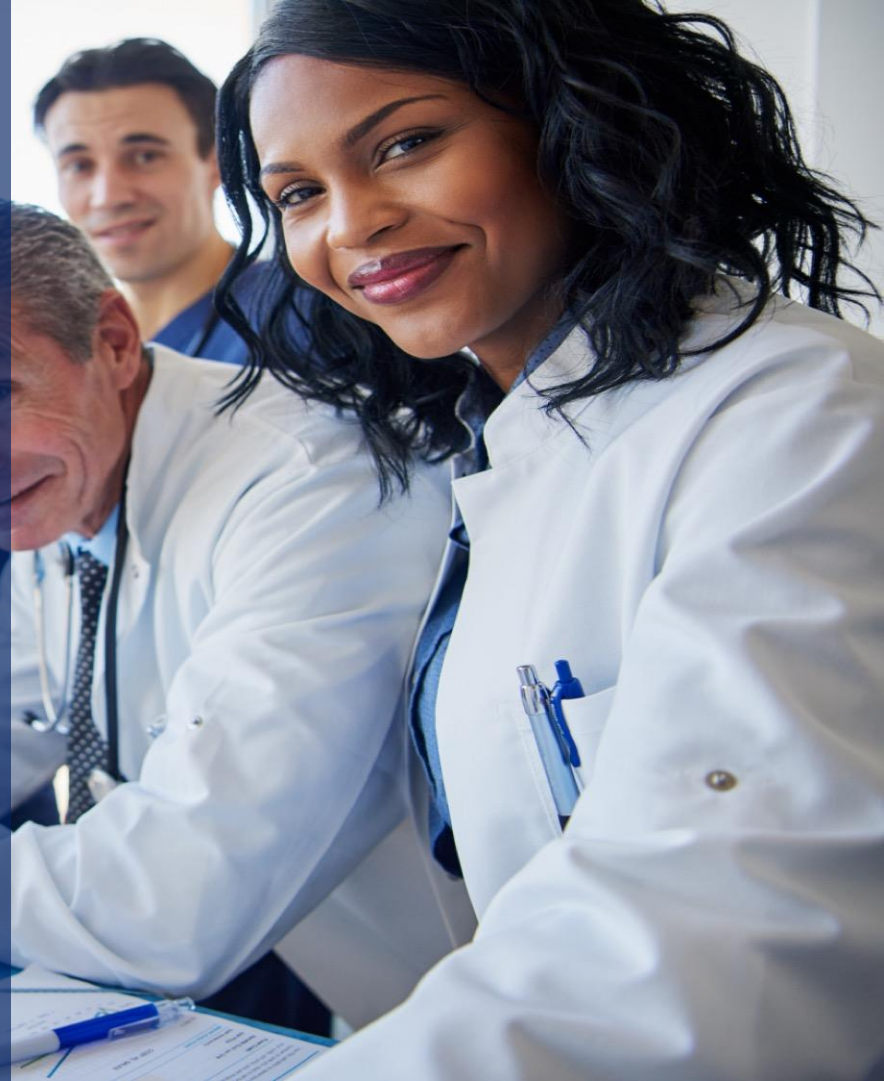




Fixing Puerto Rico's Medicare Wage Index Problem

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CEO Professional Hospital Guaynabo, Inc.



