

## Medicaid and CHIP in Puerto Rico

Puerto Rico is the oldest and most populous United States territory. The island's present-day Medicaid program, the Government Health Plan (GHP), was established in 1993 by the Puerto Rico Health Insurance Administration Act (Law 72) which also shifted much of the publicly financed health care system to the private sector. Prior to that, Puerto Rico provided health care to the vast majority of the population through a decentralized, government-financed system of local and regional hospitals and clinics.

For the purposes of Medicaid and the State Children's Health Insurance Program (CHIP), Puerto Rico is considered a state unless otherwise indicated (§1101(a)(1) of the Social Security Act (the Act)). However, its Medicaid program differs in many aspects from those in the 50 states and District of Columbia. This fact sheet summarizes the key requirements and design features of Medicaid and CHIP in Puerto Rico, including eligibility and enrollment, benefits, financing and spending, data and reporting, and quality and program integrity measures.

### Eligibility and Enrollment

Eligibility rules in Puerto Rico's Medicaid program differ in some ways from those in the states. Puerto Rico is permitted to use a local poverty level to establish income-based eligibility for Medicaid, and is statutorily exempt from requirements to extend [poverty-related eligibility](#) to children and pregnant women (§1902(l)(4)(B) of the Act) and [qualified Medicare beneficiaries](#) (§1905(p)(4)(A) of the Act). Puerto Rico currently provides coverage to individuals with modified adjusted gross incomes up to 133 percent of the Puerto Rico Poverty Level (PRPL):\$10,200 annually for a family of four or approximately 41 percent of the federal poverty level (FPL), which is \$24,600 in 2017 (CMS 2016a, ASPE 2017).

Puerto Rico elected to expand Medicaid eligibility to the new adult group under the Patient Protection and Affordable Care Act (ACA, P.L. 111-148, as amended) (CMS 2016a). Puerto Rico also provides Medicaid coverage to aged, blind, and disabled individuals through the [medically needy option](#). In Puerto Rico, the medically needy income level is \$400 per month for an individual plus \$95 for each additional family member. Under the medically needy option, individuals with higher incomes can spend down to the medically needy income level by deducting incurred medical expenses from the amount of income that is counted for Medicaid eligibility purposes (CMS 2016c, CMS 2015).

Puerto Rico provides [Medicaid-expansion CHIP coverage](#) to children under age 19 whose incomes are below 266 percent PRPL (\$20,400 for a family of four in 2016), which was approximately 84 percent FPL (CMS 2016a, ASPE 2016). Puerto Rico is the only territory currently authorized to use its CHIP allotment to cover children from families whose incomes are too high to qualify for Medicaid (HHS 2013).<sup>1</sup>



As of July 2016, 1,281,065 individuals were enrolled in Medicaid and an additional 89,372 were enrolled in CHIP – approximately 40 percent of the population (CMS 2017a, Departamento de Salud 2017).

## Benefits

### Covered benefits

Although the federal rules for Medicaid benefits generally apply to Puerto Rico, GHP currently provides only 10 of Medicaid's [17 mandatory benefits](#), citing insufficient funding and lack of infrastructure (GAO 2016). For example, GHP does not cover nursing facility services, non-emergency medical transportation, or emergency medical services for non-citizens (GAO 2016). It does, however, provide certain [optional benefits](#), including dental services and prescription drugs (CMS 2016b).

Individuals in the new adult group between 100 and 133 percent PRPL are enrolled in an [alternative benefit plan \(ABP\)](#), which uses one of Puerto Rico's Medicare managed care plans as a base benchmark. This ABP has the same benefits as the Medicaid state plan, meets all requirements for essential health benefits, and has no cost sharing beyond the small copayments on most services imposed on all other Medicaid and CHIP beneficiaries above 50 percent PRPL (CMS 2012b, CMS 2014a).

Enrollees under age 21 are entitled to receive comprehensive medically necessary services under the [early and Periodic Screening, Diagnostic, and Treatment \(EPSDT\)](#) benefit. However, a report by the 2011 President's Task Force of Puerto Rico's Status found that the children in Puerto Rico's Medicaid program only received limited benefits through EPSDT (Muñoz et al. 2011).

### Delivery system

Puerto Rico is the only U.S. territory to use a managed care delivery system in its Medicaid program. Because the territory is not subject to freedom of choice requirements, GHP enrollees do not have a choice of plans (§1902(a)(23) of the Act; CMS 2015). GHP is provided through five managed care organizations covering the territory's nine regions (eight geographic and one virtual).<sup>2</sup> These plans provide acute, primary, specialty, and behavioral health services. Prescription drugs are provided through two pharmacy benefit management companies. Plans are paid using risk-based capitated payments (CMS 2014b, CMS 2016e).

