



Draft of Mandated Report: Medicaid in Puerto Rico

**Medicaid and CHIP Payment and Access
Commission**

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Overview

- Congressional request
- Introduction
- Background
- Overview of Puerto Rico's Medicaid program and key challenges
- Medicaid spending
- Financing and spending issues FY 2020 and beyond (Medicaid fiscal cliff) and implications
- Looking ahead

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

Introduction

- Puerto Rico's Medicaid program operates in a challenging environment worsened by Hurricanes Irma and Maria in September 2017
- The financing structure has resulted in chronic underfunding
- Infusions of federal funds have been time limited, reacting to immediate rather than long-term needs
- Uncertain and insufficient financing make it difficult to plan, manage, and maintain an effective Medicaid program

Background

- Intergovernmental relationships
 - subject to congressional authority, though it retains authority for most matters of internal governance
 - in general, U.S. law applies unless otherwise indicated
- Economic decline beginning in 2006
 - accompanied by population decline and debt burden
 - high poverty, high cost of living
- Health indicators and health insurance coverage
 - high rates of health insurance coverage
 - high rates of chronic conditions, aging population

Overview of Puerto Rico Medicaid

Program Features

- Covered over 1.5 million people in 2017 (47 percent of the population)
- Similar roles responsibilities, and administrative structures as state Medicaid programs; some differences in benefits offered, eligibility
- Recent changes to delivery system
 - more requirements for managed care organizations (MCOs) e.g., higher medical loss ratio, must compete for enrollees
- Recent improvements in administrative systems and processes
 - Medicaid Management Information System (MMIS) certified to report information to the Transformed Medicaid Statistical Information System (T-MSIS)
 - Medicaid Fraud Control Unit (MFCU)

