GOBIERNO DE PUERTO RICO
Administración de Seguros de Salud

Hon. Wanda Vázquez Garced
Gobernadora

Lcdo. Jorge E. Galva Rodríguez
Director Ejecutivo

26 de diciembre de 2019

Sra. Iris E. Díaz Santos
Directora
Oficina de Gerencia y Presupuesto
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RESUMEN 2021 - PRESUPUESTO SOLICITADO DE LA ADMINISTRACION DE SEGUROS DE SALUD DE PUERTO RICO AÑO FISCAL 2020-2021:

(Nota: se incluye la carta en español e inglés//included letter in english and spanish)

Conforme el Memorándum General Núm. 492-19 sobre Normas sobre el Proceso Presupuestario para el Año Fiscal 2020-2021, se establece que el presupuesto solicitado será igual a la cantidad del *baseline* provista por la Junta de Supervisión Fiscal (JSF); sin embargo, en el mismo memorándum se hace la salvedad que de entender la entidad que el *baseline* provisto por la Junta dificulta el cumplimiento con el deber ministerial del organismo, deberá presentar en un documento explicativo las diferencias o planteamientos que justifiquen la revisión y aumento del presupuesto por encima del *baseline* original. Esta comunicación contiene dicha información.

ASES hace la salvedad que el presupuesto establecido por la JCF no está cónsono con el presupuesto solicitado por la ASES que incluye las iniciativas establecidas para la sostenibilidad del Plan de Salud del Gobierno de Puerto Rico (PSG) y las proyecciones financieras presentadas al Congreso de los Estados Unidos para justificar fondos adicionales para el PSG. Informamos que la Junta de Supervisión Fiscal (JSF), ha estado involucrada en el proceso informativo de estas gestiones. Véase Anejo 1.

El presupuesto designado a la ASES por la JCF debe modificarse luego de la aprobación de fondos federales adicionales. Los mismos facilitan el cumplimiento ministerial del organismo y los esfuerzos e iniciativas presentados por el Secretario de Salud, la Comisionada Residente y la Gobernadora de Puerto Rico. La aprobación de estos fondos debe modificar el *baseline* establecido por la JSF y permite la realización del plan fiscal de la Ases el cual se modificaría de $2.2 mil millones a $3.6 mil millones y el cual provee a la ASES la solvencia financiera para cumplir con sus compromisos programáticos previamente establecidos según la Ley 72 1993, según enmendada y en cumplimiento con las recomendaciones del Gobierno Federal para continuar ofreciendo los servicios de salud de manera a eficiente a los beneficiarios.

Contrasto a continuación, el Plan Fiscal *Baseline* y el Plan Fiscal de la ASES:

PRESUPUESTO SOLICITADO SEGUN MG492-19 BASELINE JSF

PROYECCION PRESUPUESTARIA					
POBL ASEG DEL PLAN PR Y ADM	$ 2,272,414				
			SOLICITADO Baseline		**SOLICITADO Ases**
INGRESOS ESTIMADOS:					
FONDOS FEDERALES		0.00%	-	80.49%	2,845,800
INGRESOS PROPIOS - REBATES	244,337	10.75%	244,337	6.91%	244,337
FONDOS ESPECIALES ESTATAL:		7.41%	168,390	4.76%	168,390
CRIM	160,000				
APORTACIONES PATRONALES	8,390				
FONDO GENERAL	1,859,687	81.84%	1,859,687	7.84%	277,173
INGRESOS ESTIMADOS - TOTAL	2,272,414	100%	$ 2,272,414	100%	$ 3,535,700

El Plan Fiscal de la ASES luego de la aprobación de los Fondos Federales adicionales para el año fiscal 2020 y 2021 promueve el ahorro en la aportación del Fondo General para salud de $1,587.2 millones. Este resultado es enteramente congruente con las metas fiscales de la JSF para Puerto Rico.

Iniciativas Año Fiscal 2020-2021

Con el apoyo de nuestro actuarios y consultores de la firma Milliman el Gobierno de Puerto Rico ha establecido varias iniciativas las cuales se estarán desarrollando e implementando en o alrededor del 1 de julio de 2020.