### Benefits for dually eligible beneficiaries

Puerto Rico provides cost-sharing assistance to dually eligible individuals who are eligible for full Medicaid benefits. It does not provide Medicare cost sharing assistance to individuals who may qualify as partial dually eligible individuals through Medicare Savings Programs in the states because these programs are not available in Puerto Rico (HHS 2013, CMS 2016c).<sup>3</sup> Nearly all Puerto Ricans dually eligible for Medicare and full Medicaid benefits choose to enroll in Medicare Platino, a Medicare Advantage special needs plan, which covers Part A and B services as well as prescription drugs. Premiums and cost sharing for Platino plans are covered directly by the Puerto Rico government, with the portion for prescription drug cost sharing offset by funds from the Enhanced Allotment Plan (HHS 2013, CMS 2016c). The Enhanced



Allotment Plan provides an additional federal funding allotment to Puerto Rico and the other territories to help low-income beneficiaries purchase prescription drugs.<sup>4</sup> This allotment is not countable toward the cap on federal financial participation and can only be used for this purpose (§1935(e) of the Act).

## Financing and Spending

The federal government and the government of Puerto Rico jointly finance Puerto Rico's Medicaid program. Puerto Rico must contribute its non-federal share of Medicaid spending in order to access federal dollars, which are matched at the designated federal medical assistance percentage (FMAP), or matching rate. Unlike the states, for which federal Medicaid spending is open ended, Puerto Rico can access federal dollars only up to an annual ceiling. The ceiling and matching rate are described in more detail below.

### Federal funding

Federal Medicaid funding to Puerto Rico is subject to an annual funding ceiling specified in statute, which grows with the medical component of the Consumer Price Index for Urban Consumers (CPI-U) (§1108(g) of the Act). Puerto Rico's CHIP allotment is determined by the Centers for Medicare & Medicaid Services (CMS) based on prior year spending, the same methodology used for states. In fiscal year (FY) 2016, federal funding for Medicaid was \$335.3 million and federal funding for CHIP was \$179.8 million (Table 1).

In general, once Puerto Rico exhausts its annual Medicaid and CHIP ceilings, it must fund its program with territory funds. However, Section 2005 of the ACA provided the territories with \$6.3 billion in additional federal funds for their Medicaid programs. Section 2005 funds for Puerto Rico totaled \$5.4 billion, which are available to be drawn down between July 2011 and September 2019. Section 1323 provided an additional \$1 billion to the territories, \$925 million of which was directed to Puerto Rico.<sup>5</sup> These funds are available to be drawn down between July 2011 and December 2019, but only after Puerto Rico has exhausted its funds under Section 2005. The Consolidated Appropriations Act of 2017 (P.L. 115-31) provided Puerto Rico with an additional \$295.9 million. Puerto Rico must contribute a non-federal share to access these funds (CMS 2016a). After these funds expire or are exhausted, Puerto Rico will generally not be able to spend federal dollars beyond the ceiling for Medicaid.<sup>6</sup>

### Federal medical assistance percentage

The FMAP for Puerto Rico and the territories is statutorily set at 55 percent, unlike those for the states which are set using a formula based on states' per capita incomes (§1905(b) of the Act). If the match rate were set using the same income-based formula used for states, it would be the maximum allowable at 83 percent. Puerto Rico's CHIP enhanced FMAP is currently 91.5 percent (§2101(a) of the ACA; MACPAC 2015a; CMS 2016c). Like the states and other territories, Puerto Rico's matching rate for almost all program administration is set at 50 percent (§1903(a)(7) of the Act).

The territories cannot claim the newly eligible FMAP of 100 percent available to states expanding to the new adult group; however, Puerto Rico is eligible for the expansion state enhanced FMAP for adults without dependent children that states were eligible to receive for expansions prior to the ACA, which is 87



percent in 2017. In addition, Puerto Rico received a 2.2 percentage point temporary increase in its regular FMAP between January 1, 2014 and December 31, 2015 (§1905(z) of the Act).

## Non-federal share

Puerto Rico finances its portion of Medicaid program costs primarily through general funds and revenue from the municipalities (CMS 2016e).

## Total spending

In FY 2016, federal Medicaid spending in Puerto Rico was \$1.63 billion, while federal CHIP spending was \$174.7 million (Table 1). This accounts for approximately 91 percent of the federal Medicaid and CHIP spending in the territories.

**TABLE 1.** Medicaid and CHIP Spending in Puerto Rico FY 2011–FY 2016 by Source of Funds (millions)

Year	Medicaid				CHIP			
	Federal ceiling	Federal spending	Puerto Rico spending	Total spending	Federal allotment	Federal spending	Puerto Rico spending	Total spending
FY 2016	\$335.3	\$1,630.5	\$832.0	<b>\$2,463</b>	\$179.8	\$174.7	\$15.3	<b>\$190.0</b>
FY 2015	329.0	1,521.5	840.5	<b>2,362</b>	183.2	128.9	55.1	<b>184.1</b>
FY 2014	321.3	1,201	728	<b>1,929</b>	141	149.5	65.4	<b>214.9</b>
FY 2013	309.2	1,091	853	<b>1,944</b>	132.7	133.5	61.4	<b>194.9</b>
FY 2012	298.7	887.6	726.2	<b>1,614</b>	103.9	127.6	58.7	<b>186.6</b>
FY 2011	290.6	514.7	476.3	<b>991</b>	99.6	132.6	69	<b>201.5</b>