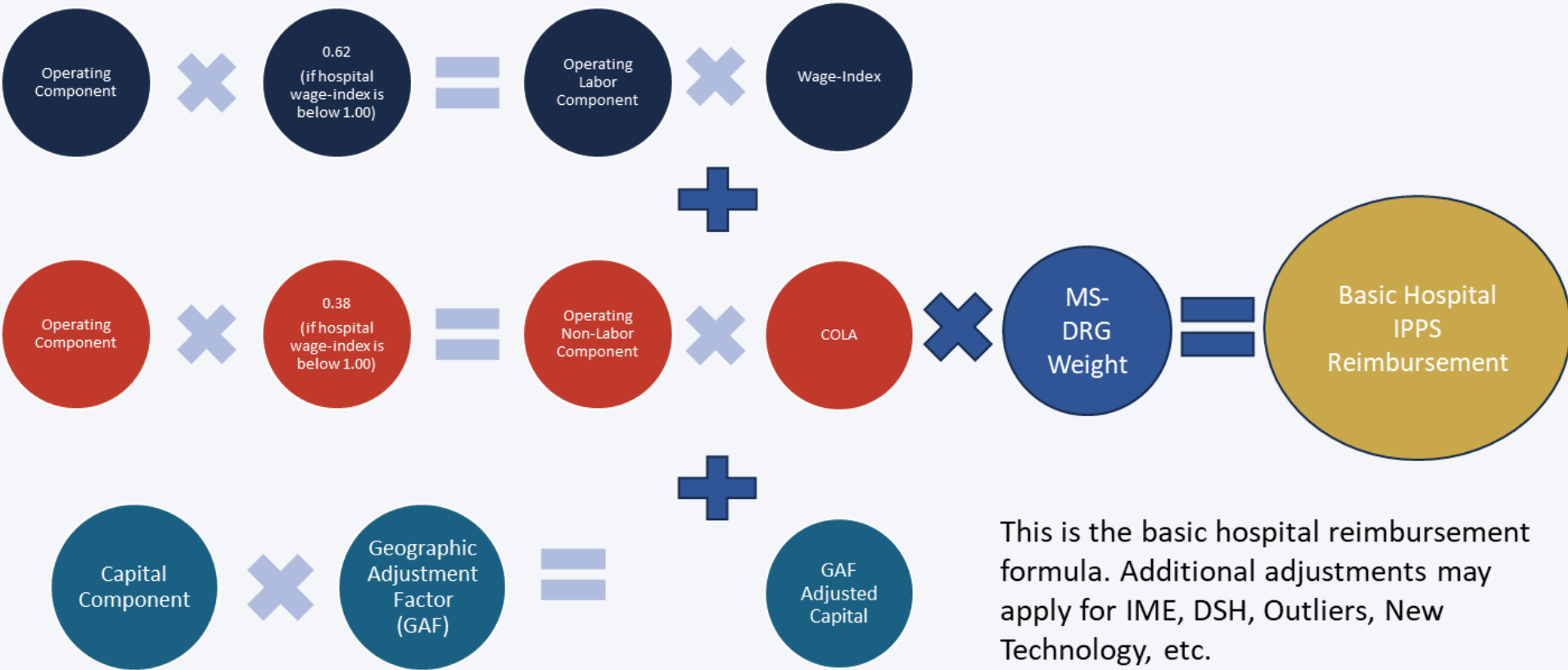


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*How a Structurally Broken Formula Underpays Puerto Rico Hospitals
and What We Must Do About It*

Dr. Leonardo I. Valentín Pérez
Professional Hospital Guaynabo

SECTION 1 | Basic Hospital IPPS Reimbursement



“Error federal” que pudo costar millones a los hospitales

El Professional Hospital detectó la falla, evitó un recorte masivo en los reembolsos de Medicare y reveló la falta de equidad en el trato hacia la isla

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Un equipo de expertos del Professional Hospital, en Guaynabo, descubrió un error de cálculo en el Geographic Adjustment Factor (GAF) publicado por los Centros de Servicios Medicaid y Medicare (CMS), lo que evitó pérdidas de sobre \$100 millones a las instituciones hospitalarias del país.

De acuerdo con Leonardo Valentín, presidente del Professional Hospital, el equipo actuarial notó que el GAF para la isla había caído erróneamente a 0.4760, cuando debía ser 0.6670, una diferencia sustancial que habría provocado recortes millonarios en reembolsos que reciben los hospitales por prestar servicios a pacientes.

“(Aunque) nosotros lo estamos enfocando desde el ángulo de hospital, quiero clarificar que esta fórmula, es una fórmula para el sistema de salud, es decir, que estos

aumentos o esta prevención de recorte que nosotros encontramos afectan todo el ecosistema. Es posible que los planes médicos ahora reciban más dinero debido a esto”, explicó Valentín a **El Nuevo Día**.

El GAF es un índice utilizado en sistemas de pago como Medicare en Estados Unidos para ajustar las tarifas de pago a hospitales y otros proveedores de atención médica.

Su propósito es compensar las diferencias geográficas en los precios de los recursos necesarios para prestar servicios médicos, como salarios, seguros y alquileres.

De esta forma, se evitan sobrepagos o subpagos a hospitales en áreas con costos de vida y de operación diferentes.

Luego de que CMS corrigió el cálculo, los ingresos de los hospitales para este año fiscal 2026 por concepto del GAF aumentaron entre 36% y 48%.

“Esto que nosotros encontramos nos



Archivo / Ramón "Tontito" Zayas

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No obstante, al considerar el GAF corregido para Puerto Rico de 0.6670, continúa estando significativamente por debajo del promedio en el resto de las jurisdicciones estadounidenses, el cual es de 0.9808, según los datos provistos por Valentín.

“Esto es parte de esta lucha que estamos teniendo para que Puerto Rico sea tratado

de manera en paridad con hospitales en otros estados”, sostuvo Valentín.

El equipo actuarial del hospital detectó la irregularidad mientras revisaba las fórmulas de reembolso de Medicare tras la decisión del caso Bridgeport Hospital vs. Becerra (julio de 2024), que obligó a revisar los parámetros del ‘wage index’, el componente que ajusta los pagos según los costos laborales por región.

Luego de que los expertos del hospital replicaron desde cero la fórmula de Medicare para validar los cálculos publicados por el CMS, la institución hospitalaria se comunicó a través de correo electrónico con la agencia federal, quien reconoció el error del cálculo.

Un error con efectos para todos “Esto es un error que se propaga para todos los hospitales de Puerto Rico. Esto es una noticia muy positiva, estamos hablando de decenas de millones de dólares al año y esto es un proceso que, si no lo paráramos, podía representar cercano a los \$100 millones en los próximos años para el ecosistema de salud”, insistió Valentín.

Bridgeport Hospital v. Becerra (D.C. Cir. 2024)

What the court said — in plain English



The Setup

CMS (Medicare's administrator) decided low-wage hospitals were stuck in a "downward spiral" — low pay → low wage index → less Medicare money → can't raise pay. So in 2019, CMS boosted the wage index for the bottom 25% of hospitals, funded by a 0.2% cut to everyone else.



The Lawsuit

Higher-wage hospitals sued: "Congress wrote the formula in the law. You can't rewrite it by policy." The D.C. Circuit agreed — Medicare statutes are "longer than many books" and Congress "spoke precisely." CMS overstepped.



