I am hopeful that we will be successful on this issue.

Second, Puerto Rico is the only state or territory where individuals who become eligible for Medicare Part A are not automatically enrolled in Part B. Simply put, this system has failed. About 53,000 Part B beneficiaries in Puerto Rico 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. Many of them are discouraged from joining now because they would have to pay a late penalty.

I have fought this battle on both the administrative and the legislative front. Working with Senator Chuck Schumer of New York, I 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 substantially 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.

Third, our hospitals are paid less per patient than hospitals in the states, because Puerto Rico is the only jurisdiction that does not receive 100 percent of the national payment rates. Instead, Medicare payments to Island hospitals are derived from a formula that is based on 75 percent of the national rates and 25 percent of the local rates. One estimate concluded that this disparity reduces Medicare reimbursements to Puerto Rico hospitals by \$24 million dollars a year. The first bill I introduced as Resident Commissioner would eliminate this disparity, and I am continuing to seek its passage. Puerto Rico hospitals—and the patients they serve—deserve nothing less than full equality.

I have also spent considerable time seeking to ensure that Medicare Advantage plans in Puerto Rico are fairly reimbursed by the federal government, so they can continue to provide high-quality care to nearly 500,000 Island seniors. Starting this year, the Affordable Care Act will base payments to MA plans on the amount spent to treat patients enrolled in fee-for-service Medicare. For various reasons,

including the lack of automatic Part B enrollment, 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. According to one estimate, our efforts on the MA issue have already resulted in savings to Puerto Rico’s health care system of nearly \$4 billion dollars over the coming eight-year period. 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, including Puerto Rico’s great potential as a “Wellness Tourism” destination, I will end here. In closing, I want to thank you for inviting me to address this conference and to express my gratitude for all that you do for Puerto Rico’s health care system.

Muchas gracias. ¡Éxito!