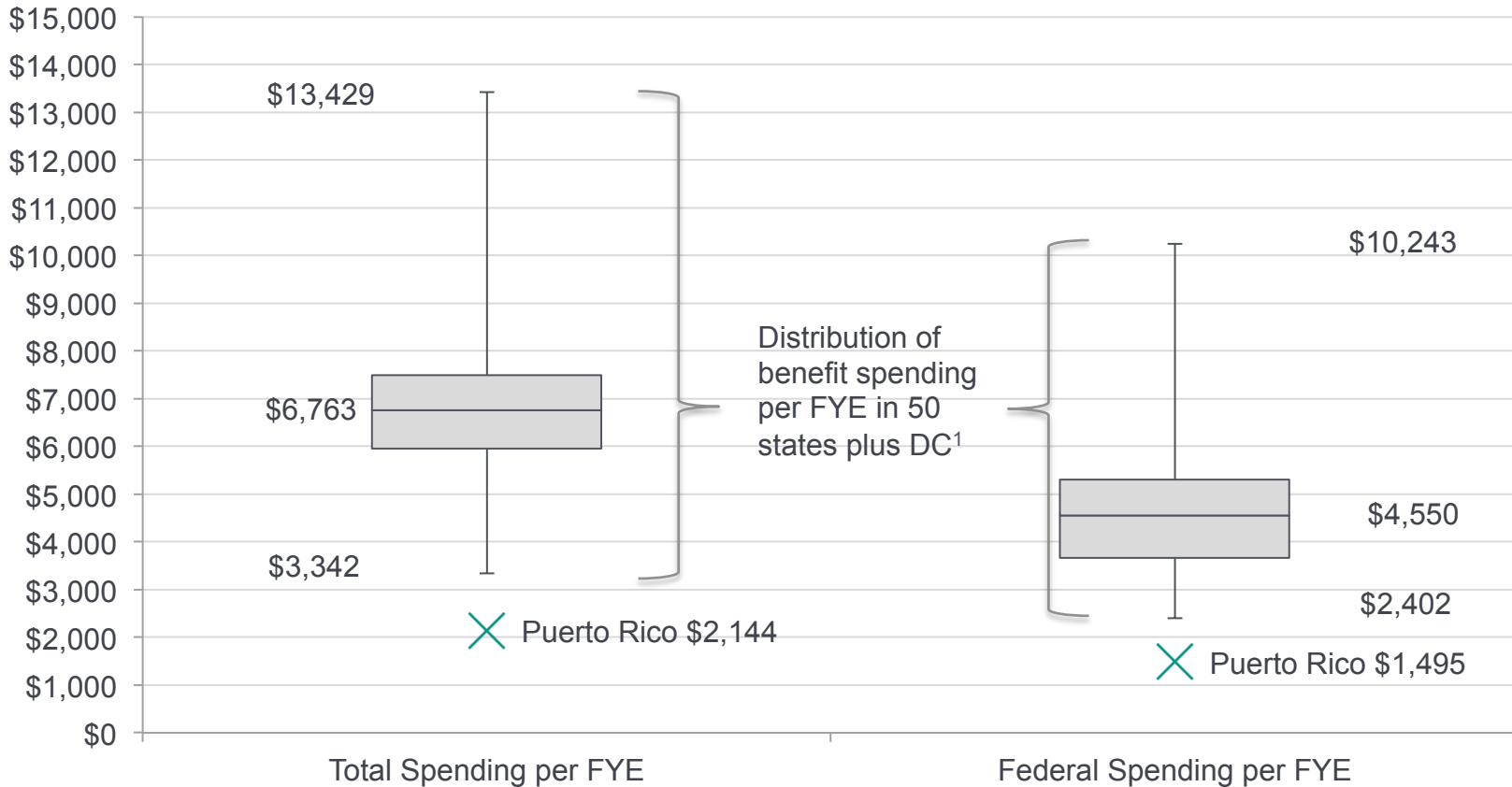
Medicaid Financing Structure

- Statutorily defined federal medical assistance percentage (FMAP) of 55 percent
 - would receive maximum allowable FMAP of 83 percent if set using state formula
- Can access federal dollars only up to an annual cap (1108 cap)
 - set in 1968; grows with medical component of CPI-U

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
- Bipartisan Budget Act of 2018 (BBA): \$4.8 billion available January 2018 – September 2019

Projected Medicaid Benefit Spending per Full Year Equivalent (FYE) in Puerto Rico Compared to Distribution of Projected Medicaid Benefit Spending per FYE in 50 States plus DC, 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.