The Result

July 2024: Policy vacated. October 2024: CMS removed the low-wage boost. ~849 low-wage hospitals (including ALL Puerto Rico hospitals) lost the supplement. All PR hospitals and some mainland hospitals are under the transitional wage index (annual 5% decrease from prior year effective FFY 2025). A permanent fix now requires an Act of Congress.

"Congress speaks with remarkable specificity. The Medicare wage index must be anchored to survey data — not redistributed by agency policy." — D.C. Circuit, 2024

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FFY 2020 through FFY 2024 Enhanced Wage-Index and Geographic Adjustment Factor (GAF)



Enhanced Wage-Index

For those Core Based Statistical Area (CBSA) wage index below the 25th percentile:

Enhanced Wage Index = Average of the CBSA

Wage Index and 25th Percentile Example:

CBSA Wage Index = 0.3601

25th Percentile = 0.8667

Enhanced Wage Index = $(.3601 + .8667) / 2$

Enhanced Wage Index = 0.6134



GAF Adjustment

Applies to the Capital Component of the Base Rate

$GAF = \text{Wage Index}^{(0.6848)}$

$GAF = 0.6134^{(.6848)} = 0.7156$

Payment Error Avoided

In FFY 2026, CMS was using the hospital cost report wage index instead of the transitional wage index to calculate the GAF adjustment. This caused the GAF factor to be understated which would have resulted in lower Medicare FFS payments to hospitals and would impact the MA AGA factors. PHG worked with CMS to correct this error.

SECTION 1 | CORRECTED GAF

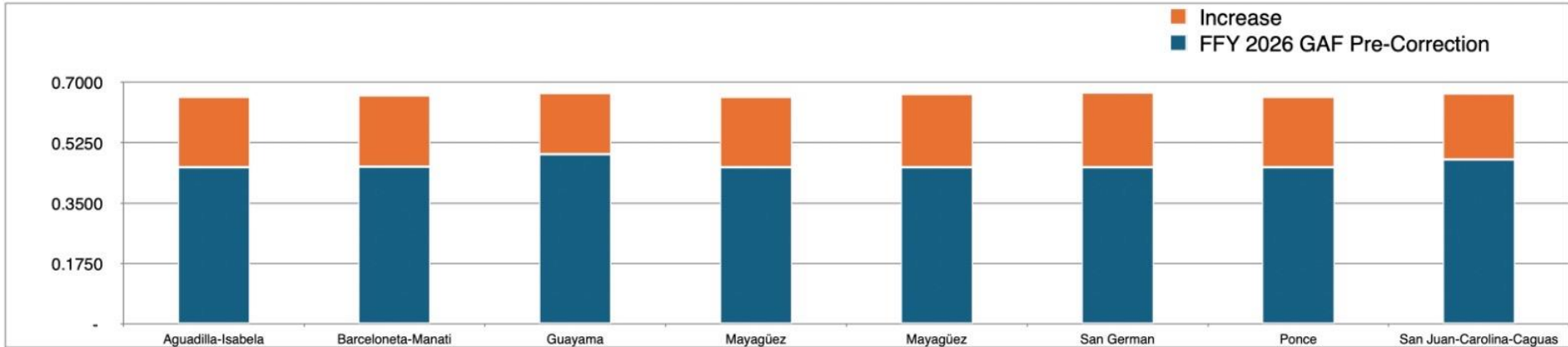
FFY 2026 Medicare Inpatient Prospective Payment System (IPPS) Geographic Adjustment Factor (GAF) Pre- and Post-Correction - 2025.10.07 (Version 1)

Geographic Labor Market Area	Pre-Reclass Labor Market Area	Post Reclass Labor Market Area	Payment Labor Market Area	FIPS County Code	CCN	FFY 2026 GAF Pre-Correction	FFY 2026 GAF Post-Correction	Difference	Percentage Increase
10380	10380	10380	10380	All	All	0.4537	0.6579	0.204	45%
11640	11640	11640	11640	All	All	0.4558	0.6614	0.206	45%
25020	25020	25020	25020	All	All	0.4917	0.6695	0.178	36%
32420	32420	32420	32420	72097	400014, 400103, 400136	0.4543	0.6579	0.204	45%
32420	32420	32420	32420	72097	400123	0.4543	0.6664	0.212	47%
32420	32420	32420	32420	72125	400021, 400126	0.4543	0.6706	0.216	48%
38660	38660	38660	38660	All	All	0.4537	0.6579	0.204	45%
41980	41980	41980	41980	All	All	0.4760	0.6670	0.191	40%

General Notes:

The GAF adjustment is applied to the capital component when determining what Medicare Fee-for-Service would pay.

Professional Hospital Guaynabo's team determined CMS was using the lower wage index rather than the wage index that reflected the transition for the discontinuation of the Low Wage Index Hospital Policy to determine the FFY 2026 GAF adjustment. The corrected GAF adjustment is significantly higher than the GAF adjustment CMS released in the FFY 2026 Final Rule.



The IPPS Formula — Simplified

⚠️ Puerto Rico receives ~42% LESS per discharge than the national baseline for the same diagnosis — driven entirely by the Wage Index. The Low Wage Index Policy reduced the payment disparity for low wage hospitals.



