Overview

• Congressional request
• Background
• Medicaid spending in Puerto Rico and comparison to states
• Challenges beginning in FY 2020
• Spending projections by source of funds under different scenarios
• Choices regarding benefits and eligibility under different scenarios
Congressional Request

- House Committee on Appropriations requested that MACPAC “evaluate and assess viable options for ensuring long-term sustainable access to care for Medicaid beneficiaries in the territory”
- Request has no due date; does not require recommendations
Background
Program Overview

- Covered over 1.5 million people in 2017 (47 percent of the population)
  - 1.3 million covered by Medicaid
    - Includes 250,000 individuals dually eligible for Medicare
    - 90,000 children covered by Medicaid-expansion CHIP
    - 150,000 enrollees covered through Puerto Rico-only funds
- Puerto Rico is considered a state unless otherwise indicated (§1101(a)(1) of the Social Security Act)
- Some differences in benefits offered, eligibility
- Capped allotment financing structure
Financing

• Statutorily defined federal medical assistance percentage (FMAP) of 55 percent
  – would receive maximum allowable FMAP of 83 percent if set using state formula
  – receives expansion state FMAP for adults without dependent children (93 percent)

• Can access federal dollars only up to an annual cap (1108 cap)
  – set in 1968; grows with medical component of CPI-U

• Capped amount has historically been insufficient to cover federal share
  – federal contribution at times below 20 percent
Additional Time-Limited Funds

- Patient Protection and Affordable Care Act (ACA, P.L. 111-142, as amended)
  - Section 2005: $5.4 billion available July 2011-September 2019
  - Section 1323: $925 million available through December 2019
- Consolidated Appropriations Act of 2017 (P.L. 115-31): $295.9 million added to Section 2005 funds
Spending
Spending – FYs 2011-2019 (millions)

Notes: FY is fiscal year. 1108 cap refers to the annual cap on federal funds that territories receive under Section 1108(g) of the Social Security Act, while additional federal spending reflects utilization of the allotments provided by the ACA, as well as spending not subject to the cap (including enhanced allotment plan spending, which cannot be backed out for these years using available data). Spending data for FYs 2011-2017 is actual spending; spending data for FYs 2018-2019 is projected.


March 7, 2019
Comparison to State Spending

- Calculated Puerto Rico Medicaid benefit spending per full-year equivalent (FYE) in FY 2020 using data provided by the Puerto Rico Health Insurance Administration (ASES) and Milliman
- Calculated FY 2020 benefit spending per FYE in the 50 states and the District of Columbia using Medicaid Statistical Information System (MSIS), CMS-64 data, and CMS Office of the Actuary trends
  - excluded spending on long-term services and supports (LTSS)
  - reweighted each state’s enrollment across eligibility groups to match the enrollment mix in Puerto Rico
Comparison of Medicaid Benefit Spending per FYE, FY 2020

Notes: FYE is full-year equivalent. Total spending includes federal and state funds. Excludes Medicaid-expansion CHIP enrollees. Excludes spending for administration and long-term services and supports (LTSS). To adjust for differences in enrollment mix across states and Puerto Rico, the enrollment mix across eligibility groups in each state was reweighted to match the distribution of enrollees across eligibility groups in Puerto Rico.

1 Excludes Rhode Island due to data reliability concerns regarding completeness of monthly claims and enrollment data.

Challenges Beginning FY 2020
Puerto Rico Financial Oversight and Management Board (FOMB) Spending Reduction Targets

- Mandatory Medicaid spending reductions amounting to $826 million annually by FY 2023
- Hope to accomplish through reforms to managed care system
  - changes to contracts: $478 million in savings off FY 2020 baseline
  - additional savings from improving program integrity capabilities, prescription drug cost controls, standardizing fee schedules
- Concern that planned reforms will not yield required savings; that benefit or eligibility reductions will be necessary
- Not clear how reductions will be enforced
- Not clear how requirements would be affected if additional federal Medicaid funds are provided
Expiration and Exhaustion of Federal Medicaid Funds

