



CEOS Y PRINCIPALES INDUSTRIAS

Puerto Rico Healthcare Segment

Hari Sabnani, CPA
President & CEO Alivia Health



#camaristaenaccion

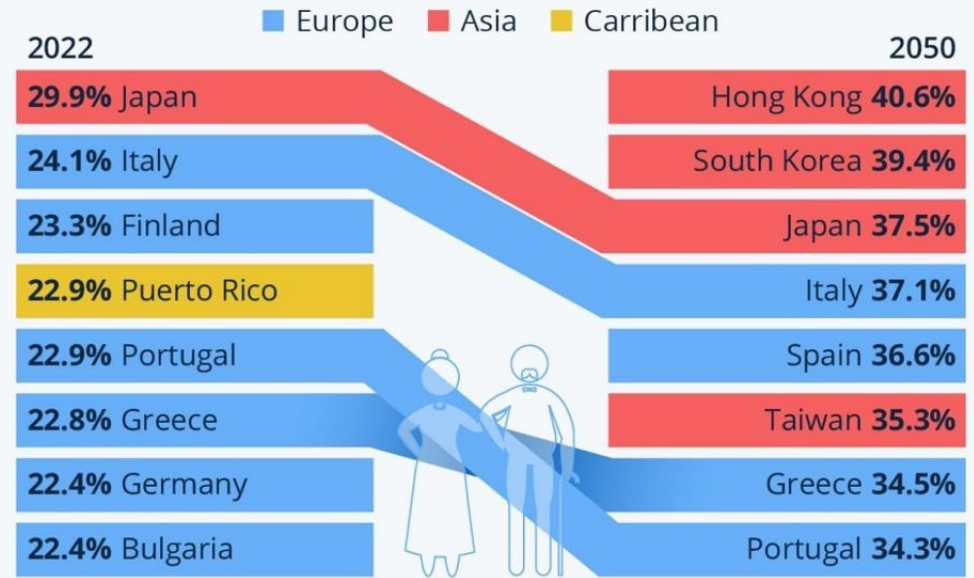
Presentación de CEOs y Principales Industrias

- + The population of Puerto Rico in 2022 was 3,252,407, a 0.11% decline from 2021.
- + Island population has been on a decline since at least 2010
- + The number of inhabitants in the age range above 65 years increased continuously over the last decade and reached 694,200 in 2021.
- + 2022 Mortality Rate over 7% vs 5% Birth Rate.
- + 46% of Puerto Ricans are living in poverty compared to just 13% in the states.
- + PR median household income of \$19,343, less than one-third of the \$60,336 US median household income.

PR Healthcare Market Dynamics

The World's Oldest Populations

Countries/territories with the highest share of people aged 65 and older*



* only includes countries/territories with a population of more than 1 million people
Source: United Nations Population Division



statista

Presentación de CEOs y Principales Industrias

PR Healthcare Market Dynamics

- + Physicians' exodus affecting healthcare availability.
- + Specialty physicians are affected the most. PR had 8,452 Specialty physicians in 2009 vs 6,713 in 2014.
- + 69 hospitals in Puerto Rico, 55 private hospitals.
- + Hospital financial crisis may provoke hospital closing or hospital consolidation in the next 2 years.
- + 7,900 hospital beds available in PR, of 12,000 licensed beds.
- + 97% of the Market Managed by Managed Care - Triple S, Humana, MCS, MMM, First Medical, Plan de Salud Menonita.

PARA SUSCRIPTORES

Éxodo de médicos: problemas con programas de residencias expulsan a profesionales fuera de la isla

Facultativos y decanos de las escuelas de medicina coinciden en que no hay talleres de formación suficientes, y reclaman alternativas para su fortalecimiento

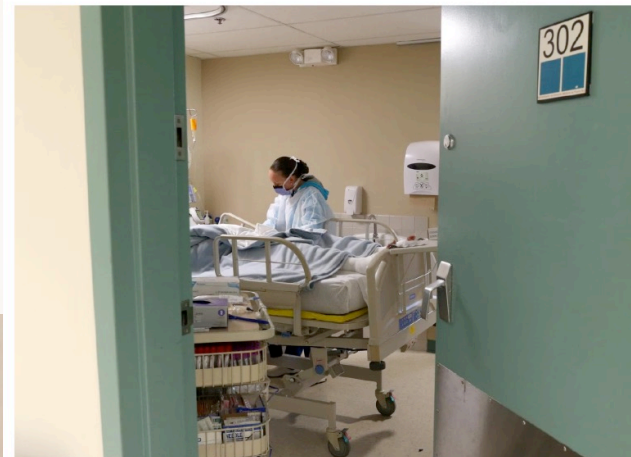
Nota de archivo: este contenido fue publicado hace más de 30 días.