1. Establecer un 70% de la base del reembolso de Medicare para compensar todos los servicios médicos ambulatorios

   El reembolso para médico en el GHP como porcentaje de las tarifas de Medicare es menor en promedio en comparación con otros programas de Medicaid en los estados y territorios. ASES quiere establecer un 70% de la base del reembolso de Medicare de Puerto Rico para todos los servicios médicos. El piso se implementará a través de un acuerdo de pago dirigido que se someterá a la aprobación de CMS. Los costos asociados con la medida se incluirán en la tasa de capitación de PMPM de los MCO. A su vez, las MCO estarán obligadas contractualmente a reembolsar a todos los proveedores contratados a la tasa de arrendamiento el 70% del programa de tarifas de Medicare de Puerto Rico, lo que asegurará que el aumento se transfiera a los proveedores.

2. Aumentar los servicios de pago por subcapitación del médico de atención primaria (PCP)

   Casi todos los servicios de atención primaria se pagan a través de acuerdos de subcapitación en los que las MCO delegan el riesgo de estos servicios a los Grupos Médicos Primarios (PMG) Los PMG se reembolsan a través de un pago fijo de PMPM. Con el fin de mejorar el acceso a los servicios primarios y preventivos, ASES pidió a Milliman que estimara el efecto de un aumento del 10% en la subcapitación de PMPM pagada a los PMG para el año 2020. Estimamos que un aumento del 10% en la subcapitación será de $1.50 PMPM o $20 millones anuales. Consideramos que se trata de un aumento único y, por lo tanto, no crea una tendencia que se aplica a períodos posteriores. Sin embargo, esperamos que la subcaptiación aumente cuando las primas de los MCO se revisen cada año de contrato. Este aumento está incluido dentro de la tendencia de la prima del 5.1% ya proyectada por los MCOs. El resultado esperado serían ajustes periódicos de la subcapitación pagada a los GMP.

3. Aumentar las tarifas de reembolso hospitalario

   Según los informes de CMS, los hospitales de Puerto Rico reportaron pérdidas netas de más del 50%. Medicaid, como es el caso en la mayoría de los otros estados, es el pagador con las tarifas de reembolso más bajas para los hospitales. Los hospitales de Puerto Rico se ven afectados desproporcionadamente por las bajas tarifas de reembolso porque Medicaid cubre casi la mitad de la población de la isla. Estas condiciones ponen en peligro la capacidad de los hospitales para operar y reinvertir en infraestructura. Para apoyar la sostenibilidad de los servicios hospitalarios y aumentar el acceso, se estima que se necesitan 46 millones de dólares para compensar las pérdidas atribuibles a la prestación de servicios a los beneficiarios de GHP durante el año de contrato 2020. El aumento estará ligado al nuevo sistema de pago del grupo relacionado con el diagnóstico (DRG) que actualmente se está diseñando para el GHP. El sistema de pago permitirá que las tarifas de reembolso estén vinculadas a la agudeza, calidad y valor de los servicios ofrecidos por cada instalación. ASES se asegurará de que el aumento se transfiera a los proveedores al ordenar a todas las MCO que aumenten el pago de la tasa base a los hospitales en esta cantidad. Los aumentos subsiguientes a las tasas de reembolso de hospitales se reflejarán en los aumentos de la tasa base de DRG.

4. Proveer cubierta para medicamentos contra la Hepatitis C

   El GHP actualmente no cubre los medicamentos que curan el virus de Hepatitis C (VHC). Aproximadamente 14,000 puertorriqueños son elegibles para tratamiento y podrían curarse si tuviesen estos medicamentos a su disposición. Si bien el costo inicial es alto, los ahorros

a largo plazo del programa se pueden lograr ya que evitamos los costos relacionados con el tratamiento del VHC, como la cirrosis descompensada y los trasplantes de hígado. Hemos considerado que el beneficio también estaría disponible para todos los elegibles duales.

Analizamos un estimado del costo adicional neto a cinco años desde que se brinde en cubierta el medicamento para la hepatitis C. Se identifico a los miembros potenciales de GHP con un diagnóstico de VHC en el año fiscal 2018 y nuestros actuarios utilizaron la proyección existente para la membresía de GHP y la composición demográfica. Cabe señalar que ASES proporciona la cubierta de medicamentos contra el VHC para los miembros que están diagnosticado con VIH y VHC, los mismos actualmente reciben el tratamiento a través del Programa ADAP del Departamento de Salud de Puerto Rico.