US National Average Hospital (Wage Index: ~1.0)	
Operating Base (Labor portion)	$62\% \times \$6,752.61 = \$4,186.62$
× Wage Index	× 1.00
Wage-adjusted Operating Labor	= \$4,186.62
+ Operating Base Non-labor (38%)	$38\% \times \$6,752.61 = \$2,565.99$
× COLA	× 1.00
COLA-adjusted Operating Non-Labor	= \$2,565.99
Capital Component	= \$524.15
× GAF Adjustment	$\text{Wage Index}^{(0.6848)} = 1.00$
GAF-adjusted Capital Component	= \$524.15
Total DRG Payment	≈ \$7,276.76 (at DRG weight 1.0)

PR Puerto Rico Hospital (Wage Index: ~0.34)	
Operating Base (Labor portion)	$62\% \times \$6,752.61 = \$4,186.62$
× Wage Index	× 0.34
Wage-adjusted Operating Labor	= \$1,423.45
+ Operating Base Non-labor (38%)	$38\% \times \$6,752.61 = \$2,565.99$
× COLA	× 1.00
COLA-adjusted Operating Non-Labor	= \$2,565.99
Capital Component	= \$524.15
× GAF Adjustment	$\text{Wage Index}^{(0.6848)} = 0.48$
GAF-adjusted Capital Component	= \$251.59
Total DRG Payment	≈ \$4,241.03 (at DRG weight 1.0)

The Lowest Wage Indexes in the Nation — Right Here

Hospital / Area	CBSA	FY2026 Wage Index	vs. National Avg (1.0)	PR Hospital Revenue Compared to National Levels at DRG weight 1.0 (millions)*
San Juan – Bayamón CBSA (Metro)	41980	0.5536	-44.6%	~(\$394M–\$436M) less
Arecibo CBSA	11640	0.5468	-45.3%	~(\$28M–\$31M) less
Aguadilla–Isabela CBSA	10380	0.5426	-45.7%	~(\$13M–\$14M) less
Ponce CBSA	38660	0.5426	-45.7%	~(\$69M–\$76M) less
Mayagüez CBSA	32420	0.5426	-45.7%	~(\$64M–\$70M) less
Guayama	25020	0.5566	-44.3%	~(\$14M–\$15M) less
COMPARATOR: San Francisco CBSA	41884	1.6917	+69.2%	N/A (premium)

*Estimates are based on FY 2024 cost report discharges +/- 5%. These figures include Medicare, Medicaid, and Commercial Discharges.

Every Puerto Rico hospital ranks in the bottom 2% of all U.S. wage index values. This is not an outlier — it is systemic.