PARA SUSCRIPTORES

Experto augura cierres y consolidaciones de hospitales por problemas financieros

El CPA Julio Galíndez atribuyó la proyección a la merma demográfica y al modelo de pago aseguradoras, entre otros factores



A pesar de que el sistema hospitalario de Puerto Rico tiene licencia para 12,000 camas, solo hay entre 7,900 a 8,000 disponibles. (El Nuevo Día)

Alarmante falta de especialistas médicos en Puerto Rico

Por Agustín Criollo Oquero el 18 de Enero de 2017



El secretario del Departamento de Salud (DS), **Rafael Rodríguez Mercado**, pintó un cuadro tétrico sobre la falta de médicos especialistas en Puerto Rico durante su ponencia en las vistas públicas para analizar el Proyecto de la Cámara 5, que busca establecer la Ley de Incentivos para la Retención de Profesionales Médicos.

Rodríguez Mercado aseguró que actualmente en la isla existe una profunda crisis de profesionales de la salud con subespecialidades.



Durante las vistas, los legisladores se mostraron receptivos ante la medida que busca incentivar a la clase médica para evitar el éxodo masivo de especialistas médicos. (Agustín Criollo / CB)

Presentación de CEOs y Principales Industrias

- + More than 65% of individuals living in Puerto Rico receive health care through Medicaid/Vital and Medicare, but federal funding has restrictions not present in the US mainland.
- + 640,000+ seniors in PR are covered by Medicare Advantage, more than **80%** of the island's Medicare beneficiaries (the highest MA penetration in the USA). This includes more than 290,000 senior Medicaid enrollees ("dual-eligible").
- + Medicare Advantage penetration in Puerto Rico increased from 60.1% in 2008 to 72.4% in 2019, Medicare Advantage penetration in the US mainland increased from 24.5% in 2008 to 34.9% in 2019.