5. Pago de la prima de la Parte B de Medicaid por doble elegible

Hay aproximadamente 282,000 beneficiarios de Medicaid y Medicare dualmente elegibles en Puerto Rico que pagan la prima de la Parte B de Medicare de su bolsillo. En todos los estados, la prima debe ser pagada por Medicaid por elegible dual - sin embargo, esto no se aplica en Puerto Rico. ASES quiere asumir el pago de la prima de la Parte B para todos los elegibles duales y hacer que estos miembros elijan a un plan Medicare Platino. Actualmente, hay aproximadamente 53,000 elegibles duales que solamente tienen Medicare Parte A que no califican para elegir un plan Platino porque la inscripción a la Parte B es un requisito para inscribirse en un Plan Medicare Platino. Entendemos que estos miembros elegirían un plan Medicare Platino si el pago de prima es permitido dado que en general estos planes ofrecen una gama más amplia de servicios y beneficios por encima de los beneficios de Medicaid. Nuestra estimación para esta medida supone que el plan Platino actualmente estructurado no cambiará y que no habrá ningún cambio significativo en la política.

Hemos estimado el costo adicional neto de pagar la prima de la Parte B multiplicando los miembros elegibles duales estimados de Platino y no Platino, de aproximadamente 336,000, por la prima estimada de la Parte B más el pago la proyección. A continuación, calculamos la diferencia de estos costos de los costos proyectados de la línea b para los miembros elegibles duales en el programa actualmente estructurado. Hemos asumido que ASES asumirá el pago de la prima de la Parte B de $135.50 y el pago envolvente de $10 para todos los dobles elegibles inscritos en un plan Platino en el año calendario 2020. La asunción del costo adicional neto proyectado de cinco años de esta medida b $372,3 millones. El costo asociado con esta iniciativa se pagará directamente a CMS para el pago de la prima de la Parte B para los miembros elegibles duales.

6. Ajuste del nivel de pobreza en Puerto Rico

ASES y el departamento de Medicaid D están analizando actualmente un aumento al nivel de pobreza de Puerto Rico (PRPL) para mitigar la pérdida de elegibilidad para los miembros que

no califican o pierden elegibilidad en el GHP debido a la implementación de la metodología del ingreso bruto ajustado modificado (MAGI). El objetivo es aumentar la PRPL a un nivel que califique a la mayoría de la población del Puerto Rico para Medicaid o CHIP. Además, el gobierno también está analizando el posible aumento de la matrícula para los individuos que actualmente no están asegurados, sin embargo, este análisis aún no está finalizado y por lo tanto no se incluye en nuestra proyección.

ASES ha asumido que casi toda la población actual de Puerto Rico calificaría para Medicaid y que recibiría un 83% de FMAP. Esto también aumentará la población promedio FMAP y aumentará el pareo federal para los gastos no prima. Suponemos que el costo para esta población adicional seguirá siendo el mismo, con la excepción de los niveles más bajos de copago para los servicios y el aumento de la utilización causado por los niveles más bajos de copago, específicamente en los servicios de farmacia y salas de emergencia. Para cumplir con los requisitos federales, el copago tendrá que disminuir a un nivel que no exceda el 5% de los ingresos familiares mensuales.

7. Conclusión

Debemos dejar claro que la implementación del presupuesto *baseline* establecido por la JSF también tendría un serio impacto sobre las operaciones existentes. La diferencia de casi mil millones de dólares entre el presupuesto requerido y el *baseline* provocaría, con toda certeza, la necesidad de revisar beneficios y considerar la desvinculación de una cantidad significativa de beneficiarios del PSG. Además de esto, y del efecto sobre las seis iniciativas mencionadas arriba, otras medidas presentadas ante el Gobierno Federal tendrían que ser pospuestas o revaluadas, entre estas los nuevos medicamentos contra el VIH al formulario: Pifeltro, Delstrigo y Symtuza; y revaluar o eliminar el aumento previsto en las tasas de los proveedores dentales.

ASES se encuentra totalmente comprometido a seguir mejorando la integridad, transparencia y eficiencia del Plan de Seguros de Salud del Gobierno de Puerto Rico; sin embargo, para lograr esto se requiere la sostenibilidad y continuidad de las operaciones. Esta continuidad se ve seriamente afectada por el presupuesto *baseline*. Es importante señalar que los esfuerzos que se han logrado ante el Gobierno Federal van dirigidos al mejoramiento de los servicios de salud de las personas más vulnerables y el ofrecer compensación justa a los profesionales de la salud para retenerlos en la Isla. Por lo tanto, exhortamos a la OGP a considerar la información provista arriba y reevaluar positivamente la necesidad probada que tiene ASES de su presupuesto requerido.

