



Congressman Pedro R. Pierluisi
Statement As Prepared For Delivery
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Good afternoon.

It is hard to believe that this is the *fifth* year that I have spoken—either in person or via taped message—at the Puerto Rico Hospital Association’s annual convention since I became Resident Commissioner in 2009. I hope this demonstrates what great respect I have for you and the work that you do.

When I address the Association, I always like to begin by underscoring the importance of hospitals and by thanking you—the doctors, nurses, administrators and other health professionals—for having devoted your lives to helping patients. The work of a hospital is noble, and it is never done. Your doors are open 24 hours a day, seven days a week. You treat the sick and the injured, the rich and the poor, the young and the old. You are there when a life begins, and often when it ends. A baby takes his first breath in a hospital. And as the sun sets on a patient’s life, a hospital does everything possible to ensure that his or her final days are peaceful and dignified.

The best hospitals provide high-quality medical care, but they do so much more than that. A good hospital, through the dedication and compassion of its staff, can inspire as well as heal. Hospitals offer stability and comfort to patients and their family members when they are most vulnerable. The best hospitals become an integral part of the communities they serve.

Puerto Rico's nearly 70 hospitals also serve as a major economic engine for the island, directly employing over 40,000 professionals whose labor, in turn, generates thousands of jobs in many other industries. As centers of graduate medical education, hospitals play a critical role in training today's doctors to confront tomorrow's health care challenges and to treat the next generation of island residents.

There is no higher calling than devoting your professional life to serving and saving others. You should be immensely proud of what you do.

Now let me provide a brief overview of the situation in Washington D.C. as it pertains to Puerto Rico's health care system and, in particular, to the island's hospitals. As you know, over the past year or so, Puerto Rico's inequitable treatment under federal health programs like Medicaid, Medicare and the *Affordable Care Act* has become the subject of major discussion in the national media, in Congress, and at the U.S. Department of Health and Human Services. This is a positive and important development. That is because, before federal policymakers will take steps to help Puerto Rico, they must be aware of the problem and they must understand the *details* of the problem. Sometimes we as advocates have to *make* them understand through persistence and repetition, until the truth finally sinks in. Many men and women in this room

have played an instrumental role in raising public awareness about Puerto Rico's appalling treatment under federal health programs, which is indefensible as a moral matter and unwise as a policy matter. I am proud to say that we are a team here, united, working together to make Puerto Rico better. We care about achieving success, and not about who gets the credit for that success.

As you know, I have introduced numerous bills over the years to rectify discrete inequalities that Puerto Rico confronts under federal health programs. In June of this year, however, I decided to file *comprehensive* legislation that would eliminate or mitigate nearly all of the disparities that Puerto Rico faces under Medicaid, traditional Medicare, and Medicare Advantage. Some of the provisions in the legislation incorporate standalone bills that I had already introduced, while other provisions are new. Somewhat remarkably, this is the first time that a Member of Congress has ever introduced legislation to address the broad range of inequalities that Puerto Rico confronts under federal health programs. The bill serves as a blueprint for federal policymakers, identifying the various problems that exist under current law and proposing fair and realistic legislative solutions to each problem. Subsequently, Senator Charles Schumer of New York, who will be the top Democrat in the Senate starting in 2017, introduced a nearly identical companion bill, which has been cosponsored by various other Senators.

One section of the bill would address Medicaid. Puerto Rico hospitals, of course, have a profound interest in ensuring that Puerto Rico's Medicaid program is fairly funded, because you treat so many *Mi Salud* patients and you deserve to be fairly reimbursed for the services you provide to them.

Medicaid, as you know, is funded in part by the federal government and in part by the state or territory government. In the states, there is no limit on the amount of funding the federal government will provide for Medicaid as long as the state provides its share of matching funds. The federal contribution—known as an FMAP—can range from 50 percent for the wealthiest states to 83 percent for the poorest states. By contrast, the amount of funding that the federal government provides to support the Medicaid program in Puerto Rico is capped. When I took office in 2009, Puerto Rico’s cap was only \$260 million a year. To add insult to injury, our FMAP was just 50 percent.

During my tenure, federal law has been amended to substantially improve Puerto Rico’s treatment under Medicaid, but this treatment remains deeply inequitable. In 2010, Congress enacted the *Affordable Care Act*. The bill provided the five territories with \$7.3 billion in additional Medicaid funding, with Puerto Rico receiving \$6.4 billion of that amount. This funding can be drawn down by Puerto Rico between the fourth quarter of Fiscal Year 2011 and the end of Fiscal Year 2019.

As a result, Puerto Rico now receives \$1.1 billion to \$1.3 billion a year in federal Medicaid funding. This is a major, unprecedented improvement, but still far less than Puerto Rico would receive if it were a state. For context, the poorest state, Mississippi, which has far fewer people than Puerto Rico, receives \$3.6 billion a year. Oregon, which has roughly the same number of people as Puerto Rico, receives \$5 billion a year.