PR Healthcare Market Dynamics

PR Lives - Healthcare Distribution

Private Commercial Lives – 27% / 880,464

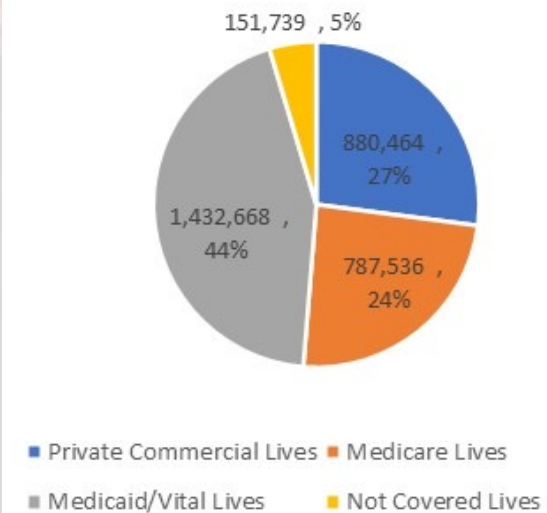
Medicare Lives – 24% / 787,536

Medicaid/Vital Lives – 44% / 1,432,668

Not Covered – 5% - 151,739

Total Lives – 3,252,407

PR Lives Distribution 2022

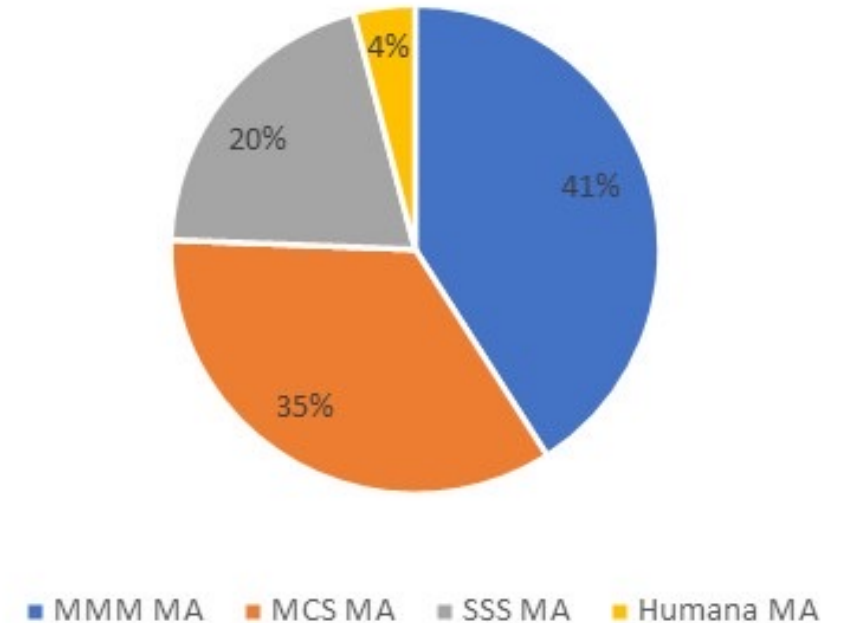


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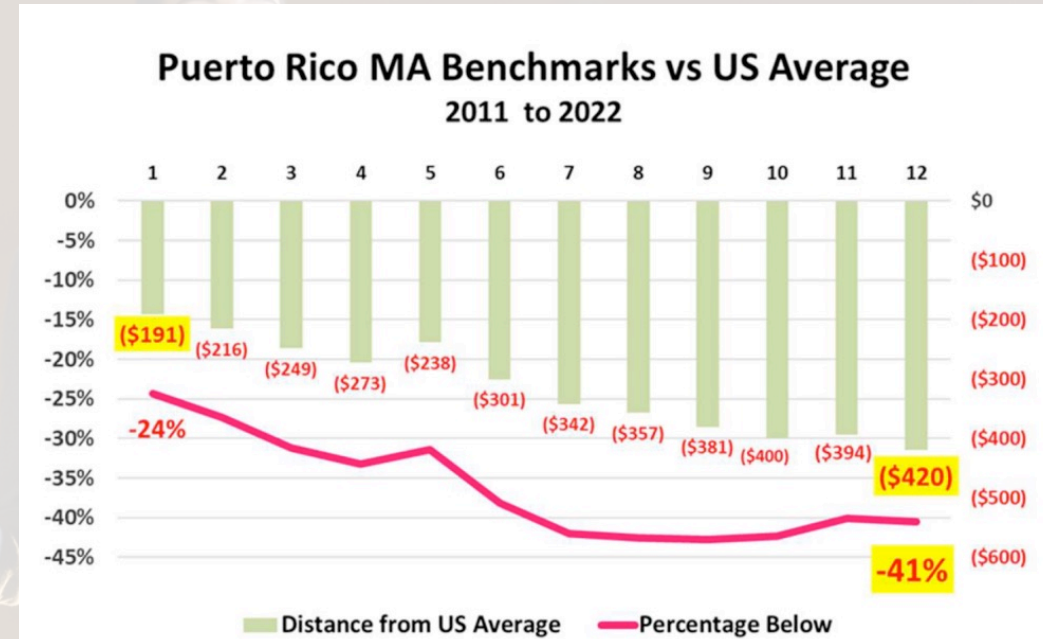
PR Healthcare Market Dynamics

- + Provider reimbursements from MA plans are higher than Vital or Commercial Plans.
- + MA program provides approximately 50% health care funding to PR providers, with over \$6.5 billion in annual funding.
- + This inequity is combined with key exclusions of federal benefits that impact of 290,000 dual eligible beneficiaries.
- + Our low-income seniors are excluded from core benefits to help pay for pharmacy coverage (like the Part D Low Income Subsidy), Medicaid support for Medicare premiums, and long-term care benefits.