Cordialmente,

Lcdo. Jorge E. Galva, MSA
Director Ejecutivo

Angie López

From: Marla Hadad
Sent: Friday, December 20, 2019 6:21 PM
To: Angie López
Subject: Fwd: Updated Financial Projections
Attachments: Puerto Rico GHP Financial Projections 20191127.xlsx; ATT00001.htm

Begin forwarded message:

From: Jose Carlo <jose.carlo@milliman.com>
Date: November 27, 2019 at 12:49:08 PM AST
To: Lauren Klumper <lauren.klumper@promesa.gov>
Cc: Todd Wintner <Todd_Wintner@mckinsey.com>, Marla Hadad <mhadad@asespr.org>, Yolanda García <ygarcia@asespr.org>, Susan Pantely <susan.pantely@milliman.com>, Dan Henry <dan.henry@milliman.com>, Angie López <alopez@asespr.org>, Carmen L. Rodríguez <cleticia@asespr.org>
Subject: Updated Financial Projections

Hi Lauren -- Attached please find the updated financial projections that include the new 100% FMAP extension through December 20th, Poverty Level modeling based on Truenorth's analysis, and the Part B initiative detailed modeling. A few notes regarding the modeling:

- All proposed initiatives (Provider increases, Hep-C coverage, Part B and Poverty Level increase) are calculated to be effective July 1, 2020.
- The dental provider rate increase is effective November 1, 2019 and included within the baseline PMPM for each population. As we have shared before, the total increase for this initiative is $1.75 PMPM (excluding Platino).
- The Poverty Level increase modeling is effective July 1, 2020 and is embedded within the membership assumptions and baseline PMPM.
    - Due to lack of detail in the Truenorth analysis, we have not assumed that any of the members that shift population or enter the program for the first time are dual eligibles. We have requested Truenorth to provide this detail and will update the projection once it becomes available.
- We have provided the Part B detailed modeling in the [Detailed Projection Part B] tab. This tab is the same model as the [Detailed Projection] tab except with the PMPM changes for the Dual Population (Medicaid and Platino). We have also projected reductions to the non-premium expenditures that are driven by utilization or population size. Note that the Part B initiative assumes that all current dual members enroll into Platino plans and therefore the risk is shifted to those entities.

Please let us know if you would like to discuss the projections in more detail next week. Have a happy thanksgiving!

Jose

José R. Carlo
Consultant

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Results presented here represent best estimates of future experience. Actual experience will vary from our estimates for many reasons, potentially including differences in population health status, reimbursement levels, delivery systems, random variation, or other factors. It is important that actual experience be monitored and adjustments made, as appropriate.

In preparation of our analysis, we relied upon the accuracy of data or information provided to us. We have not audited this information, although we have reviewed it for reasonableness. If the underlying data or information is inaccurate or incomplete, the results of our review may likewise be inaccurate or incomplete. The terms of Milliman's consulting service agreement with ASES, signed on August 2, 2019, apply to this letter and its use.

Angie López

From: Marla Hadad
Sent: Friday, December 20, 2019 6:20 PM
To: Angie López
Subject: Fwd: Medicaid Legislation

Begin forwarded message:

> **From:** Jose Carlo <jose.carlo@milliman.com>
> **Date:** December 11, 2019 at 12:18:12 PM AST
> **To:** Lauren Klumper <lauren.klumper@promesa.gov>, Susan Pantely <susan.pantely@milliman.com>, Dan Henry <dan.henry@milliman.com>
> **Cc:** Laura Johnson <Laura_Johnson@mckinsey.com>, Kyle Patel <Kyle_Patel@mckinsey.com>, Marla Hadad <mhadad@asespr.org>, Yolanda García <ygarcia@asespr.org>
> **Subject: RE: Medicaid Legislation**
>
> Hi Lauren -- Please see my answers below. I am including Marla and Yolanda from ASES to keep them in the loop.
>
> **From:** Lauren Klumper <lauren.klumper@promesa.gov>
> **Sent:** Wednesday, December 11, 2019 10:29 AM
> **To:** Jose Carlo <jose.carlo@milliman.com>; Susan Pantely <susan.pantely@milliman.com>; Dan Henry <dan.henry@milliman.com>
> **Cc:** Laura Johnson <Laura_Johnson@mckinsey.com>; Kyle Patel <Kyle_Patel@mckinsey.com>
> **Subject:** Medicaid Legislation
>
> Hi Jose Carlo,
>
> Hope you are doing well. We are preparing an update for Natalie and the Board on the latest Medicaid legislation, and we had a couple hopefully quick questions we wanted to run by you:
>
> 1. We wanted to confirm that new Medicaid Federal Funding is not incremental to the Section 1108 funding we otherwise would have received (i.e., available funding in FFY2020 is $2.6B, not $2.6B + $375M)

-Senate Finance has indicated that the new Capped amounts in the bill includes the already appropriated Section 1108 funds and also the EAP funds. For example in FY2020 total funding is $2.6B = $375.1M (from Section 1108) + $59M (from EAP) + $2,165.9B (From new funding). Please note that for FY2020 PR has the $586M leftover from ACA which is not included in amount in the bill.