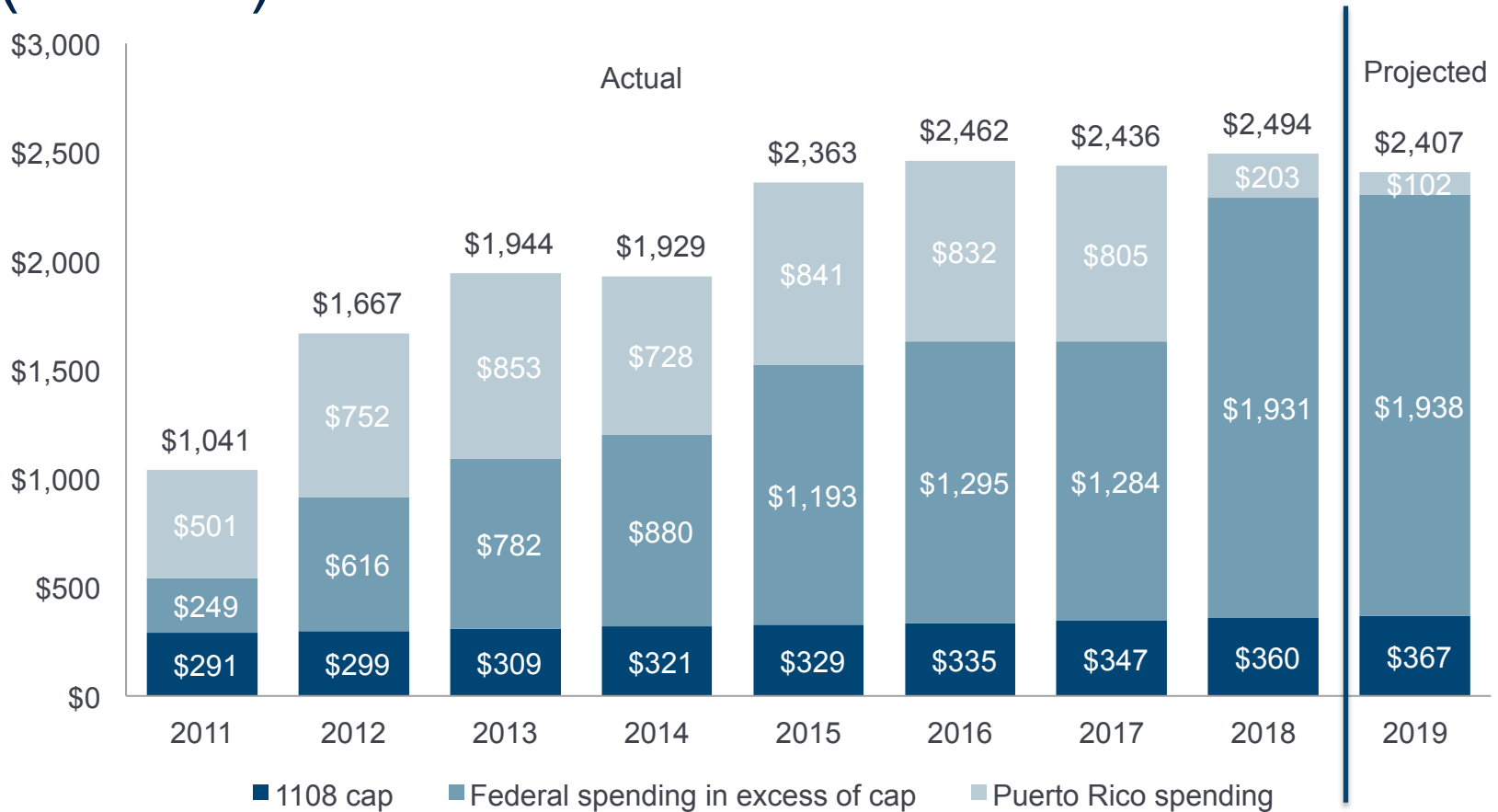
Sources: ASES and Milliman 2019a, b. OACT 2018. MACPAC 2019 analysis of MSIS data as of December 2016 and CMS-64 Financial Management Report (FMR) net expenditure data from CMS as of June 2016; CMS-64 FMR net expenditure data as of July 20, 2018 and CMS-64 enrollment reports as of September 19, 2018.

Challenges

- Access to health care facilities
- Access to physicians and specialists
- Lack of long-term services and supports
- Chronically low provider payments
- Pressure from the Puerto Rico Financial Management and Oversight Board (FOMB) to further reduce spending

Spending

Puerto Rico Medicaid 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 EAP spending, which cannot be backed out for these years using available data). Spending data for FYs 2011-2018 is actual spending; spending data for FY 2019 is projected.

Source: MACPAC 2019 analysis of CMS-64 financial management report net expenditure data and CMS-37 budget projections; information on 1108 cap amounts provided to MACPAC by CMS.

Federal Share of Puerto Rico's Medicaid Spending under Alternative FMAP (millions)

