

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, also called Vital, 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 40 percent of the federal poverty level (FPL), which is \$25,750 in 2019 (ASPE 2018, CMS 2016a).

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, 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 79 percent FPL (ASPE 2018, CMS 2016a). Puerto Rico is the only territory authorized to use its CHIP allotment to cover children from families whose incomes are too high to qualify for Medicaid (CMS 2013b).¹

As of December 2018, 1,234,140 individuals were enrolled in Medicaid and an additional 82,408 were enrolled in CHIP—approximately 40 percent of the population (Departamento de Salud 2018, CMS 2017a).

Benefits

Although the federal rules for Medicaid benefits generally apply to Puerto Rico, it currently provides only 10 of Medicaid's [17 mandatory benefits](#), citing insufficient funding and lack of infrastructure (GAO 2016). For example, it 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 2014a, 2012b).

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).

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, that is, through Medicare Savings Programs, in the states because these programs are not available in Puerto Rico (CMS 2016c, HHS 2013).² 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 (CMS 2016c, HHS 2013). 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.³ 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).



Delivery System

Puerto Rico is the only U.S. territory to use a managed care delivery system in its Medicaid program. Managed care organizations (MCOs) provide acute, primary, specialty, and behavioral health services territory wide. They are paid using risk-based capitated payments. MCOs contract with primary medical groups, which in turn create preferred provider networks (PPNs). Enrollees may choose their MCOs and make changes once per year during an open enrollment period (AAFAF 2018, CMS 2018, MACPAC 2019).⁴

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), otherwise known as the 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, referred to as the Section 1108 cap or Section 1108 allotment.

Federal funding

Puerto Rico's annual Section 1108 allotment was set in statute in 1968 and grows with the medical component of the Consumer Price Index for All 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 general, once Puerto Rico exhausts its annual Medicaid and CHIP allotments, 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.⁵ These funds are available to be drawn down between January 2014 and December 30, 2019.

Because these additional funds were expected to run out as early as late 2017, Congress has made additional funding available that can be claimed through September 30, 2019.

- The Consolidated Appropriations Act of 2017 (P.L. 115-31) provided Puerto Rico with an additional \$295.9 million.
- The Bipartisan Budget Act of 2018 (BBA 2018, P.L. 115-123) provided Puerto Rico with an additional \$4.8 billion in response to the impact of Hurricane Maria on Puerto Rico's health system.



After these funds expire or are exhausted, Puerto Rico generally will not be able to spend federal dollars beyond the Section 1108 allotment, which is \$366 million in FY 2019 and \$375.1 in FY 2020 (CMS 2019a, b).⁶

Federal medical assistance percentage

The FMAP for Puerto Rico and the territories is statutorily set at 55 percent, unlike that of the states that 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, CMS 2016c, MACPAC 2015a). 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 93 percent in calendar year 2019 (§ 1905(z)(2) of the Act). 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).

In general, Puerto Rico must contribute a non-federal share to access federal funds. Puerto Rico finances its portion of Medicaid program costs primarily through general funds and revenue from the municipalities (CMS 2016e). However, the funds provided by BBA 2018 are available at a 100 percent matching rate.

Total spending

In FY 2018, federal Medicaid spending in Puerto Rico was \$2.29 billion, while federal CHIP spending was \$173.4 million (Table 1). This accounts for over 90 percent of federal Medicaid spending and over 75 percent of federal CHIP spending in the territories.

In FYs 2011–2016, federal spending for Medicaid and CHIP in Puerto Rico exceeded the Section 1108 allotment. For FYs 2011–2017, this spending primarily reflects the use of the additional funds available under Sections 2005 and 1323 of the ACA; for FY 2018, it primarily reflects use of additional funds provided by BBA 2018. Although Puerto Rico drew down its available funds more rapidly than other territories—coming close to exhausting them in FY 2017 and again in FY 2018—funds provided under the Consolidated Appropriations Act and BBA 2018 are expected to last Puerto Rico through FY 2019.⁷ Because Congress has not made additional funding available after these dates, Puerto Rico will generally need to finance any additional Medicaid costs with local funds.⁸