> 2. The new legislation grants $200M in additional allotment if 70% of Medicare Part B premiums are covered. Do the estimates detailed in your projections for Part B coverage reflect 100% of premiums, or 70%?

-I think you are misunderstanding this section of the bill. The $200 million is tied to establishing a reimbursement floor of 70% Puerto Rico Medicare reimbursement rate, if the services would have been paid under Medicare Part B benefits. The Medicare reimbursement rate is established for Medicare Part B benefits under Fee-For-Service and Medicare publishes a fee schedule each year. Presumably, the bill

expects Puerto Rico also update the reimbursement floor each time Medicare updated their fee schedule. The Part B premiums that duals currently have to pay has no role here and is a separate initiative.
-In terms of our projection we have included a reimbursement floor of 70% of the 2018 PR Medicare reimbursement rate for these services. This means that once the initiative becomes effective we would have to recalculate the impact utilizing the most up to date fee schedule available.
-Puerto Rico this week will submit questions to the bill writers in order to request clarification on exactly the expectation Congress has for the compliance with this language. For example, some services are not covered by Part B therefore Medicare does not publish a fee, Puerto Rico will request the bill writers to clarify if there is a reimbursement threshold they have to meet for these services.

3. Given the higher total Medicaid funding, how do you expect EAP drawn down will be affected? In our current model, we calculate MAP draw-down by starting with eligible expenditures, then deducting EAP funds, then multiplying the balance by the FMAP percentage (76%). Does this match your understanding?

-As explained in #1 the total funding Cap in the bill includes the EAP funds amount. The manner these funds can be used (for Part D benefits for duals) does not change. In our model, we assume that at the beginning of each Federal Fiscal Year the EAP funds are drawn down for Part D expenditures at the appropriate FMAP for each population until they are exhausted. After this then the Capped funds will be used for these expenditures.

We'd like to send an update by EOD today, so we'd greatly appreciate it if you could share input by early afternoon. Appreciate your support.

Thank you,

Lauren Klumper
Commonwealth Associate
Financial Oversight & Management Board for Puerto Rico
T: 787-641-0001 | **E:** lauren.klumper@promesa.gov
https://oversightboard.pr.gov/

GOBIERNO DE PUERTO RICO
Administración de Seguros de Salud

Hon. Wanda Vázquez Garced
Gobernadora

Lcdo. Jorge E. Galva Rodríguez
Director Ejecutivo

December 26, 2019

Ms. Iris E. Díaz Serrano
Executive Director
Office of Management and Budget
via email: iris.santos@ogp.pr.gov

2021 SUMMARY – BUDGET REQUESTED BY THE PUERTO RICO HEALTH INSURANCE ADMINISTRATION (PRHIA) FOR FISCAL YEAR 2020-2021

In accordance with General Memorandum #492/19, regarding Rules about the Budget Process for Fiscal Year 2020-2021, the requested budget must be equal to the baseline amount provided by the Fiscal Oversight and Management Board (FOMB); however, this same memorandum makes the exception that, if the agency understands that the baseline amount provided by the FOMB hinders the achievement of the agency's ministerial responsibilities, said agency will present in an explanatory document the differences and arguments justifying the revision and increase of the budget over the original baseline amount. This letter contains said information.

ASES emphasizes that the budget set forth by the FOMB is not in line with the budget requested by the PRHIA, which includes the initiatives established for the sustainability of the Government Health Plan (GHP) of the Commonwealth of Puerto Rico and the financial projections presented to the Congress of the United States in order to justify additional federal funding for the GHP. See Attachment 1.

The budget assigned to the PRHIA by the FOMB must be modified after the approval of additional federal funding. These additional funds enable the achievement of the agency's ministerial responsibilities as well as the proposal made by the Secretary of Health, the Resident Commissioner and the Governor of Puerto Rico. The approval of these funds should modify the baseline established by the FOMB, allowing the performance of the PRHHIA's fiscal plan, which would be modified from $2.2 billion to $3.6 billion, thus providing PRHIA with the financial wherewithal to meet the programmatic commitments created by Law 92 of 1993, as amended, and also meet the recommendations of the federal government in order to continue providing services to GHP beneficiaries in an efficient manner.