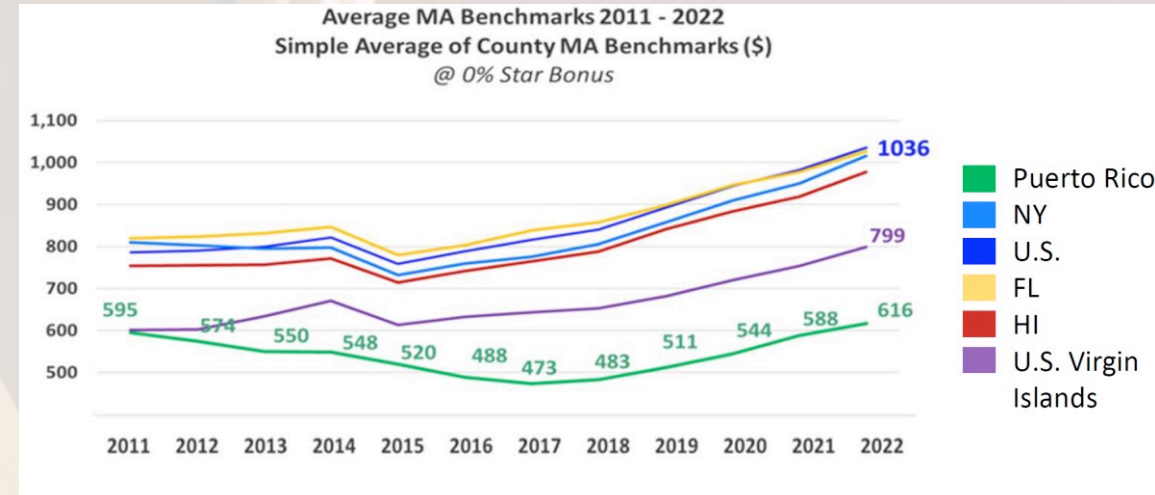
2022 Medicare Advantage Lives Distribution



- + The Affordable Care Act (ACA) significantly reduced rates in Puerto Rico
- + CMS has adjusted rates to soften the impact, but national rates continue to grow at a faster pace and better reflect the actual cost of health care.
- + The gap in rates widened in 2022 to **41%** lower than the national average, vs 24% in 2011.
- + Current MA rates in Puerto Rico are 37% below the state with the lowest base rates.



- + Total healthcare funding in PR averages approximately \$5,200 per capita per year, compared with \$14,170 per capita at the national level.
- + Low rates to Medicare Advantage plans prevent adequate provider reimbursements, leading to provider migration and overall erosion in Puerto Rico's healthcare infrastructure.
- + PR MA funding disparity perpetuates an imbalance in professional compensation and healthcare infrastructure that deteriorates every year.



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PR Healthcare Market Dynamics – Medicaid / Vital

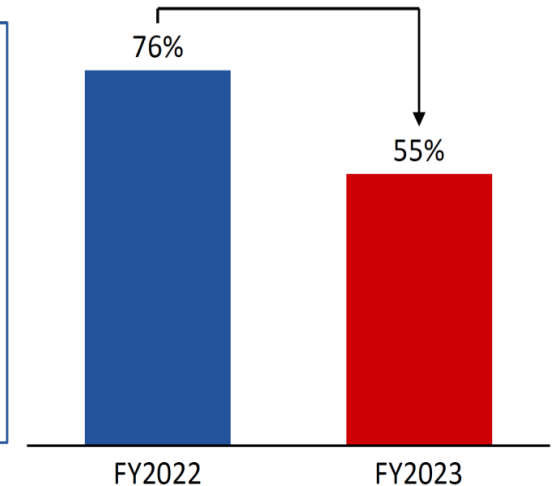
- + 1.4M people are enrolled in Puerto Rico's Medicaid, ~50% of the population.
- + Current federal law caps Puerto Rico Medicaid funding.
- + In the states, Medicaid funding is open ended and can more easily adjust to the needs of the population in times of crisis.
- + Puerto Rico receives a fixed amount of funding, or allotment, with a spending cap that can fall well short of the expenditures.
- + Due to insufficient funding, Puerto Rico is unable to cover many federally required benefits, including nursing homes, home health, and other key services. FY 2020 Federal allocation of \$2,716,188,000.