**Notes:** FY is fiscal year. Federal Medicaid ceiling reflects the annual ceilings for federal funds that territories receive under Section 1108(g) of the Social Security Act, while actual federal spending reflects utilization of the allotments provided by the ACA, as well as spending not subject to the ceiling. Federal CHIP allotments are provided under Section 2104 of the Social Security Act. If states and territories exhaust their own available CHIP allotments, they may receive additional funding from unused state CHIP allotments. Puerto Rico received these redistributed funds in several recent years, including FYs 2011 through 2014.

**Source:** MACPAC 2017 analysis of CMS-64 financial management report net expenditure data; CMS 2017b.

In FY 2011 through FY 2016, federal spending for Medicaid and CHIP in Puerto Rico spending exceeded the annual funding ceilings. This spending reflects the use of the additional funds available under Sections 2005 and 1323 of the ACA. Puerto Rico has drawn down its Section 2005 allotments faster than any other territory. Once these funds and the additional \$295.9 million provided under the Consolidated Appropriations Act of 2017 are exhausted or expire, expected by April 2018, Puerto Rico's federal Medicaid ceiling will be \$347.4 million for FY 2017 and \$375.8 million for FY 2018 (CMS 2017b).



## Data and Reporting

Puerto Rico reports data on Medicaid and CHIP enrollment, budgets, and expenditures using Form CMS-37, and on aggregate spending using Form CMS-64. It does not report spending by specific types of service (CMS 2016e).

Like the other territories, Puerto Rico is not required to submit quarterly statistical and program expenditure data for CHIP (42 CFR 457.740). In addition, Puerto Rico is not required to report use of EPSDT services via form CMS-416 or data on upper payment limit payments (CMS 2016d).

While Puerto Rico does not have an operational Medicaid Management Information System (MMIS) for claims processing, it is in the process of developing one (CMS 2016c). Funds used for the development of MMIS are not counted against Puerto Rico's annual federal Medicaid ceiling and are eligible for a 90 percent federal match (CMS 2016e).

## Quality and Program Integrity

Like the states, Puerto Rico uses a variety of quality and performance measures and incentives in its Medicaid and CHIP programs. Puerto Rico's Medicaid managed care plans are required to survey and report provider and enrollee satisfaction measures. They are also required to participate in performance and quality improvement projects. To ensure plan participation in these quality improvement activities, Puerto Rico withholds a portion of annual capitation payments (1 percent for FY 2016 and 2 percent for FY 2017), and allows plans to recover those funds if they achieve certain performance targets (CMS 2014b, CMS 2016c). Even so, both the Government Accountability Office and the Office of the Inspector General have voiced concerns about effective oversight of managed care plans, pointing, for example, to the lack of detail in oversight and monitoring policies and procedures (HHS 2013).

Puerto Rico is the only territory that has a program integrity unit; it focuses on detecting eligibility fraud (GAO 2016). In addition, Puerto Rico has implemented several federally required program integrity measures, including provider screening and enrollment measures, and non-payment for health care-acquired conditions and provider-preventable conditions (CMS 2013). It also established a system for income and eligibility verification (CMS 2012a). Puerto Rico delegates primary responsibility to plans for program integrity activities related to provider fraud (GAO 2016). Puerto Rico is statutorily exempt from several program integrity requirements, including the Payment Error Rate Measurement program, repayments under the Medicaid Eligibility Quality Control program, and asset verification systems with financial institutions (42 CFR 431.954, and §§1903(u)(4) and 1940(a)(4) of the Act). It is in the process of developing a Medicaid Fraud Control Unit (ASES 2017).



## Endnotes

<sup>1</sup> The other four territories use CHIP funds to cover children in Medicaid.

<sup>2</sup> The virtual region encompasses services provided throughout Puerto Rico to children in foster care under the custody of Administración de Familias y Niños and survivors of domestic violence referred by the Office of the Women’s Advocate. The plan providing services to the virtual region must provide all medically necessary services (CMS 2016e).

<sup>3</sup> Unlike the states, Puerto Rico and the other territories are not required to establish Medicare Savings Programs for individuals who are eligible for Medicare and partial Medicaid benefits (§1905(p)(4)(A) of the Act).

<sup>4</sup> Like the other territories, Puerto Rico is not eligible for the Medicare Part D low-income subsidy (§1935(e)(1)(A) of the Act).

<sup>5</sup> With the funds from Section 1323, territories could choose to establish a health insurance exchange or supplement their available federal Medicaid funds. Neither Puerto Rico nor the other territories chose to establish an exchange.

<sup>6</sup> Federal funds for the Enhanced Allotment Plan, electronic health record incentive program payments, and the establishment and operation of eligibility systems and Medicaid Management Information Systems do not apply toward the cap.

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