How Hospitals Undermine Their Own Wage Index

CCN	Hospital Name	CBSAGEO	Unadjusted Wages	Hours	Unadjusted Average Hourly Wage	Occupational Mix Adjusted Wages	Occupational Mix Adjusted Average Hourly Wage	Unadjusted Average Hourly Wage Index	Occupational Mix Adjusted Average Hourly Wage Index	FFY 2026 IPPS Transitional Wage Index
400133	HIMA SAN PABLO CUPEY	41980	\$ 4,814,278	246,034	\$ 19.57	\$ 4,650,957	\$ 18.90	0.3378	0.3267	0.5536
400131	CARIBBEAN MEDICAL CENTER	41980	\$ 7,721,425	415,249	\$ 18.59	\$ 7,215,511	\$ 17.38	0.3210	0.3003	0.5536
400012	HOSPITAL I GONZALEZ MARTINEZ	41980	\$ 8,036,646	425,629	\$ 18.88	\$ 7,936,330	\$ 18.65	0.3260	0.3223	0.5536
400122	PROFESSIONAL HOSPITAL	41980	\$ 8,418,433	476,004	\$ 17.69	\$ 8,264,601	\$ 17.36	0.3053	0.3001	0.5536
400005	HOSPITAL SAN PABLO HUMACAO	41980	\$ 9,854,740	481,290	\$ 20.48	\$ 9,504,392	\$ 19.75	0.3535	0.3413	0.5536
400135	CENTRO COMPRENSIVO DE CANCER	41980	\$ 13,129,630	530,199	\$ 24.76	\$ 12,549,889	\$ 23.67	0.4275	0.4091	0.5536
400128	HOSPITAL METRO HATO REY, INC.	41980	\$ 11,147,872	544,240	\$ 20.48	\$ 10,382,908	\$ 19.08	0.3536	0.3297	0.5536
400125	HOSPITAL HIMA SAN PABLO FAJARDO	41980	\$ 10,732,922	546,753	\$ 19.63	\$ 10,356,773	\$ 18.94	0.3389	0.3274	0.5536
400015	SAN JUAN MUNICIPAL HOSPITAL	41980	\$ 8,779,520	564,679	\$ 15.55	\$ 8,580,890	\$ 15.20	0.2684	0.2626	0.5536
400115	HOSPITAL WILMA N VAZQUEZ	41980	\$ 12,011,380	617,900	\$ 19.44	\$ 10,343,462	\$ 16.74	0.3356	0.2893	0.5536
400105	BAYAMON REGIONAL HOSPITAL	41980	\$ 12,453,278	619,067	\$ 20.12	\$ 12,030,809	\$ 19.43	0.3473	0.3359	0.5536
400011	HOSPITAL MENONITA HUMACAO	41980	\$ 13,852,155	666,206	\$ 20.79	\$ 13,079,302	\$ 19.63	0.3590	0.3393	0.5536
400006	DOCTORS CENTER HOSPITAL SAN JUAN I	41980	\$ 11,680,336	714,201	\$ 16.35	\$ 11,199,716	\$ 15.68	0.2823	0.2710	0.5536
400007	RYDER	41980	\$ 13,027,290	772,230	\$ 16.87	\$ 12,590,516	\$ 16.30	0.2912	0.2818	0.5536
400106	HOSPITAL METROPOLITANO	41980	\$ 16,344,176	810,770	\$ 20.16	\$ 15,646,678	\$ 19.30	0.3480	0.3335	0.5536
400132	DOCTORS CENTER HOSPITAL CAROLINA	41980	\$ 14,523,114	864,484	\$ 16.80	\$ 13,832,383	\$ 16.00	0.2900	0.2765	0.5536
400098	HOSPITAL SAN FRANCISCO	41980	\$ 17,881,973	923,309	\$ 19.37	\$ 16,982,108	\$ 18.39	0.3344	0.3179	0.5536
400102	DOCTORS CENTER HOSPITAL BAYAMON	41980	\$ 14,845,375	927,137	\$ 16.01	\$ 14,019,262	\$ 15.12	0.2764	0.2613	0.5536
400124	CORPORACION DEL CENTRO CARDIOVASCULA	41980	\$ 31,555,284	1,067,910	\$ 29.55	\$ 30,426,105	\$ 28.49	0.5101	0.4924	0.5536
400032	BAYAMON MEDICAL CENTER	41980	\$ 22,432,800	1,213,958	\$ 18.48	\$ 22,229,295	\$ 18.31	0.3190	0.3165	0.5536
400001	ASHFORD PRESBYTERIAN COMMUNITY CORP	41980	\$ 25,690,750	1,317,761	\$ 19.50	\$ 24,415,752	\$ 18.53	0.3366	0.3202	0.5536
400018	HOSPITAL MENONITA AIBONITO	41980	\$ 34,198,870	1,582,131	\$ 21.62	\$ 33,083,107	\$ 20.91	0.3732	0.3614	0.5536
400061	UNIVERSITY DISTRICT HOSPITAL	41980	\$ 31,287,142	1,599,838	\$ 19.56	\$ 32,756,622	\$ 20.47	0.3376	0.3539	0.5536
400019	HOSPITAL PAVIA SANTURCE	41980	\$ 34,802,394	1,756,290	\$ 19.82	\$ 33,113,669	\$ 18.85	0.3421	0.3259	0.5536
400112	HOSPITAL UPR	41980	\$ 27,803,740	1,785,448	\$ 15.57	\$ 27,257,920	\$ 15.27	0.2688	0.2639	0.5536
400104	HOSPITAL MENONITA CAGUAS INC	41980	\$ 38,729,423	1,803,523	\$ 21.47	\$ 35,924,155	\$ 19.92	0.3707	0.3443	0.5536
400118	DOCTOR CENTER HOSPITAL MANATI, INC.	41980	\$ 31,761,871	1,849,568	\$ 17.17	\$ 29,950,785	\$ 16.19	0.2965	0.2799	0.5536
400127	ADMIN DE SERVICIOS MEDICOS DE PR	41980	\$ 60,218,570	2,130,795	\$ 28.26	\$ 59,512,548	\$ 27.93	0.4879	0.4827	0.5536
400114	HOSPITAL DR. ALEJANDRO OTERO	41980	\$ 42,627,993	2,139,456	\$ 19.92	\$ 41,441,813	\$ 19.37	0.3440	0.3348	0.5536
400109	HOSPITAL HIMA SAN PABLO BAYAMON	41980	\$ 53,586,445	2,367,265	\$ 22.64	\$ 52,846,664	\$ 22.32	0.3908	0.3858	0.5536
400013	HOSPITAL MENONITA DE CAYEY	41980	\$ 55,285,203	2,469,823	\$ 22.38	\$ 52,972,843	\$ 21.45	0.3864	0.3707	0.5536
400120	HOSPITAL HIMA SAN PABLO CAGUAS	41980	\$ 69,894,793	3,223,574	\$ 21.68	\$ 67,900,652	\$ 21.06	0.3743	0.3640	0.5536
400016	AUXILIO MUTUO HOSPITAL	41980	\$ 93,758,381	4,053,879	\$ 23.13	\$ 91,061,348	\$ 22.46	0.3993	0.3882	0.5536
		Total	\$ 862,888,202	41,506,600	\$ 20.79	\$ 834,059,765	\$ 20.09	0.3589	0.3473	0.5536

Low Wage Index → Low MA Benchmarks → Low MA Rates for All Hospitals



How MA Benchmarks Work

Medicare Advantage county benchmarks, the maximum CMS can pay MA plans, are calculated from the Medicare FFS US Per Capita Cost adjusted for a number of variables. One of which is the Average Geographic Adjustment (AGA). Because FFS spending in Puerto Rico is suppressed by the low wage index, the MA benchmark is structurally lower. Plans then pay hospitals relative to this lower starting point.

The Double Penalty

Puerto Rico hospitals suffer the wage index penalty twice: once in Traditional Medicare (direct IPPS payment reduction) and again in Medicare Advantage (lower benchmark → lower negotiated rates from plans). Over 60% of Medicare-eligible Puerto Ricans are enrolled in MA plans, amplifying this effect.