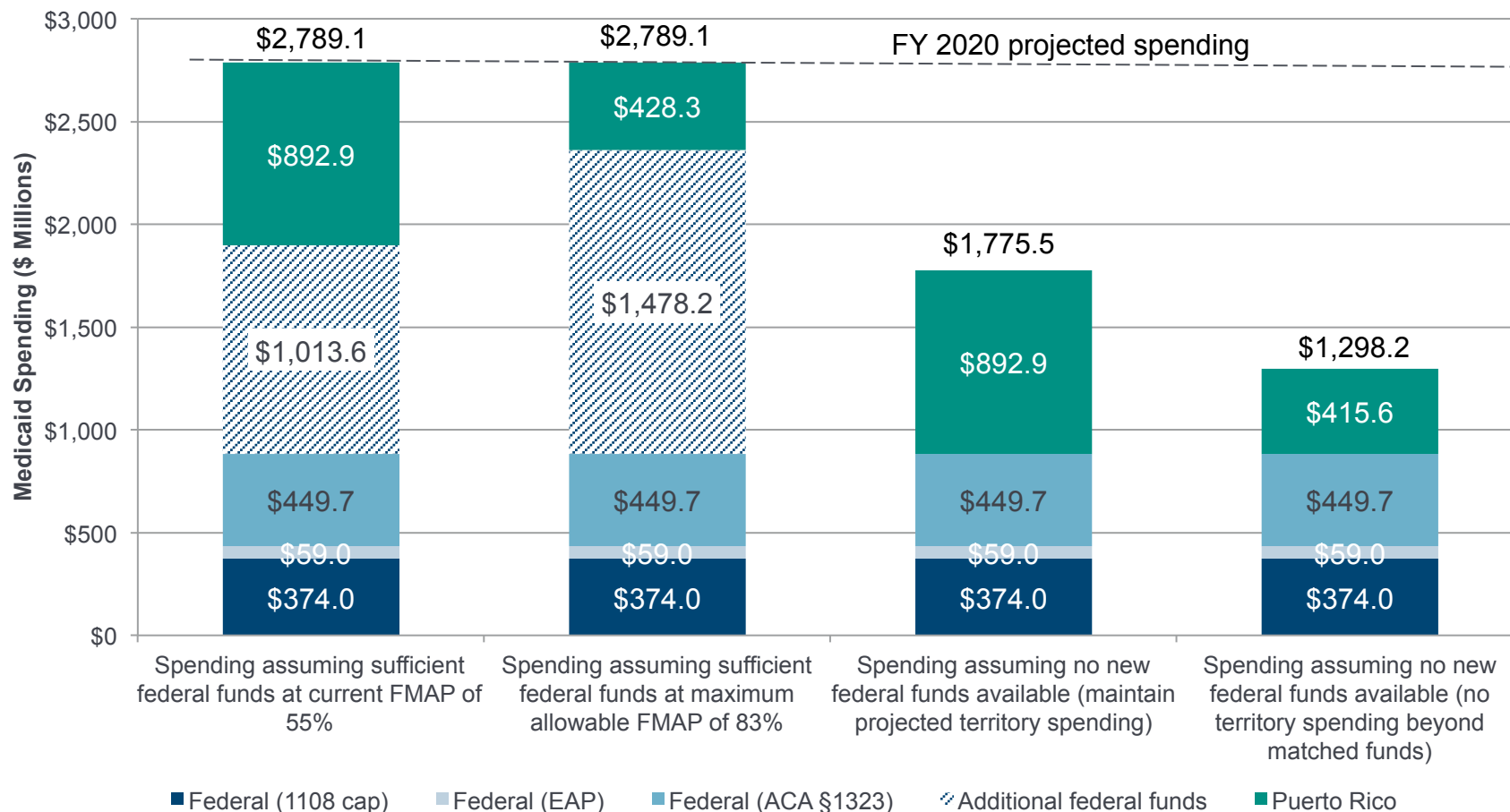
Fiscal year	Total benefit spending	Federal spending		Federal share of spending		Difference in federal spending
		Current law	FMAP 83 percent	Current law	FMAP 83 percent	
2011	\$991.1	\$514.7	\$822.6	51.9	83.0	\$307.9
2012	1,613.8	888.0	1,339.4	55.0	83.0	451.4
2013	1,837.5	1,011.0	1,525.1	55.0	83.0	514.1
2014	1,841.7	1,139.1	1,510.2	61.9	82.0	371.0
2015	2,280.4	1,467.4	1,892.8	64.3	83.0	425.4
2016	2,393.9	1,587.5	2,010.8	66.3	84.0	423.3
2017	2,317.7	1,540.0	1,946.9	66.4	84.0	406.8
Total 2011-2017						2,900.0

