Congressman Pedro R. Pierluisi
Statement As Prepared For Delivery
Remarks to the Puerto Rico Chapter of Healthcare Financial Management Association (HFMA)
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Thank you—and good afternoon to you all. I want to begin by thanking Rafael Rodríguez, the president of the Association's Puerto Rico chapter, for inviting me to be today's keynote speaker. The last time that I was with you all was when I was still a candidate for Resident Commissioner. Now I have been in Washington for nearly 20 months.

I know that HFMA is considered the nation's leading organization for health care financial management executives and leaders. You—the Association's members in Puerto Rico—serve in all parts of the Island's health care system, including hospitals, managed care organizations, physician offices, insurance companies, and accounting firms. Without you, the system of health care delivery in Puerto Rico simply could not function. Frankly, you're a pretty intimidating group! I hope you will be gentle with me during the question-and-answer session that will follow my brief remarks.

In these remarks, I will outline the important changes that have been made to the health care system in this country over the last 20 months, and I will discuss the positive impact these changes will have here in Puerto Rico. And I look forward to hearing your impressions and answering your questions on these matters.

Since we last spoke, I have grown some grey hair—although some say that it makes me look more distinguished! One thing is for certain: much of this gray hair is a result of my role in connection with the debate in Congress over federal legislation to reform the health care system.

As you know, the Affordable Care Act, enacted into law in March, has transformed the way that health care will be delivered and paid for in this country, including Puerto Rico. For our Island, these changes are absolutely essential and long overdue. And they would not have happened without tremendous effort and terrific teamwork.

The changes began early. In February 2009, a mere two months into my tenure in Washington, the American Recovery and Reinvestment Act was signed into law. ARRA injected billions of dollars into nearly every sector of the Puerto Rican economy, and the health care sector was no exception. For example, millions were allocated to the Island to renovate and construct community health centers and to improve the quality of services they offer to patients.

In addition, the legislation increased funding to Puerto Rico's Medicaid program, soon to be known on the Island as "Mi Salud," a subject that I know the Secretary of Health and the Administrator of ASES discussed this morning. Medicaid has always operated differently—and unfairly—in the U.S. territories. The federal government pays a significant share of the program's cost in the 50 states—up to 83 percent for the poorest states. By contrast, federal law imposes an annual cap on funding in Puerto Rico and the other territories. Until the enactment of ARRA and the Affordable Care Act, Puerto Rico's cap was so low that the federal government

typically paid about 18 percent of Medicaid costs on the Island in any given year. This was a travesty, from both a moral and policy perspective. Inadequate federal funding made it extremely difficult for Puerto Rico to provide quality health care to its low-income population. It also required the Puerto Rico government to spend a tremendous amount from its own coffers to compensate for the shortfall in federal dollars, causing terrible damage to the Island's fiscal health.

ARRA temporarily increased the federal contribution to Puerto Rico's Medicaid program by 30%. At the time, this represented the largest increase in funding to Puerto Rico's Medicaid program in the Island's history, although it would later be surpassed by the increase provided in the Affordable Care Act. I should mention that early versions of ARRA provided a much smaller funding increase to Puerto Rico and the other territories—15% or less. But my colleagues from the territories and I fought back—and the final bill doubled the increase to 30%. This increase—which applied in fiscal year 2009, fiscal year 2010, and the first quarter of fiscal year 2011—translates into more than $185 million in additional federal funding during this time period to help Puerto Rico provide health care to our most vulnerable residents.

Moreover, three days ago Congress approved the Education Jobs Act and Medicaid Assistance Act. This bill extends the 30% cap increase for an additional six months—through June 30, 2011—and will translate into approximately $45 million in additional federal funds for Puerto Rico's Medicaid program. In total, then, because of the 30% increase established in ARRA and extended in the Medicaid Assistance Act, Puerto Rico will receive about $230 million more than

it would have received from the federal government without such legislation. This money will improve health and save lives here in Puerto Rico.

If ARRA was the appetizer, the Affordable Care Act is the main course. I have described on many previous occasions the efforts Governor Fortuño and I—and so many of you all—made to ensure that Puerto Rico was treated in a fair and equitable manner under this historic legislation. These efforts are well known at this point and so I will not review them now. Suffice it to say that, while the final result was extraordinary for Puerto Rico, nobody should be under the impression that this result was preordained or inevitable. Because it was not. We had to fight for every dollar we received.

As you know, under the Affordable Care Act, federal funding for Puerto Rico's Medicaid program will essentially triple over the next decade. This is not parity, but it is a remarkable improvement over the *status quo*. Specifically, Puerto Rico is estimated to receive a total of $8.6 billion in federal Medicaid funding, between the fourth quarter of 2011 and the end of 2019. Without the bill, we would have received only $3.1 billion. And unlike earlier versions of the bill, the final bill provides the government of Puerto Rico with flexibility to determine how it can most effectively use this new funding to improve services and expand coverage.