What This Means in Dollars

A fair wage index of 0.65 (still below national average) would increase Puerto Rico's county FFS benchmark, improving MA plan bids and hospital contract rates. Relative to a wage-index of 0.34, a minimum wage-index of 0.65 would increase Puerto Rico's hospital base rate by 33.8% or \$426 million based on FY 2024 hospital cost report discharges.

Calendar Year 2021 through Calendar Year 2025 AGA Factors

CY 2021 – CY 2025 AGA Factor Calculation

5-Year Base Period Medicare Part A and Part B expenses are repriced using the latest wage index to determine the AGA factor for each bid year.

MA Benchmarks Due to enhanced wage indices, the AGA factors were enhanced from CY 2021 through CY 2025 resulting in higher MA benchmarks in Puerto Rico.

MA Premium MA plans are paid their bids plus Medicare rebates with risk adjustment. MA bids should take into consideration the enhanced wage index allowing plans to draw down additional funding which can be used to pay hospital providers at more equitable levels.

Hospital Wages Hospitals can use the additional funds to pay healthcare workers a higher wage to maintain the higher wage index and MA benchmarks in PR. This encourages healthcare workers to remain in Puerto Rico.

Bridgeport v Becerra Impact on the AGA Factor

The transitional wage index began in FFY 2025. This reduced the wage index for Puerto Rico hospitals by 5% from FFY 2024 to FFY 2025. There was an additional 5% reduction from FFY 2025 to FFY 2026.

The average AGA factor decreased by 2.81% from CY 2025 to CY 2026. The AGA factor is expected to continue to decrease from CY 2026 to CY 2027 for Puerto Rico due to the continued reduction in the hospital wage index.

Due to lower AGA factors, the MA benchmarks are expected to continue to decrease leaving less room for MA supplemental benefits funded by Medicare rebates.

Administrative Cost and Underwriting Gain are developed as a percentage of premium. Lower premiums results in less Admin and UW gain.

Based on the FFY 2026 enhanced wage-index, ranging from 0.5426 to 0.5580, and the national average hourly wage of \$57.86/hour, this would allow Puerto Rico hospital providers to pay their staff an average hourly wage of \$31.40/hour to \$32.29/hour.

Calendar Year 2020 through Calendar Year 2026 AGA Factor Development Repricing (millions) – Inpatient Hospital

Bid Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2020	\$1.74	\$1.04	\$1.11	(\$0.81)	\$0.00						
2021		\$1.05	\$1.13	\$14.61	\$12.78	\$13.06					
2022			\$0.39	\$14.36	\$12.59	\$12.76	\$9.73				
2023				\$14.11	\$12.66	\$12.38	\$9.39	(\$0.61)			
2024					\$12.30	\$12.52	\$9.40	(\$0.91)	(\$0.59)		
2025						\$12.72	\$9.54	(\$0.82)	(\$0.44)	(\$0.07)	
2026							\$7.82	(\$1.92)	(\$1.44)	(\$1.00)	(\$0.81)

Bid Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2020	1.72%	0.95%	1.16%	(0.81%)	0.00%						
2021		0.96%	1.18%	14.49%	12.95%	13.24%					
2022			0.40%	14.24%	12.76%	12.93%	10.34%				
2023				14.00%	12.82%	12.54%	9.98%	(0.70%)			
2024					12.47%	12.69%	9.98%	(1.05%)	(0.71%)		
2025						12.89%	10.13%	(0.95%)	(0.54%)	(0.10%)	
2026							8.30%	(2.22%)	(1.74%)	(1.41%)	(1.17%)

MA Bids?

Calendar Year 2020 through Calendar Year 2026 AGA Factor Development Repricing (millions) – Outpatient Hospital

Bid Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2020	(\$0.33)	(\$0.40)	(\$0.36)	(\$0.20)	(\$0.12)						
2021		\$3.20	\$2.99	\$3.01	\$2.65	\$2.94					
2022			\$2.90	\$2.93	\$2.58	\$2.86	\$2.14				
2023				\$2.83	\$2.49	\$2.77	\$2.05	(\$0.11)			
2024					\$2.47	\$2.74	\$2.02	(\$0.13)	(\$0.09)		
2025						\$2.80	\$2.07	(\$0.10)	(\$0.05)	\$0.02	
2026							\$2.76	(\$0.00)	\$0.06	\$0.14	\$0.16

Bid Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2020	(0.19%)	(0.25%)	(0.24%)	(0.13%)	(0.09%)						
2021		1.98%	1.98%	2.07%	2.02%	2.05%					
2022			1.92%	2.01%	1.96%	1.99%	1.56%				
2023				1.95%	1.90%	1.93%	1.50%	(0.10%)			
2024					1.88%	1.91%	1.48%	(0.11%)	(0.06%)		
2025						1.96%	1.51%	(0.09%)	(0.04%)	0.02%	
2026							2.01%	0.00%	0.04%	0.11%	0.15%

Puerto Rico vs US Non-Puerto Rico AGA Factors

AGA Factors w/o Zero Claim Adjustment for PR							
Location	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Puerto Rico	0.5002	0.5280	0.5256	0.5208	0.5249	0.5255	0.5113
US Non-Puerto Rico	1.0008	1.0007	1.0006	1.0013	1.0005	1.0017	1.0005

AGA Factors w/o Zero Claim Adjustment for PR Trend							
Location	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Puerto Rico	N/A	5.57%	-0.45%	-0.92%	0.79%	0.13%	-2.71%
US Non-Puerto Rico	N/A	-0.01%	-0.01%	0.07%	-0.08%	0.12%	-0.13%

