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Puerto Rico healthcare: Doing more with less

By María Soledad Dávila Calero on October 11, 2018



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Budget cuts imposed by the Financial Oversight & Management Board have been particularly challenging for a Puerto Rico healthcare sector that is already wrestling with rationing of services tracing to federal funding for Puerto Rico that is 43 percent below the national average.

With a budget cut on one hand and healthcare needs on the other, the Puerto Rico Health Insurance Administration (ASES by its Spanish acronym) is trying to provide efficient healthcare coverage for both government employees and people utilizing the government-sponsored program, but a lack of healthcare-funding parity with U.S. states limits the amount of progress, say industry experts.

During a Puerto Rico Chamber of Commerce healthcare forum, "De Obamacare a Trumpcare," Ángela Ávila, ASES executive director, focused on the outlook for healthcare coverage that the government provides to its employees, and argued for the need to eliminate division within public-sector employees to get "better risk distribution and a better price" for the healthcare plan.

Aside from the local government, Puerto Rico's healthcare system is funded through federal allocations, where the island falls behind all states and the U.S. Virgin Islands. Roberto Pando, president of MCS Advantage, a leading health insurance provider in Puerto Rico, argues that



ultimately, Puerto Rico's healthcare infrastructure cannot work at an optimal level.

Integration strategy

For Ávila, separating public-sector employees covered under Act 95 of 1963, which provides healthcare coverage for most employees in executive branch agencies, and those who are exempt, such as the employees in public corporations, has led to large disparities between sectors of government employees. Transitioning to a system with a smaller budget may include bringing public corporation employees under Act 95, which falls under ASES.

Establishing the path forward, the ASES executive director explained, has been a combined move with the Fiscal Agency & Financial Advisory Authority (Fafaa, or Aafaf by its Spanish acronym), but argued that the considerations in this discussion are not just financial.

"There is room for discussion with the fiscal board, but the important thing is to bring a reasonable argument. When we are talking to the fiscal board about this initiative, [it is in] the spirit of making a pondered contribution. Between the central government and the public corporation, there is great disparity, so the intention is to make a pondered contribution that increases [coverage] to include all those lives, and [then] we can distribute risk and can sustain better prices," Ávila said.

"This initiative comes from [Fafaa]," she stated, and "there are many millions [of dollars] moving in this industry. It is being paid \$172 million in fringe benefits across public corporations, and they are areas of opportunity to look at pricing."

The integration position, which includes a uniform expenditure of \$125 per member per month from the government, is similar to the unification of the general public healthcare system that transitioned from eight regions to a single islandwide region.

The integration strategy, which includes a uniform government expenditure of \$125 per member per month is in line with the Rosselló administration's plan to consolidate the eight regions comprising the public healthcare system into one islandwide region.



On left, Roberto Pando, president of MCS Advantage

A budget can only stretch so far

The changes to accommodate local allocations cannot compensate for the lack of appropriate federal funding, Pando argued, because Puerto Rico is operating in the same market as the States, with the same prices as the States, but with just over one-third of the funding.



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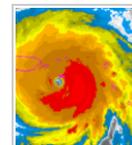
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The MCS Advantage president explained that the level of Medicare Advantage funding, which is 25 percent below the U.S. Virgin Islands

since we have on average a third of the funds that are given to the rest of the U.S., is the compensation to [healthcare] professionals. [The difference] is in the professional compensation, in the physical infrastructure and the IT infrastructure.



—Roberto Pando, president of MCS Advantage

not being able to improve our healthcare infrastructure or create conditions that would stop the brain drain of doctors from the island.

“Puerto Rico’s recovery is tied to what we can achieve, to what we can restore to Medicare and healthcare in general. The fact I always repeat is: In Puerto Rico, we spend \$3,500 on healthcare annually per person. The average in the United States is \$10,000, and we have to pay double for energy and the same for medications. What suffers, since we have on average a third of the funds that are given to the rest of the U.S., is the compensation to [healthcare] professionals. [The difference] is in the professional compensation, in the physical infrastructure and the IT infrastructure,” Pando said.

One of Pando’s main points is that since the implementation of the Affordable Care Act (also known as Obamacare), Puerto Rico has lost \$5 billion in federal allocations and stands to lose \$1 billion annually, despite Puerto Ricans contributing the same taxes to fund Medicaid and Medicare. Pando made reference to studies that show Puerto Rico’s cost of living is not lower than the States, which has been a commonly employed argument by members of Congress to justify the funding disparity.

To address the funding shortfall, the Omnibus bill, the Bipartisan Budget Act, passed in February 2018, which sends an additional \$4.9 billion for the island’s healthcare system. Although it is a temporary fix, Pando explained that this figure is not a substitute, that it would only allow the island to [temporarily] ignore the disparity issue.

“The approval for an extension to Medicare funding is not enough at all.

It’s enough to sustain the current status quo, which is not where Puerto Rico needs to be regarding healthcare,” Pando said.

To that end, the MCS Advantage president, along with the Chamber of Commerce, is advocating for approval of H.R. 6809, or the “Puerto Rico Integrity in Medicare Advantage Act.” The bill, presented by Resident Commissioner Jenniffer González Colón, would increase Medicare Advantage payment rates.



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