Moreover, the \$6.4 billion expires at the end of the Fiscal Year 2019. This has been called the Medicaid funding “cliff.” The Puerto Rico government has less than \$3.5 billion of its \$6.4 billion in funding remaining, and could deplete its funding in 2018 or even 2017. If this funding is not replenished by Congress, Puerto Rico will go back to receiving Medicaid funds under the old formula—which for Puerto Rico means less than \$400 million a year. This would cause a humanitarian catastrophe, because Puerto Rico cannot afford to spend its own money—and it can no longer borrow money by issuing bonds—to make up for the shortfall.

My comprehensive bill would provide a sustained and more equitable level of Medicaid funding for Puerto Rico and avoid the cliff. Starting in Fiscal Year 2017, the bill would provide Puerto Rico with state-like treatment within well-defined parameters. Specifically, Puerto Rico’s Medicaid program could cover individuals—whether they are children, pregnant women, disabled or elderly individuals, parents, or adults without children—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. That means that the annual funding cap would be eliminated. Puerto Rico would receive an FMAP based on its per capita income, which would result in an 83 percent FMAP. However, the limiting principle is that if a territory wants to cover individuals earning above 100 percent of the federal poverty level, it will generally be required to use territory dollars, not federal dollars.

The policy rationale behind this proposal is simple. Residents of Puerto Rico are American citizens. At the very least, the federal government should provide Puerto Rico with the funding necessary to provide health coverage to residents who live at or below the federal poverty level. Because the Puerto Rico Medicaid program has always received inadequate federal funding, it has never been able to cover individuals earning anywhere close to 100 percent of the federal poverty level. It is time for that to change.

Beyond Medicaid, my bill also includes a number of provisions designed to enhance patient care by improving the treatment of hospitals, physicians, and Medicare Advantage beneficiaries and plans in Puerto Rico.

Let me focus on the hospital provisions. The bill would correct four disparities that harm Puerto Rico hospitals and their patients. First, the bill would include Puerto Rico hospitals in the Medicaid disproportionate share hospital program, called the DSH program, from which you have always been excluded. The bill would provide Puerto Rico with about \$130 million in additional Medicaid funding to help island hospitals that treat a high percentage of low-income and uninsured patients.

Second, the bill would improve Puerto Rico's treatment under the *Medicare*—as distinct from Medicaid—DSH program. The current formula disadvantages Puerto Rico because it calculates payments based on the number of patients enrolled in the federal Supplemental Security Income program, which Congress has not extended to the territory. By the way, HHS has the ability to

fix this problem administratively without the need for congressional action. The agency has strongly signaled to us that they will, in fact, fix this problem starting in 2017. But I am trying to get it fixed for 2016, because why should we have to wait?

Third, as you know, the federal government pays hospitals who serve Medicare patients a base rate, which can then be adjusted upwards based on a variety of factors. Every hospital in the states is paid the same base rate, but Puerto Rico hospitals are paid a base rate that is about 14 percent lower. My bill would eliminate this disparity.

Fourth, the bill would correct the exclusion of Puerto Rico hospitals from the Medicare component of the HITECH Act, which authorizes bonus payments for hospitals that become meaningful users of electronic health records.

I want to pause at this point to thank the Hospital Association and their Washington, DC-based advocate, former Congressman Jerry Weller. They have done an incredible job raising awareness about these issues among current Republicans in the U.S. House and U.S. Senate. This is essential, of course, because Republicans are the majority party in both chambers right now, and you cannot get anything done without their support.

The bill also includes a provision that would address one of the main challenges facing Puerto Rico physicians, which is inadequate payments under traditional Medicare. The current formula used to compensate doctors seeks to account for variations in the cost of practicing medicine in different areas of the country by using a system called the geographic practice cost index, or

GPCI. There is strong evidence that the current GPCI formula disadvantages Puerto Rico and results in insufficient payments to physicians. Therefore, the bill establishes a reasonable floor on Medicare payments to Puerto Rico doctors so they will be fairly compensated for their work.

The bill also seeks to assist the 560,000 Medicare Advantage beneficiaries in Puerto Rico, establishing a payment floor to ensure that MA plans on the island receive adequate compensation from the federal government.

I am working as hard as I can, with my allies in and out of Congress, to enact as many provisions of my comprehensive bill into law as possible. I respect you too much to make any promises, but I *can* promise you that I will never stop fighting for Puerto Rico.

Before I close, I want to just briefly mention one issue that has received a great deal of attention both nationwide and in Puerto Rico recently, and that is the escalating prices that many drug manufacturers are charging for generic drugs, from drugs used to treat common medical conditions to drugs used to treat life-threatening illnesses. Generic drugs were intended to make medications affordable, and so their rising cost is cause for serious concern.

Certain members of the U.S. House and U.S. Senate recently sent letters to 14 drug manufacturers, requesting that they provide information to Congress about the escalating prices they have been charging for generic drugs. I have spoken with these members, and they assure me that their investigation will encompass drug prices charged nationwide—that is, in Puerto Rico and the other territories, as well as in the 50 states and the District of Columbia. Please rest

assured that I will continue to monitor this issue closely and examine the ways in which I can be helpful.

Thank you again.