AGA Factors w/ Zero Claim Adjustment for PR							
Location	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Puerto Rico	0.5237	0.5528	0.5498	0.5452	0.5480	0.5476	0.5323
US Non-Puerto Rico	1.0008	1.0007	1.0006	1.0013	1.0005	1.0017	1.0005

AGA Factors w/ Zero Claim Adjustment for PR Trend							
Location	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Puerto Rico	N/A	5.57%	-0.55%	-0.83%	0.50%	-0.06%	-2.81%
US Non-Puerto Rico	N/A	-0.01%	-0.01%	0.07%	-0.08%	0.12%	-0.13%

Puerto Rico Wage-Index without Enhancement

Occupational Mix Adjusted Average Hourly Wage							
	FFY 2020	FFY 2021	FFY 2022	FFY 2023	FFY 2024	FFY 2025	FFY 2026
Puerto Rico Hospitals	17.72	17.71	17.73	17.95	18.00	18.57	\$ 19.53
Non-Puerto Rico US Hospitals	44.34	45.42	46.67	47.94	50.55	55.20	\$ 58.11
Total	44.15	45.23	46.47	47.73	50.34	54.96	\$ 57.86
Cost Report Year	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022

Average Hourly Wage Annual Trend							
	FFY 2020	FFY 2021	FFY 2022	FFY 2023	FFY 2024	FFY 2025	FFY 2026
Puerto Rico Hospitals	-	-0.06%	0.11%	1.24%	0.28%	3.17%	5.17%
Non-Puerto Rico US Hospitals	-	2.44%	2.75%	2.72%	5.44%	9.20%	5.27%
Total	-	2.45%	2.74%	2.71%	5.47%	9.18%	5.28%
Cost Report Year	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022

Wage-Index Computed from Hospital Cost Reports							
	FFY 2020	FFY 2021	FFY 2022	FFY 2023	FFY 2024	FFY 2025	FFY 2026
Puerto Rico Hospitals	0.4014	0.3916	0.3815	0.3761	0.3576	0.3379	0.3375
Non-Puerto Rico US Hospitals	1.0043	1.0042	1.0043	1.0044	1.0042	1.0044	1.0043
Total	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Cost Report Year	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022

Where Do We Go From Here?

Since Bridgeport eliminated administrative fixes, the path forward runs through Congress and ASES.

Legislative

 HIGH

Congressional Wage Index Floor for Territories

Amend 42 U.S.C. §1395ww(d)(3)(E) to establish a statutory minimum wage index floor for Puerto Rico and other U.S. territories. Bills have been introduced in prior Congresses (e.g., Consolidated Appropriations Act provisions). Bipartisan support exists.

Administrative (CMS)

 MEDIUM

Special Geographic Exception for Island Territories

CMS could propose a rulemaking under §1395ww(d)(5)(I) (the exceptions provision upheld post-Bridgeport for narrow adjustments) to recognize Puerto Rico's unique geographic labor market distortion — an island economy structurally decoupled from mainland wage dynamics — rather than treating it as simply a "low-wage area."

Cost Report / Advocacy

 NOW

Maximize Wage Index Through Better Data Submission

Hospitals should not wait for policy change. File corrected cost reports, fully document all compensation and benefits on Worksheet S-3, pursue rural reclassification where eligible, and coordinate regionally to ensure the Puerto Rico CBSA average hourly wage reflects true labor costs. Collective undercounting harms all PR hospitals.

Legislative

 HIGH

Advocate for a COLA Adjustment

Hawaii and Alaska receives a COLA adjustment of 1.22 to 1.25 which is applied to the Operating Non-Labor Component. Assuming a wage-index of .34, a COLA adjustment of 1.25 would increase Puerto Rico's FFY 2026 hospital base rate by 15.1% or \$191 million using FY 2024 hospital cost report discharges.

How APR-DRG Implementation Mirrors LWI Policy

A Legal Precedent Framework: What Bridgeport Teaches Us About Rate-Setting Authority

BRIDGEPORT v. BECERRA (LWI Context)

MECHANISM CMS used administrative discretion to redistribute wage-index funds — boosting low-wage hospitals by cutting payments to others — without Congressional authorization.

WHO BENEFITS Low-wage hospitals (~bottom 25th percentile) received a supplemental boost funded by a 0.2% reduction applied to all higher-wage hospitals.

THE FLAW D.C. Circuit: Congress wrote the wage-index formula with "remarkable specificity." CMS lacked authority to redistribute funds through policy alone.

"TRANSITION" PROMISE CMS acknowledged harm to low-wage hospitals and offered a transition: wage-index reduction capped at 5%/year through ~2036.

ASES APR-DRG (Base Rate Context)

ASES used MCO historical payment data (incl. non-contracted discounts) to set permanent hospital-specific base rates, without a uniform statewide actuarial standard.

Hospitals with established MCO contracts and higher historical rates were locked into advantaged positions; newer or non-participating hospitals penalized.

No rational actuarial basis exists for **using non-contracted discount payments as the permanent baseline**. Methodology not fully disclosed; no Limited Fluctuation Credibility or Bühlmann credibility applied.

ASES labeled FY2026 a "transition year" — implying October 2026 correction. The structural incentive to preserve status quo rates remains unchanged.

