Congressman Pedro R. Pierluisi
Keynote Address as Prepared For Delivery
2016 Puerto Rico Health and Insurance Conference
The Condado Plaza Hilton
San Juan, PR
March 10, 2016

Good morning.

I want to thank Roberto Pando, the chairman of the Puerto Rico Health and Insurance Conference, for inviting me to speak again this year. I also want to thank the Puerto Rico Chamber of Commerce, the Medicaid and Medicare Advantage Products Association, and *El Nuevo Día* for sponsoring this event. Many individuals in this room have spent their professional lives fighting to improve the health care system in Puerto Rico. I appreciate all of the great work you do under very difficult circumstances.

I want to briefly update you on my efforts in Washington in three areas: Medicaid, Medicare and combatting mosquito-borne viruses like Zika, chikungunya and dengue. I will highlight several important victories we achieved in recent months, and identify the key challenges that lie ahead.

First, let me provide context. Puerto Rico is ensnared in the worst economic, fiscal and migration crisis in our history. Between 80,000 and 100,000 island residents are now leaving

Puerto Rico for the U.S. mainland every year, including many talented physicians and other health care professionals.

At the direction of House Speaker Paul Ryan, the House Natural Resources Committee is leading an effort to develop legislation to address the multi-faceted crisis in Puerto Rico. I am working closely on the bill with Congressman Rob Bishop, the chairman of the Committee, and other congressional leaders.

The core of the bill, if it is to obtain the bipartisan support necessary to become law, must be a provision establishing a legal framework that enables Puerto Rico to restructure a meaningful portion of its $70 billion dollar debt, in a way that is fair and equitable to all parties, including bondholders, many of whom are individuals living here in Puerto Rico. If this debt restructuring provision is included in the bill, it will likely be paired with another provision that creates an independent, temporary and respectful board to ensure that Puerto Rico government officials craft and implement sound budgets that benefit the public. The members of the board must supplement, not supplant, local elected leaders. Their role must be to assist, not to dictate.

Beyond these two core provisions, I am fighting for the bill to include provisions that improve Puerto Rico's treatment under federal health programs. This is challenging, to be sure, because these provisions will cost money—and this Congress is not particularly fond of spending money. But this is a fight worth waging because our unequal treatment is not only a moral outrage; it is also one of the main reasons the Puerto Rico government regularly spends more each year on

health care and other public services than it receives in revenue, and has therefore built up a large debt.

The best example is Medicaid, which is funded jointly by the federal and state government. In the 50 states, there is no limit on the amount of Medicaid funding the federal government will provide to the state so long as the state provides its required amount of matching funds. The federal contribution—known as an FMAP—ranges from 50 percent in wealthier states to about 80 percent in poorer states. By contrast, in Puerto Rico, there is an annual cap on federal funding for our Medicaid program.

Prior to 2010, Puerto Rico annually received about $300 million dollars in capped Medicaid funding. The state of Oregon—which has a similar population size—receives $5 billion dollars a year. To add insult to injury, Puerto Rico's FMAP was set by statute at 50 percent—the same as the wealthiest states. If Puerto Rico's FMAP were fairly calculated, it would be 83 percent. Because of the application of the spending cap, Puerto Rico's actual FMAP—the true federal contribution to the island's Medicaid program—was less than 20 percent.

My congressional colleagues often ask how Puerto Rico got itself into this mess. Well, I challenge any state government to run a decent Medicaid program for their low-income population with the insulting sum of money Puerto Rico historically received from Washington without having to issue bonds to raise funds to compensate for the massive shortfall in federal support. Mission impossible.

Now, it is important to recognize that, during my tenure as Resident Commissioner, we have obtained an unprecedented increase in federal funding for Puerto Rico's Medicaid program. In 2010, Congress approved the *Affordable Care Act*. After a fierce struggle on our part, the final law provided Puerto Rico with an additional $6.4 billion in Medicaid funding, available to be drawn down before October 1, 2019. In addition, Puerto Rico's FMAP was increased from 50 percent to 55 percent.

This funding has made a huge difference—both for Puerto Rico's fiscal health and for the actual health of our low-income residents. In 2015, the Puerto Rico government drew down $1.7 billion in federal Medicaid funding, consisting of $1.2 billion in *Affordable Care Act* funding, $350 million or so in regular capped funding, and $180 million in Children's Health Insurance Program—or CHIP—funding. This is a dramatic improvement over what we used to receive, but still nowhere close to parity with the states.

However, there is a significant Medicaid challenge on the horizon. Less than $3 billion of the additional $6.4 billion in federal funding that Puerto Rico received under the *Affordable Care Act* remains available. At Puerto Rico's current spending rate, this pool of funding may run dry by early 2018 or even late 2017. On the one hand, this shows how badly the funding is needed. On the other hand, if Congress does not appropriate additional funding to replenish the pool before it runs out, Puerto Rico's annual Medicaid allotment from the federal government will revert to about $400 million a year, bringing us back to the dark ages. I am working hard to educate federal officials about the need for timely action to avert the cliff.