Year	Medicaid			
	Section 1108 allotment	Federal spending	Puerto Rico spending	Total spending
FY 2020	\$2,716.2	\$2,516.9	\$327.9	\$2,844.7
FY 2019	366.7	2,645.6	-36.3 ¹	2,609.2
FY 2018	359.5	2,290.5	203.0	2,493.5
FY 2017	347.4	1,631.5	804.8	2,436.3
FY 2016	335.3	1,630.5	832.0	2,463.0
FY 2015	329.0	1,521.5	840.5	2,362.0
FY 2014	321.3	1,201.0	728.0	1,929.0
FY 2013	309.2	1,091.0	853.0	1,944.0
FY 2012	298.7	887.6	726.2	1,614.0
FY 2011	290.6	514.7	476.3	991.0

- + For every \$100 Puerto Rico's Medicaid program spends on services, the federal government will reimburse about \$55.
- + Even though the poverty rate in Puerto Rico is double Mississippi's (the poorest state), the federal government covered 55 cents of every dollar spent by Puerto Rico on Medicaid, compared with 76 cents in Mississippi in 2019.
- + In the last years, Congress has intervened and provided short-term legislation to increase funding and institute a higher matching rate of approximately \$2.5 to \$3.0 billion in annual funding to PR.

Federal Medicaid Spending In Puerto Rico By Fiscal Year, 2022-2023

With enhanced funding expiring on December 13, 2022, **Puerto Rico is facing severe cuts in its federal Medicaid funding and federal matching rate this year.**



- + In 2022, Congress provided an additional \$200 million, as well as an increase in the federal matching rate to 76%, rather than the statutory 55% matching rate.
- + These short-term solutions have created an unacceptable amount of uncertainty for health care stakeholders. Patients, providers, and program administrators need certainty in the future of the program to make investments and ensure adequate resources for Puerto Rico's health care system.

Congress of the United States
Washington, DC 20515

pressure on the already fragile healthcare system, as providers have been forced to handle an ongoing public health emergency and could now face an uptick of Medicaid beneficiaries.¹¹

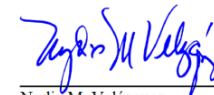
If Congress fails to act, and forces Puerto Rico's FMAP to be reverted to the statutory level of 55 percent, the territory will be required to shoulder a much higher share of Medicaid costs at a time of great hardship. And if CMS' interpretation to calculate the Section 1108 allotment based on funding levels for FY 2020 is not upheld, Puerto Rico will lose more than \$2 billion in federal funding, which is meant to serve half of its population over the next fiscal year.¹² This scenario would trigger immediate and detrimental cuts to the program's eligibility, benefits, and provider payments. The cliff would also deal a further blow to Puerto Rico's balance sheet, as the territorial government would be forced to pull funding away from other critical investments, such as the newly made pension trust for public sector workers, long-term capital investments, and emergency reserves.¹³

The choice is clear. Congress needs to act now to prevent yet another disastrous Medicaid cliff in Puerto Rico. For a territory that is still grappling with economic decline, bankruptcy, a pandemic, and the aftermaths of multiple natural disasters, additional financial burdens could prove to be catastrophic. The lack of a secure and sufficient funding stream makes it very difficult for Puerto Rico to operate its Medicaid system and hinders future emergency responses. At the very least, Congress must continue to temporarily increase Puerto Rico's FMAP to 100 percent and uphold CMS' interpretation to calculate Section 1108 allotments based on funding levels for FY 2020.

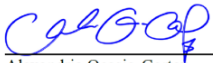
Please contact Rachel A. Román from my office at Rachel.Roman@mail.house.gov if you have any questions. Thank you for your attention to

Sincerely,

Congress of the United States
Washington, DC 20515



Nydia M. Velázquez
Member of Congress



Alexandria Ocasio-Cortez
Member of Congress



Ritchie Torres
Member of Congress



Darren Soto
Member of Congress



Adriano Espaillat
Member of Congress

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PR Healthcare Market Dynamics – Medicaid / Vital

- + Members of Congress reached a deal on December 29, 2022, to fund Puerto Rico's Medicaid program in a way that prevents it from running out of federal money and ensures stable funding for the next 5 years.
- + Congress assigned over \$17.6 billion in Medicaid funds to Puerto Rico over the next five years.
- + Under the new law, Puerto Rico will be reimbursed at 76% for five years. The current bill increased the federal government's share of Medicaid costs paid to Puerto Rico to 76 cents, of every dollar spent.
- + Experts have said the Federal government would need to cover at least 83 cents of every dollar spent by Puerto Rico on Medicaid to more accurately cover the island's health care needs.
- + If Puerto Rico were a state, the reimbursement would come to 83 cents of every dollar spent on Medicaid.