The bill also authorizes Puerto Rico to establish a health care exchange starting in 2014. It provides $925 million in federal funding to help eligible individuals afford coverage through the exchange, which is essentially a marketplace of private insurance plans regulated by the federal government. I am confident that, thanks to this new Medicaid and exchange funding, the number

of individuals in Puerto Rico without health insurance will decrease dramatically in the coming years.

The legislation also makes important changes to Medicare. For example, under the bill, seniors whose prescription drug costs are so high that they fall in the Medicare prescription drug "donut hole" coverage gap in 2010 will receive a $250 rebate check. Nearly 17,000 checks have been already sent to seniors in Puerto Rico to help them purchase essential drugs.

Finally, the bill establishes many important consumer protections and insurance market reforms —and creates multiple federal grant programs to enforce these protections. Last month, after considerable effort on our part, the Secretary of the U.S. Department of Health and Human Services, Kathleen Sebelius, formally confirmed that the territories would benefit from nearly all of these reforms, some of which take effect this year and some of which take effect within a few years. For example, pursuant to the decision announced by HHS, insurance companies in Puerto Rico, like insurers in the states, will be prohibited from denying coverage based on preexisting conditions; from establishing lifetime or annual limits on benefits; from rescinding coverage except in the case of fraud; and from charging higher rates due to a beneficiary's gender, health status, or salary. In addition, insurers will be required to implement an effective appeals process so that patients can appeal decisions like a decision not to cover a claim. Insurers who provide dependent coverage will be required to make that coverage available to adult children until age 26. Insurers will also be required to provide coverage for certain preventive health services (such as vaccinations), and cannot require co-payments for these services. Finally, insurers will be required to submit a justification for any "unreasonable" increases in premiums to the state

and federal government—and the Puerto Rico government is eligible for federal funding to monitor compliance with this new requirement.

Although much has been accomplished on the health care front, much work remains to be done, particularly with respect to Medicare. Puerto Rico is subject to unequal treatment under this federal program in four respects. First, the HITECH Act, enacted as part of ARRA, provides incentive payments to doctors and hospitals under both Medicaid and Medicare to become meaningful users of electronic health records. The bill inadvertently excluded Puerto Rico hospitals from the Medicare bonus payments. I have introduced legislation to rectify this mistake, and I am working hard to enact it into law this year.

Second, I introduced legislation early in 2009 to correct the disparity in the way that Puerto Rico hospitals are reimbursed by Medicare. Under current law, our hospitals are paid significantly less per admitted patient than hospitals in the states. This is because Puerto Rico is the only jurisdiction that does not receive 100% of the national payment rates. Instead, payments to Puerto Rico hospitals are derived from a blended formula that is based on 75% of the national rates and 25% of the local PR rates, rather than 100% of the national rates. It is estimated that this fix would increase the total Medicare reimbursements to Puerto Rico hospitals by at least $24 million per year, which would greatly improve patient care on the Island.

Third, under current law, hospitals that treat a large number of low-income patients are eligible to receive an additional payment from the Medicare program known as a disproportionate share hospital—or DISH—payment. The current formula that the federal government uses to calculate

whether a hospital is eligible to receive this payment and how much it will receive is based on the amount of care that the hospital provides to patients who receive Medicaid and Supplemental Social Security Insurance. The problem is that the U.S. citizens of Puerto Rico are not eligible for SSI benefits; instead, they are eligible for benefits under the federal program that preceded the SSI program—called AABD. As a result, our hospitals do not receive the DISH payments they deserve. I have introduced legislation that would require the federal government to supplement the SSI data with comparable AABD data. This bill would better implement Congress' intent, since the legislation creating the DSH payment system stated that the formula should apply "in the same manner" in Puerto Rico as in the states.

Finally, Puerto Rico is the only U.S. jurisdiction where individuals enrolled in Medicare Part A are not automatically enrolled in Part B. The result is that Puerto Rico has the lowest Part B participation in the country and Puerto Rico seniors pay millions of dollars in recurring late enrollment fees each year. Although the original intent of this rule may have been benign, it is clear from all the evidence that its practical effect has been negative.

While the Affordable Care Act was a tremendous success, I confess that I was frustrated that some or all of these Medicare disparities were not fixed. Going forward, I will not rest until we win all the battles necessary to ensure the well being of the people of Puerto Rico.

In closing, I want to thank all of you for the important work that you do. As I mentioned at the beginning of my remarks, the health care system in Puerto Rico would grind to a halt without you—so thank you. Now I am happy to answer your questions.