TABLE 1. Medicaid and CHIP Spending in Puerto Rico FYs 2011–2018 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 2018	\$359.5	\$2,290.5	\$203.0	\$2,493.5	\$203.8	\$173.4	\$16.1	\$189.5
FY 2017	347.4	1,631.5	804.8	2,436.3	192.5	168.7	15.7	184.4
FY 2016	335.3	1,630.5	832.0	2,463.0	179.8	174.7	15.3	190.0
FY 2015	329.0	1,521.5	840.5	2,362.0	183.2	128.9	55.1	184.1
FY 2014	321.3	1,201.0	728.0	1,929.0	141	149.5	65.4	214.9
FY 2013	309.2	1,091.0	853.0	1,944.0	132.7	133.5	61.4	194.9
FY 2012	298.7	887.6	726.2	1,614.0	103.9	127.6	58.7	186.6
FY 2011	290.6	514.7	476.3	991.0	99.6	132.6	69.0	201.5

Notes: FY is fiscal year. Section 1108 allotments reflect the annual federal allotments (also referred to as caps) that Puerto Rico receives under Section 1108(g) of the Social Security Act, while the actual federal spending reflects utilization of the allotments provided by the Patient Protection and Affordable Care Act (P.L. 111-148, as amended) and the Bipartisan Budget Act of 2018 (P.L. 115-123), as well as spending not subject to the Section 1108 allotment. 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 2011–2014.

Source: CMS 2017b; MACPAC 2018; MACPAC 2019 analysis of CMS-64 financial management report net expenditure data.

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 (CMS 2016e).



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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).

Puerto Rico has made significant improvements its data capabilities in recent years. In 2018, its Medicaid Management Information System for claims processing became operational and is compliant and certified to report information to the Transformed Medicaid Statistical Information System (T-MSIS) (CMS 2018).⁹

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. Even so, both the Government Accountability Office and the U.S. Department of Health and Human Services 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).

Though Puerto Rico has historically delegated primary responsibility to plans for program integrity activities related to provider fraud, it has taken a number of steps to enhance its program integrity capabilities (AAFAF 2018). These include setting up a Medicaid fraud control unit (MFCU) and a program integrity unit that focuses on detecting eligibility fraud, as well as enhancing program integrity expectations for MCOs in its latest managed care restructuring (MACPAC 2019, CMS 2018, GAO 2016).¹⁰ 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 2013a). It also established a system for income and eligibility verification (CMS 2012a).

Puerto Rico is statutorily exempt from several federal 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).

For more information on Puerto Rico's Medicaid program and the challenges it faces, see MACPAC's report on Medicaid in Puerto Rico, included in the [June 2019 Report to Congress on Medicaid and CHIP](#).



Endnotes

¹ The other four territories use CHIP funds to cover children in Medicaid.

² 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).

³ Like the other territories, Puerto Rico is not eligible for the Medicare Part D low-income subsidy (§ 1935(e)(1)(A) of the Act).

⁴ Under the previous managed care structure (in place until November 1, 2018) enrollees were assigned to the health plan serving their geographic region. There were five managed care organizations covering the territory's nine regions (eight geographic regions and one virtual region).

⁵ 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.

⁶ Federal funds for the Enhanced Allotment Plan, electronic health record incentive program payments, and the establishment and operation of eligibility systems, Medicaid Management Information Systems, and—since July 1, 2017—establishment of MFCUs do not apply toward the cap.

⁷ For more information on territories' use of the additional funds provided by the ACA and other legislation, see [When Will the U.S. Territories Exhaust Federal Medicaid Funding?](#)

⁸ Federal funds for the Enhanced Allotment Plan, electronic health record incentive program payments, establishment and operation of eligibility systems, Medicaid Management Information Systems, and—since July 1, 2017—establishment of MFCUs, do not apply toward the cap.

⁹ \$1.2 billion of the \$4.8 billion provided by the BBA was conditional on Puerto Rico making reasonable progress toward establishing methods of collecting and reporting reliable data to the Transformed Medicaid Statistical Information System (T-MSIS) and establishing an MFCU. Puerto Rico has met its targets on schedule and will receive the full amount of BBA funds (CMS 2018).

¹⁰ Establishing an MFCU was one of the conditions for receiving \$1.2 billion of the \$4.8 billion provided by the BBA (see above).

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