Key Question: Bridgeport showed that we cannot implement payment fixes that disadvantage other parties without legislation or rational basis. *Does the APR-DRG methodology meet that standard?*

Puerto Rico FFY 2026 APR DRG Base Rates by Hospital Version 3 Effective January 1, 2026 — (12/22/2025)

NPI	Hospital Name	Final APR DRG Base
1760455109	Admin De Servicios Medicos Puerto Rico	\$6,955.52
1265493001	Auxilio Mutuo Hospital	\$6,930.16
1912930488	Bayamon Medical Center	\$6,666.89
1689148298	Puerto Rico Women and Children's Hospital L.L.C.	\$8,757.65
1083636179	Bella Vista Hospital	\$4,911.42
1215051404	Caribbean Medical Center	\$7,638.20
1225017916	Centro Cardiovascular	\$9,327.22
1154309169	Centro Medico Wilma N Vazquez	\$5,778.54
1255736187	Doctor Center Hospital San Fernando De La Carolina	\$5,546.96
1912992553	Doctors' Center Bayamon	\$6,301.03
1699748236	Doctor's Center De San Juan	\$5,494.78
1194480806	DCH Orlando Health Dorado	\$8,146.04
1861494163	Doctors' Center Hospital, Inc.	\$6,691.84
1518732700	Hospital Espanol Auxilio Mutuo San Pablo	\$6,561.04
1841919974	Hospital Episcopal San Lucas Metro	\$5,018.55
1780454728	Hope Medical Center	\$6,769.14
1962280131	Centro Medico del Noreste	\$6,719.86
1922034776	Hosp Comunitario Buen Samaritano	\$5,817.81
1730159286	Hospital Damas Inc.	\$5,253.07
1366484594	Hospital De La Concepcion	\$5,175.73
1003366527	Hospital Del Centro Comprensivo De Cancer	\$5,366.96
1972531218	Hospital Dr. Cayetano Coll y Toste	\$5,474.49
1760486344	Hospital General De Castaner	\$5,018.55
1003185455	Hospital Menonita Caguas Inc.	\$7,203.79
1750317764	Hospital Menonita De Cayey	\$7,600.35
1639696289	Hospital Menonita Guayama	\$6,228.29

Puerto Rico FFY 2026 APR DRG Base Rates by Hospital Version 3 Effective January 1, 2026 — (12/22/2025)

NPI	Hospital Name	Final APR DRG Base
1578196820	Hospital Menonita Humacao, Inc.	\$5,929.08
1235856253	Hospital Menonita Ponce	\$5,290.38
1104862044	Hospital Metropolitano Dr. Susoni	\$5,302.47
1760362792	Hospital de la Concepcion San German Pueblo	\$5,712.67
1720306343	Hospital Metropolitano Dr. Pila	\$5,302.19
1407852338	Hospital Oncologico Dr. Isaac Gonzalez Martinez	\$4,823.18
1467417865	Hospital Pavia Santurce	\$5,778.17
1760475388	Hospital Pavia Yauco	\$4,309.74
1821082918	Hospital Perea	\$5,179.49
1326835703	Mayaguez Medical Center - San Antonio Inc	\$5,775.75
1104856889	Hospital San Carlos Borromeo	\$5,171.13
1598798811	Hospital San Francisco	\$6,959.14
1407859036	Hospital Universitario De Adulto	\$4,725.66
1992724140	Hospital Universitario Dr. Ruiz Arnau	\$4,600.58
1023107182	Hospital UPR, Dr. Federico Trilla	\$5,896.68
1376605170	Manati Medical Center Dr. Otero Lopez	\$6,563.89
1013140383	Mayaguez Medical Center Dr. Ramon Emeterio Betances	\$5,837.47
1851320394	Mennonite General Hospital Inc.	\$6,962.65
1467234039	Hospital Pavia Caguas	\$7,872.45
1275580763	Metropolitan Hospital	\$6,074.73
1770580813	Presbyterian Community Hosp	\$6,162.86
1922254952	Professional Hospital Guaynabo Inc.	\$4,953.69
1447270319	Ryder Memorial Hospital Inc.	\$6,669.52
1538917877	The San Jorge Hospital Inc.	\$7,263.55
1154391415	San Juan Municipal Hospital	\$6,103.45
1841295557	San Luke's Memorial Hospital Inc.	\$6,087.36
1174678460	University Pediatric Hospital	\$5,844.28
	Base Rate for Off-island Hospitals	\$6,273.18

Summary & Call to Action

The Fix Is Known. The Will Must Follow.



The problem is structural

Puerto Rico's wage index of ~0.34 is not the result of poor management — it is the mathematical output of a formula applied to a territory with a disadvantaged economic history.

Bridgeport closed the administrative door

CMS cannot fix this by policy. Congress must act. Every year of inaction costs Puerto Rico hospitals hundreds of millions in Medicare and MA revenue.

Cost reports are within our control

While we wait for legislative change, hospitals must ensure accurate wage data submissions. This is immediate, actionable, and requires no external approval.

MA Plans should take into consideration the latest Medicare FFS Fee Schedules when developing MA Bids

The federal funding is available to maintain the enhanced wage-index and AGA factors but only if the MA plans take action.

ASES must correct its course!

The island's Medicaid needs to follow actuarially sound APR-DRG rate schedule and best practices as seen in other states.



Thank you!

PUERTO RICO CHAMBER
O F C O M M E R C E



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