As part of these efforts, in June of last year I introduced a comprehensive health care bill that would address the disparities that Puerto Rico faces under the Medicaid, as well as the Medicare, program. The bill would avoid the cliff by providing a more equitable level of Medicaid funding for Puerto Rico going forward. Specifically, the bill would enable Puerto Rico's Medicaid program to cover all individuals whose family income is equal to or less than 100 percent of the federal poverty level, with the federal government providing state-like funding for that purpose. In essence, as long as the Puerto Rico government covers individuals whose household income is within these limits, the federal government would fund the territory's Medicaid program as if it were a state Medicaid program. The annual funding cap would be eliminated, and Puerto Rico would have an 83 percent FMAP. However, the limiting principle is that if Puerto Rico wants to cover individuals earning above 100 percent of the federal poverty level, as many states do, it will generally be required to use territory dollars and not federal dollars.

Last month, the Obama administration submitted its budget request to Congress for Fiscal Year 2017 and, as part of the request, the administration asked Congress to provide Puerto Rico with state-like treatment under Medicaid up to 100 percent of the federal poverty level, thereby endorsing my proposal.

The key point is this: Congress must act soon to avert the cliff. There are various ways to do this. Providing Puerto Rico with state-like treatment within certain parameters, as I and now the Obama administration have proposed, is one option. But there are numerous other options that cost less and will still help Puerto Rico. Congress needs to choose one of these options, or we are going to have an extremely serious problem on our hands.

Now let me turn quickly to Medicare. About 75 percent of Medicare beneficiaries in Puerto Rico are enrolled in a Medicare Advantage plan and the remaining 25 percent are enrolled in traditional Medicare. This is the highest MA penetration rate in the country by far, so MA is a real pillar of our health care system.

Beneficiaries, hospitals and physicians in Puerto Rico are treated unequally under traditional Medicare in various respects. This unequal treatment also adversely affects the "per member per month" payments that MA plans on the island receive from the federal government, because federal funding for MA plans in a jurisdiction is linked to—and dependent upon—federal funding for traditional Medicare in that jurisdiction.

I am pleased to report that we recently achieved two Medicare-related victories. In December, Congress approved a large spending bill, called an omnibus. The omnibus included the language of two of my bills. The first bill ensures that Puerto Rico hospitals will receive the same base payment rate for treating Medicare patients as hospitals in the states. The Congressional Budget Office estimates that this provision will inject an additional $618 million into Puerto Rico's health care system in the next 10 years. The second one of my bills included in the omnibus gives Puerto Rico hospitals the same eligibility as hospitals in the states to receive bonus Medicare payments if they become users of electronic health records. Apart from improving patient care, the bill will increase payments to Puerto Rico hospitals by $266 million over the next 10 years. I have been working on these items since 2009. I am so proud that, with a lot of teamwork, we were able to finally get them across the finish line.

In addition, we are poised to achieve two more Medicare victories in the coming months. The first involves the Medicare DSH program. Under this program, the federal government provides extra financial support to hospitals that treat a high percentage of the most vulnerable patients. However, the allocation formula is not fair to Puerto Rico hospitals because it relies in part on the number of patients that a hospital treats who are enrolled in the SSI program, but SSI does not apply in Puerto Rico. In a regulation that it recently issued, CMS made clear that it agreed with our argument that the formula should be tweaked for Puerto Rico, and strongly indicated that it would take administrative action to address this disparity starting later this year. This could result in at least $10 million in additional payments being made to Puerto Rico hospitals each year, which will help those hospitals provide better care to patients.

Finally, along with many partners, I have done a lot of work to ensure that the Medicare Advantage program in Puerto Rico remains strong and stable. We have made progress in some respects, but also encountered difficulties at times in getting CMS to address this situation. However, I feel better about this issue now than I have in a long time. Last month, CMS issued a preliminary rule that proposed numerous positive changes to the way that MA plans in Puerto Rico will be compensated. While much work remains to be done between now and the release of the final rule in April, it is clear that we are finally moving in the right direction—and I am grateful to CMS for the attention it is devoting to this issue.

The final issue I want to mention is my work on mosquito-borne viruses. There is a species of mosquito in Puerto Rico and other tropical locations called the *Aedes Aegypti*. The female of

this species carries dengue, chikungunya and Zika—a true triple threat. Few people outside of Puerto Rico know this, but the most severe form of dengue killed 30 people on the island in 2010. And I bet everybody in the audience from Puerto Rico has either had chikungunya or knows a family member or friend who has. The latest threat is Zika, which is generating huge headlines in the United States and Latin America. Although most people who acquire Zika never have symptoms, there is still a lot we do not know about the virus and it has been linked to severe birth defects in babies whose mothers acquire the virus while pregnant.

I have now spoken several times to the director of the CDC about this subject. He was in Puerto Rico earlier this week, and we had a good conversation. The fight against Zika will require numerous lines of effort. It involves education, prevention, disease surveillance, diagnosis and medical treatment, ensuring blood safety for transfusions, and vaccine development. However, I am a big believer in the power of smart and serious vector control, which entails working to eradicate, or at least to substantially reduce, the population of female *Aedes Aegypti* mosquitoes. It is imperative for the federal government and the Puerto Rico government, working shoulder-to-shoulder with private industry and independent scientists, to facilitate the development and deployment of new, effective, cost-efficient, scientifically-validated forms of vector control that go beyond fumigation. Our goal should be to destroy the threat, not simply to manage it, and so we must attack the threat at its source.

I will end here. Thank you for listening to me. And, again, thank you for all that you do for Puerto Rico.