



# Leadership Council of Aging Organizations

*Katie Smith Sloan, Chair*

October 14, 2016

Senator Orrin Hatch, Chair  
Congressional Task Force on Economic Growth in Puerto Rico  
United States Senate  
Washington, DC 20510

Dear Chairman Hatch:

The undersigned organizations are committed to advancing the health and economic security of older adults, people with disabilities, and their families. We appreciate the opportunity to submit recommendations to the Congressional Task Force on Economic Growth in Puerto Rico and to express our concern about the impact that Puerto Rico's lengthy recession and fiscal crisis are having on older adults and people with disabilities.

As highlighted below, Puerto Rico receives less in federal Medicaid matching funds, as a share of its expenditures, than is received by the states and the District of Columbia. One consequence of the disparate treatment is the absence of nursing home or home health services under the Commonwealth's Medicaid program.<sup>1</sup> But more recently, over the course of the decade long recession in Puerto Rico, the relatively lower federal Medicaid payments have put substantial stress on the health care system and contributed to the fiscal instability of the Commonwealth. In addition, disparities in policies related to Medicare Part B enrollment and the Part D Low Income Subsidy program impose a financial burden on many older adults and people with disabilities.

It is critical to the economic and health security of Puerto Rico's older citizens and people with disabilities that Congress establish parity between Puerto Rico and the states with respect to federal Medicaid funding, as recommended by the current administration. We also urge the Congress to address the disparate application of Medicare policies. Importantly, aligning these Medicaid and Medicare policies with those applied to the states and the District of Columbia will also serve to boost the island's economy and aid the Commonwealth in its fiscal recovery.

## **Medicaid**

Federal Medicaid funding to Puerto Rico is much lower than it would be if the payment policies applied to the 50 states and the District of Columbia were applied to the Commonwealth. The states and the District of Columbia receive a federal matching payment (FMAP) that ranges from 50 to 83 percent of total Medicaid spending in a given year. The Department of Health and Human Services has estimated that the Medicaid matching rate would be 83 percent if the state funding formula were applied to Puerto Rico. However, the Commonwealth's FMAP is fixed at 55 percent with a low annual capped. As a result,

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<sup>1</sup> Annie Mach, "Puerto Rico and Health Care Finance: Frequently Asked Questions," Congressional Research Service, June 20, 2016, <https://www.fas.org/sgp/crs/row/R44275.pdf>

the effective matching rate for Puerto Rico is generally between 15 and 20 percent of its Medicaid expenses.<sup>2</sup>

Forty nine percent of the Commonwealth's population is enrolled in Medicaid due to the high rate of unemployment and lack of other health care coverage.<sup>3</sup> As a result, Medicaid reimbursements are an especially vital source of financing for Puerto Rico's health care system.<sup>4</sup> Unfortunately, the Commonwealth's fiscal instability has led to cuts in health care services and delays in Medicaid reimbursements to health plans and providers. According to media reports, delays in Medicaid payments have led to power and water shortages in hospitals, delays in the delivery of medical supplies, lay-offs of hospital workers, and the closing of hospital floors and service areas.<sup>5</sup> The health care system has been further stressed by a Zika public health emergency with over 19,000 locally-acquired infections reported thus far.

To shore up the health care system and protect health care services for Puerto Rico's older adults and people with disabilities, now and in the future, we urge Congress to eliminate the cap on federal matching payments and to set the matching rate for Puerto Rico under the same rules that are used to set matching rates for the states and the District of Columbia. Given the deteriorating situation, we urge the Congress to provide immediate Medicaid assistance to the Commonwealth.

### **Medicare Part B**

Medicare Part B, which covers doctor visits and most outpatient treatments, has an automatic enrollment process which applies for most individuals in the states, the District of Columbia, and other territories. Yet, it does not apply to Puerto Rico's residents. As a result, fewer Puerto Rican beneficiaries enroll in the Part B program (78 percent), compared to the national average (95 percent). And, of those who enroll, a disproportionate number of Puerto Rican Medicare beneficiaries pay Part B late enrollment penalties (4.2 percent compared with 1.4 percent nationally).<sup>6</sup>

Providing automatic enrollment under Part B would reduce financial penalties for many Puerto Rican seniors and people with disabilities and ensure that many more have adequate health care coverage. It would also reduce spending by the Commonwealth for outpatient services for beneficiaries who are also covered by Medicaid.

### **Medicare Part D**

Under the Part D Low Income Subsidy (LIS) program, low-income Medicare beneficiaries are eligible for assistance affording their prescription drugs. However, Medicare beneficiaries in Puerto Rico are not

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<sup>2</sup> Edwin Park, "Addressing Puerto Rico's Medicaid Funding Shortfalls Would Help Ensure Fiscal Stability and Growth," September 19, 2016, <http://www.cbpp.org/research/health/addressing-puerto-ricos-medicaid-funding-shortfalls-would-help-ensure-fiscal>

<sup>3</sup> "8 Questions & Answers about Puerto Rico," The Henry J. Kaiser Family Foundation, September 2016, <http://kff.org/disparities-policy/fact-sheet/8-questions-and-answers-about-puerto-rico/>

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> "Addressing Puerto Rico's Medicaid Funding Shortfalls Would Help Ensure Fiscal Stability and Growth," Edwin Park, September 19, 2016, <http://www.cbpp.org/research/health/addressing-puerto-ricos-medicaid-funding-shortfalls-would-help-ensure-fiscal>

eligible for LIS. Expanding the LIS program to Puerto Rico would make prescription drugs more affordable for low-income people with Medicare and likely improve treatment adherence and health outcomes.

In closing, we note that adjusting the Medicaid matching rate has been an important tool in addressing economic downturns and fiscal difficulties in the states, District of Columbia and territories in recent decades. We know from experience that boosting the matching rate will benefit the Puerto Rican economy. Importantly, it will also strengthen the island's weakened health care system and eliminate inequities in Medicaid and Medicare policies that put the health and economic security of older adults and people with disabilities in Puerto Rico at risk.

Sincerely,

AFL-CIO  
Aging Life Care Association  
Alliance for Retired Americans  
American Federation of Government Employees (AFGE)  
American Federation of State, County and Municipal Employees (AFSCME)  
American Federation of Teachers  
American Society on Aging  
Asociacion Nacional Pro Personas Mayores (ANPPM)/National Association for Hispanic Elderly  
Association for Gerontology and Human Development in Historically Black Colleges and Universities  
Caring Across Generations  
Center for Medicare Advocacy  
Community Catalyst  
Easter Seals  
Families USA  
Justice in Aging  
International Association for Indigenous Aging (IA2)  
International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW)  
LeadingAge  
Medicare Rights Center  
National Adult Day Services Association (NADSA)  
National Caucus and Center for Black Aging, Inc.  
National Center for Creative Aging  
National Committee to Preserve Social Security and Medicare  
National Council on Aging  
National Hispanic Council on Aging  
Service Employees International Union  
Social Security Works  
The National Consumer Voice for Quality Long-Term Care  
Women's Institute for Retirement Security