Financing and Spending FY 2020 and Beyond

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

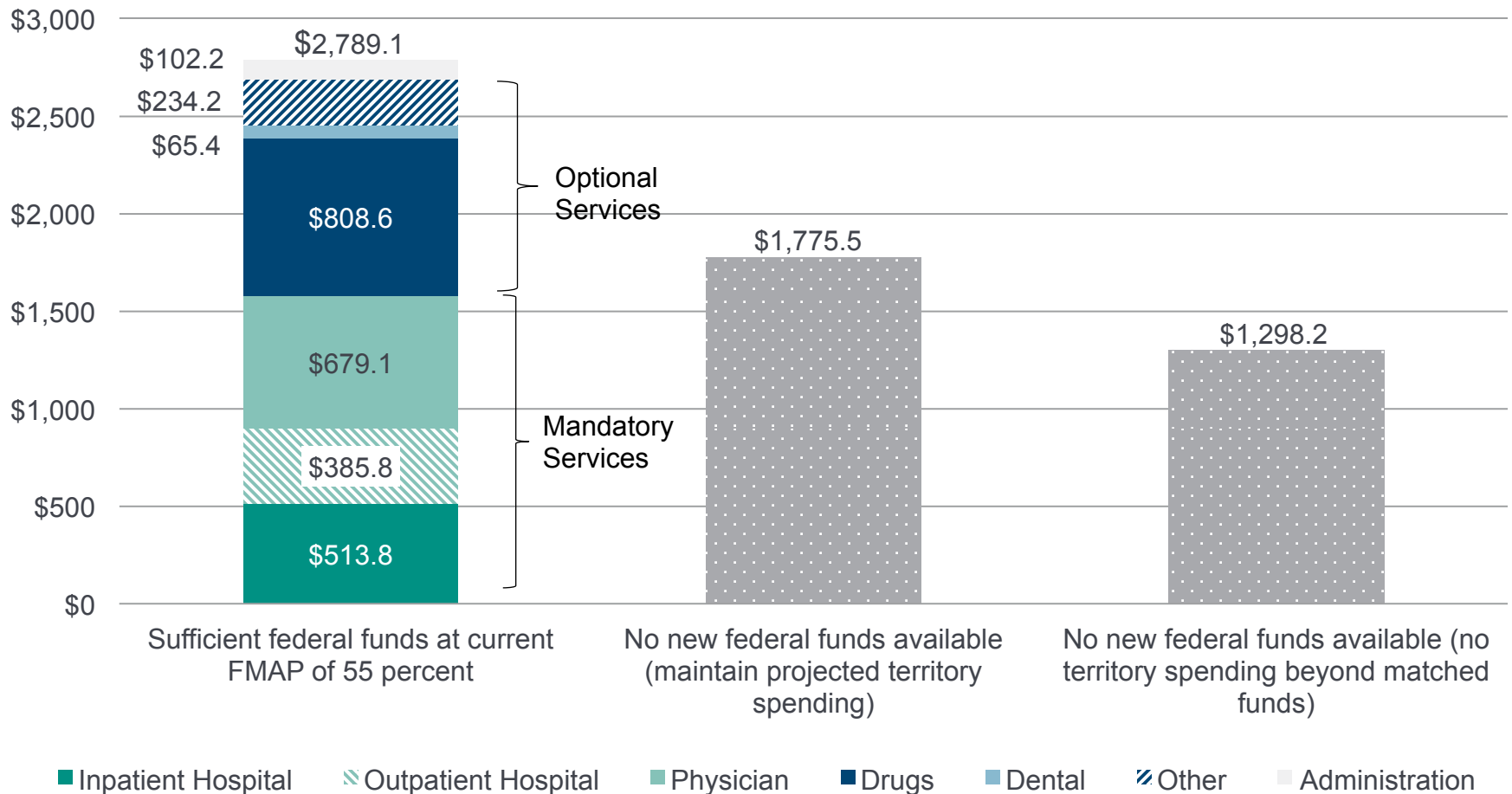
Projected Medicaid Spending in Puerto Rico under Different Funding Scenarios by Source of Funds, FY 2020 (millions)