A \$1.7 trillion omnibus USA [funding bill](#), became law on December 29, 2022, that gave Medicaid in Puerto Rico funding for 5 years.

PR allotment amounts for Medicaid for upcoming years:

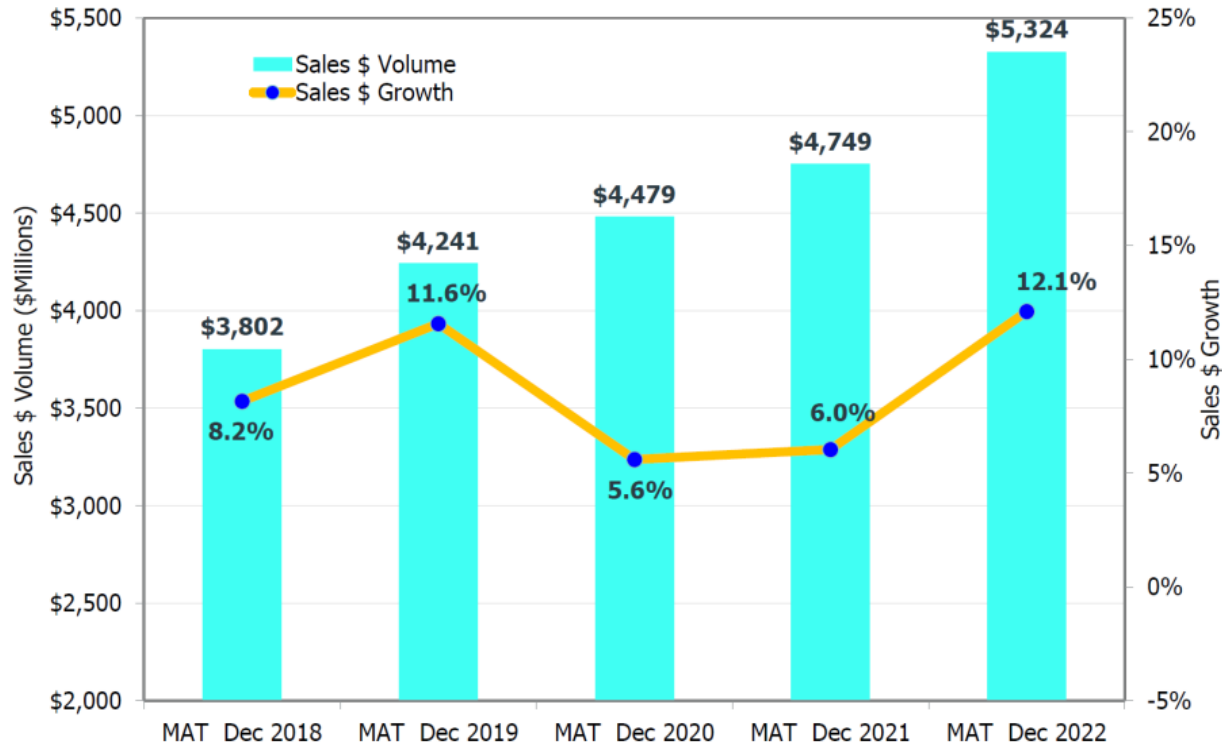
- (A) For fiscal year 2023, \$3,275,000,000
- (B) For fiscal year 2024, \$3,325,000,000
- (C) For fiscal year 2025, \$3,475,000,000.
- (D) For fiscal year 2026, \$3,645,000,000
- (E) For fiscal year 2027, \$3,825,000,00

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PR Pharmaceutical Market

- + Over 1,000 pharmacies in PR
- + 800 Local Retail Independent Pharmacies
- + 200 National Chain Pharmacies – Walgreens, CVS, Walmart, Costco
- + 8 Specialty Pharmacies
- + Specialty Products leading growth 21%

Total Puerto Rico Market Sales and Growth



Source: IQVIA Puerto Rico 'SMART' - National Sales & Rx audits – Dec 2022

MARKET HIGHLIGHTS:

12.1% Total Market Growth

5-year growth: 52%

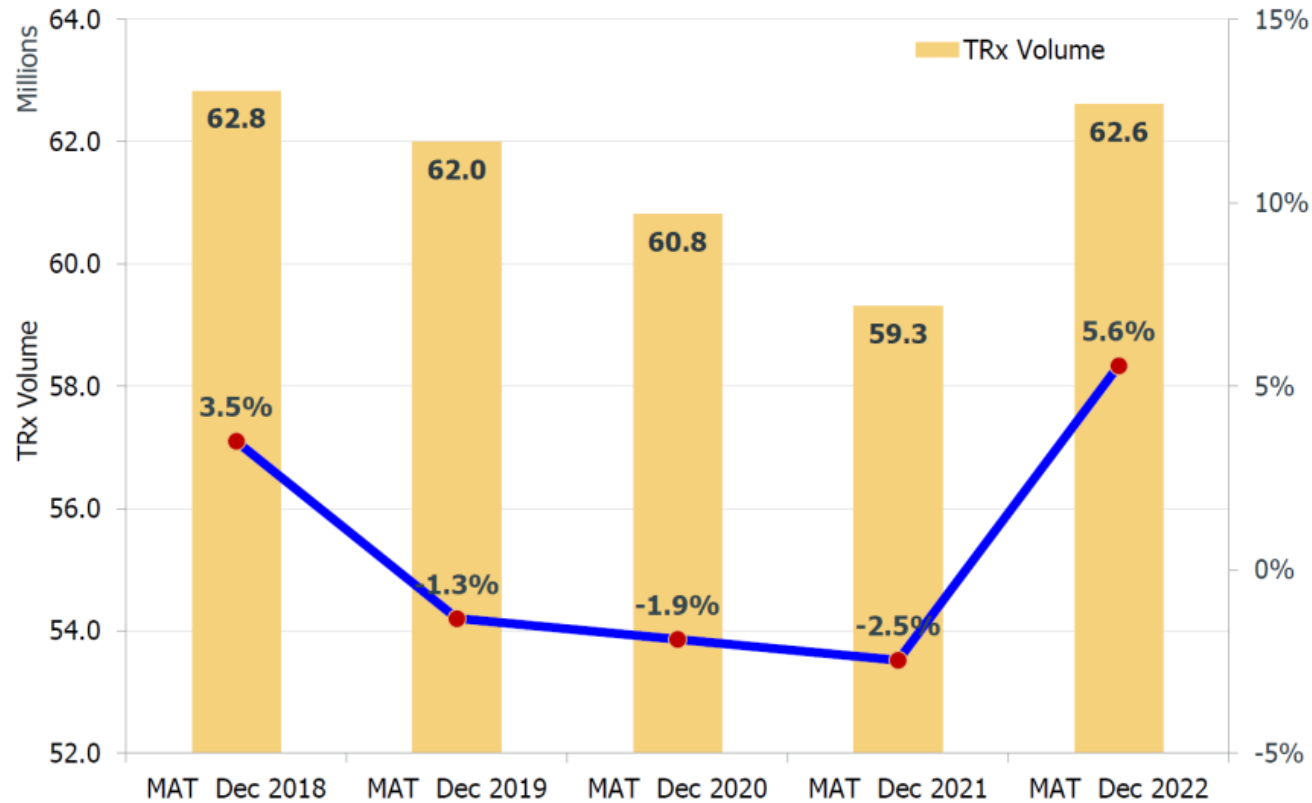
Top Performing areas:

- SPP +21%
- Independent Pharmacies +11%
- Brands: +16%



+ Rx Growth

PR Pharmaceutical Total Rxs and Growth without Covid-19 Vaccine

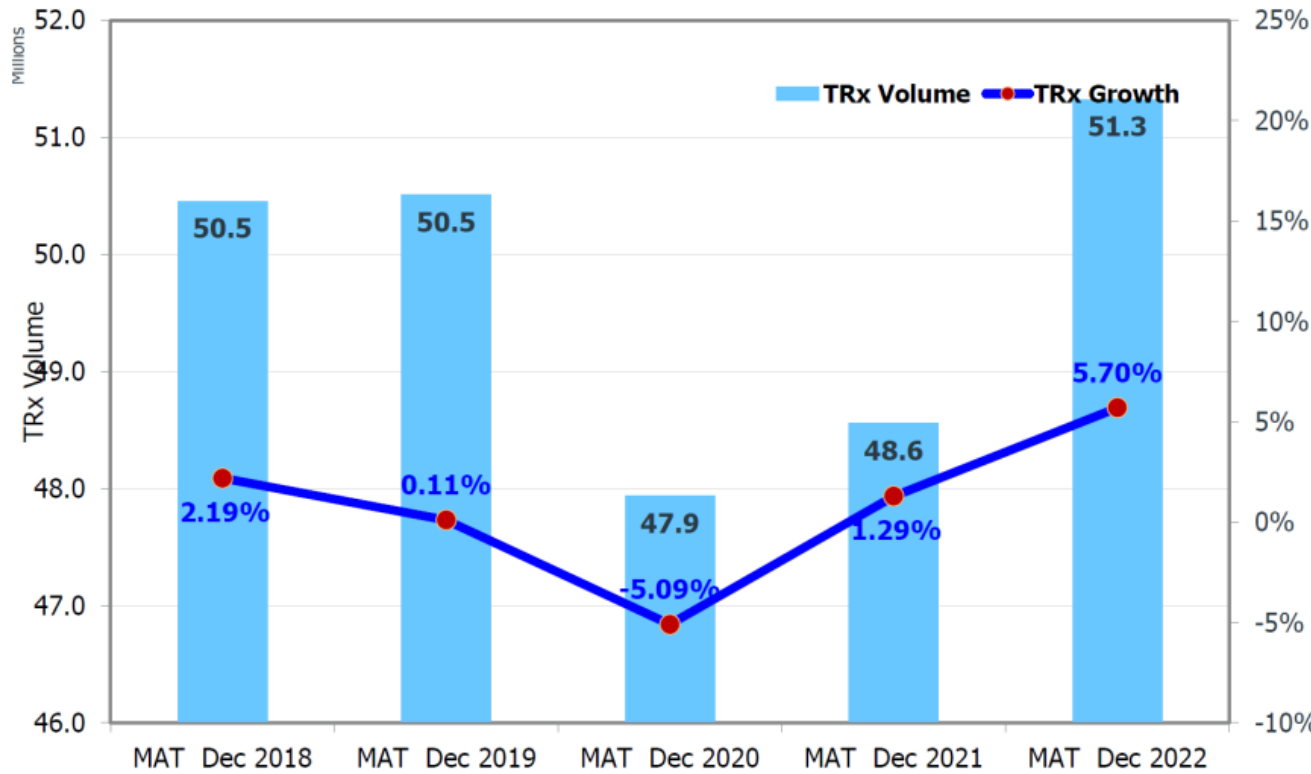


- Retail Rx volumes grew 5.6% when removing COVID vaccines
- Covid vaccine usage declined ~68%
- Covid Antivirals new 2022 market (Paslovid, Lagevrio, and others) has almost 120K Rxs as of MAT Dec 2022

Source: IQVIA Puerto Rico 'SMART' - National Sales & Rx audits - Dec 2022



Puerto Rico Retail Generic Retail TRx's & Growth



COVID-related therapies produce volatility in Generic TRx's:

Increases:

- *Famotidine (Pepcid): +21% / +222k*
- *Rosuvastatin (Crestor): +24% / +130k*
- *Losartan (Cozaar): +6% / +103k*
- *Azithromycin (Zithromax): 78% / +351K*

Declines:

- *Simvastatin (Zocor) -3% / -37k*
- *Enalapril (Vasotec) -10% / -34K*

Source: IQVIA Puerto Rico 'SMART' - National Sales & Rx audits - Dec 2022



+ 82% of total TRxs are generics or bioequivalent

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Key Take Aways

- + Aging population impacting market dynamics.
- + 65% of individuals living in Puerto Rico receive health care through Medicaid/Vital and Medicare
- + Medicare Advantage Plans becoming more important in the Healthcare Market, with 50%+ of the healthcare funding flow, 80%+ penetration in Medicare.
- + 50% of Population in Medicaid/Vital now with approved funding for the next 5 years, bringing stability to the health system.
- + Private lives stable, but not growing.
- + Potential hospital closings and hospital consolidations.
- + Physician availability is at critical levels, mostly in Specialty Physicians.
- + Steady growth in Drugs Spend in Puerto Rico, Specialty drugs is the main driver.



¡GRACIAS!

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