- Puerto Rico reports that it will continue to have sufficient federal funding through FY 2019.
- Will exhaust all FY 2020 federal Medicaid funds during March 2020:
  - shortfall of $1.01 billion for the fiscal year
  - will exhaust FY 2021 federal funds during December 2020
- Unlikely to fully exhaust all federal funds prior to expiration; up to $874.4 million may go unspent:
  - $81.2 million in ACA Section 2005 funds expiring September 30, 2019;
  - $289.8 million in BBA funds expiring September 30, 2019;
  - $366.7 million available under the FY 2019 Section 1108 cap, expiring September 30, 2019; and
  - $136.7 million in ACA Section 1323 funds expiring December 30, 2019.
FY 2020 Financing Scenarios

• Without additional federal funds, Puerto Rico must increase its own Medicaid spending or reduce total spending
  – unlikely that Puerto Rico could increase territorial share; may need to decrease territorial spending

• Congress would face choices for how to structure additional federal Medicaid funds, including the amount, matching rate, and time period available
Projected Medicaid Spending in Puerto Rico under Different Funding Scenarios by Source of Funds, FY 2020 (millions)

**Notes:** FY is fiscal year. ACA is the Patient Protection and Affordable Care Act (ACA, P.L. 111-148, as amended). 1108 cap are the federal funds available under the annual ceiling on federal financial participation specified in §1108(g) of the Social Security Act (the Act). EAP is the Enhanced Allotment Plan, which can only be used to help pay for prescription drugs for low-income dually eligible beneficiaries (§1935(e) of the Act). ACA §1323 funds are additional federal funds provided under §1323 of the ACA, available through December 2019. “Spending assuming sufficient federal funds” are scenarios in which Congress has appropriated enough federal funds to fully match all projected spending. “Spending assuming no new federal funds available” are scenarios that reflect the amount of federal funds currently available to Puerto Rico for FY 2020. The “maintain projected territory spending” scenario assumes that Puerto Rico would spend up to the projected $892.9 million in territory spending even though not all of those funds would be matched with federal dollars. The “no territory spending beyond matched funds” scenario assumes that Puerto Rico would stop spending territory funds once all the available federal funds were exhausted.

**Sources:** ASES and Milliman 2019

March 7, 2019
Effects of Spending Reductions under Different Scenarios
Projected Medicaid Spending in Puerto Rico under Different Funding Scenarios by Category of Service, FY 2020 (millions)

Notes:
- FY is fiscal year. “Sufficient federal funds” are scenarios in which Congress has appropriated enough federal funds to fully match all projected spending.
- “No new federal funds available” are scenarios that reflect the amount of federal funds currently available to Puerto Rico for FY 2020.
- The “maintain projected territory spending” scenario assumes that Puerto Rico would spend up to the projected $892.9 million in territory spending even though not all of those funds would be matched with federal dollars. The “no territory spending beyond matched funds” scenario assumes that Puerto Rico would stop spending territory funds once all the available federal funds were exhausted.

Sources: ASES and Milliman 2019.
Projected Medicaid Full Year Equivalent (FYE) Enrollees in Puerto Rico under Different Funding Scenarios, FY 2020

- **Sufficient federal funds at current FMAP of 55 percent**: 1,253,289
- **No new federal funds available (maintain projected territory spending)**: 797,814
- **No new federal funds available (no territory spending beyond matched funds)**: 583,346

**Notes**: FY is fiscal year. “Sufficient federal funds” are scenarios in which Congress has appropriated enough federal funds to fully match all projected spending. “No new federal funds available” are scenarios that reflect the amount of federal funds currently available to Puerto Rico for FY 2020. The “maintain projected territory spending” scenario assumes that Puerto Rico would spend up to the projected $892.9 million in territory spending even though not all of those funds would be matched with federal dollars. The “no territory spending beyond matched funds” scenario assumes that Puerto Rico would stop spending territory funds once all the available federal funds were exhausted.

**Sources**: ASES and Milliman 2019.
Next Steps

• MACPAC will include this information and information presented in prior meetings in a chapter in June 2019 report to Congress

• Commissioner feedback on chapter’s key messages would be helpful
Medicaid in Puerto Rico: Financing and Spending Data Analysis and Projections

Medicaid and CHIP Payment and Access Commission

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