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

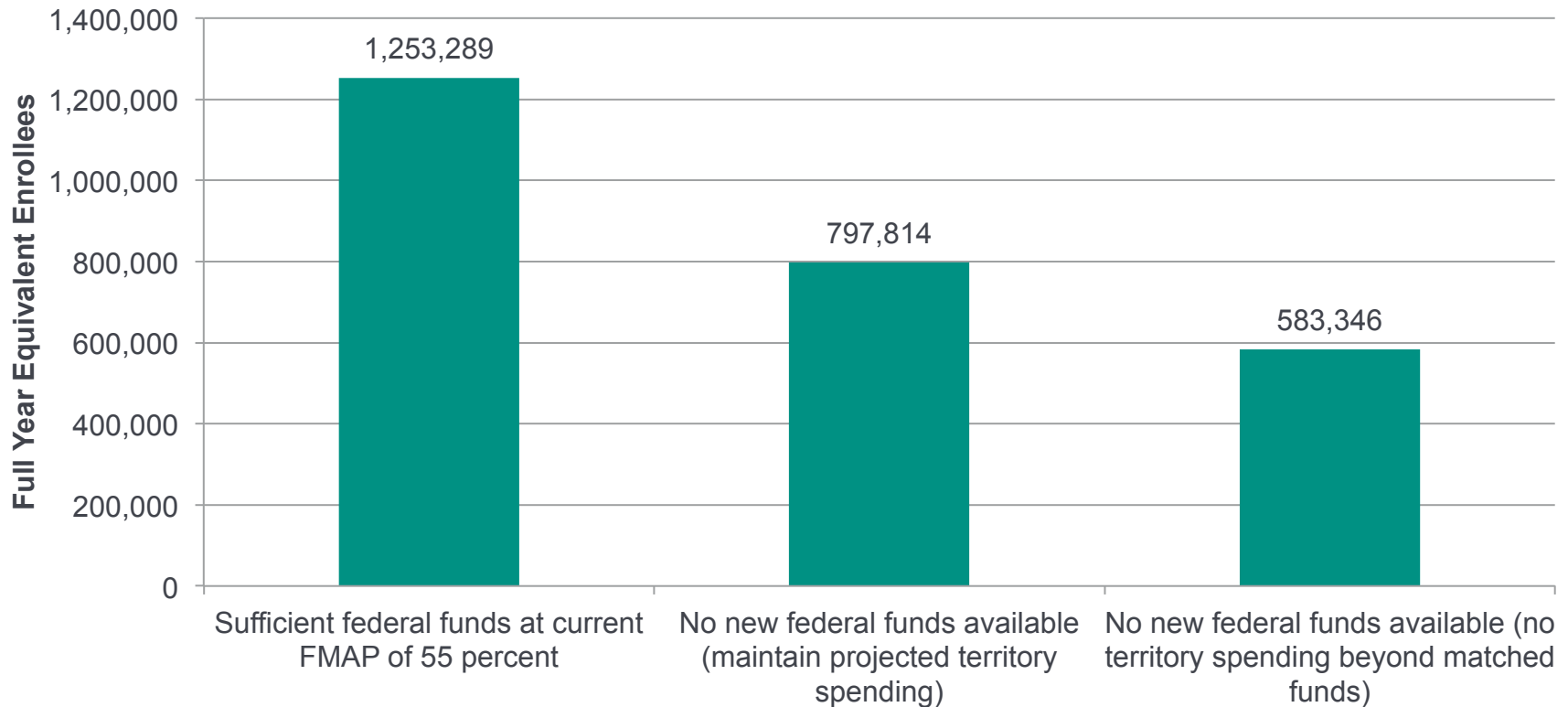
Projected Medicaid Spending in Puerto Rico under Different Funding Scenarios by Category of Service, FY 2020 (millions)



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



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.

Looking Ahead

April 12, 2019

Timeline for Federal Funding Exhaustion

- Available funding will continue to be sufficient through FY 2019
- Funding shortfall projected in March 2020
- Second funding shortfall projected in December 2020
- Medicaid program likely to be affected earlier
 - uncertainty about availability of funds will affect upcoming managed care rate negotiations; providers' decisions about whether to participate

Implications for Long-Term Sustainability of the Program

- Actions taken by Congress in recent years have helped Puerto Rico strengthen its Medicaid program
 - e.g., Medicaid expansion, adoption of important administrative structures, continued provision of services
- Significant uncertainty and financial pressures remain, affecting Puerto Rico's ability to ensure long-term sustainable access to care
 - availability of funds after FY 2019
 - pressure to reduce spending by FOMB
 - future participation of plans and providers



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