The contrast of the Baseline Fiscal Plan and PRHIA's Fiscal Plan are presented in the following table:

PUERTO RICO HEALTH INSURANCE ADMINISTRATION

BUDGET - MG492-19 BASELINE JSF

PROJECTED BUDGET FY 2021					
TOTAL PROGRAM FUNDING	$ 2,272,414				
			2021 BUDGET Baseline		**2021 BUDGET Ases**
INCOME					
FEDERAL FUNDS		0.00%	-	80.49%	2,845,800
REBATDS	244,337	10.75%	244,337	6.91%	244,337
SPECIAL REVENUE FUNDS		7.41%	168,390	4.76%	168,390
CRIM	160,000				
MUNICIPAL AND EMPLOYEES FUNDS	8,390				
PUERTO RICO FUNDS GENERAL	1,859,687	81.84%	1,859,687	7.84%	277,173
ESTIMATED INCOME	2,272,414	100%	$ 2,272,414	100%	$ 3,535,700

Subsequently approval of additional federal funding the PRHIA's Fiscal Plan for fiscal years 2020 and 2021 promotes savings in the General Fund healthcare share of $1,587.2 billion. This result is totally in line with the FOMB's fiscal goals for Puerto Rico.

Fiscal Year 2020-2021 Initiatives

With the support from our actuaries and consultants at Milliman, the Commonwealth of Puerto Rico has established several initiatives that will be under development and implementation on or around July 1, 2020:

1. Establish a 70% Medicare reimbursement rate to reimburse all ambulatory physician services.

Physician reimbursement for physicians under the GHP as a percentage of Medicare rates is lower in average when compared with other State and Territorial Medicaid programs. The PRHIA wants to establish a 70% Puerto Rico Medicare rate base as reimbursement for all ambulatory physician services. This floor will be implemented through a directed payment agreement that will be submitted for CMS approval. The costs associated with this measure will be included in the MCOs PMPM capitation rates. Likewise, the MCO will be obligated to contractually reimburse all contracted providers at a 70% Puerto Rico Medicare rate base, guaranteeing that the increase will be transferred over to the physician providers.

2. Increase payment for services by the primary care physician (PCP) through sub-capitation

Almost all primary care services are paid through sub-capitation agreements whereby the MCOs transfer the risk for these services to the Primary Medical Groups (PMG). The PMGs are reimbursed through a fixed PMPM payment. ASES has the current goal of improving access to primary and preventive services, PRHIA consulted Milliman to estimate the effect of increasing sub-capitation paid to the PMGs through the PMPM payment for fiscal year 2020. ASES estimates that a 10% increase in sub-capitation will be of $1.5 PMPM or $20 million annually. Further considered that this will be a unique increase and, therefore, will not establish a trend for future increases. However, we do expect that sub-capitation will increase when MCO premiums are revised each contract year. This increase is already included in the 5.1% premium increase trend projected by the MCOs. The expected result would be periodical adjustment to the sub-capitation paid to the PMGs.

3. Increase hospital reimbursement rates

According to CMS reports, Puerto Rico hospitals informed net losses of more than 50%. As is the case in most of the states, Medicaid is the payer with the lowest reimbursement rates for hospitals. Hospitals in Puerto Rico are disproportionately affected by these low reimbursement rates since Medicaid covers almost half of the island's population. These conditions threaten the hospitals ability to operate and reinvest in infrastructure. In order to support the sustainability of hospital services and increase access, ASES has estimated the need for an additional $46 million to compensate losses caused by the provision of hospital services to GHP beneficiaries during contract year 2020. This increase will be tied to the new Diagnosis Related Groups (DRG) payment system that is presently under development for the GHP. This payment system will allow reimbursement rates to be tied to acuity, quality and value of service offered at each facility. PRHIA will insure that the increase be transferred to the hospital providers, directing the MCOs to increase the base rate payment in the amount indicated. Subsequent increases to the hospital reimbursement rate will be reflected in increases to the DRG base rate.

4. Provide coverage for Hepatitis C medications

The GHP currently does not cover medications curing the Hepatitis C virus (HCV). Approximately 14,000 of Puerto Ricans are eligible for treatment and could be treated if these medications were available. Despite a high initial cost, long-term savings for the program can be achieved avoiding the costs related to HCV treatment, like decompensated cirrhosis and liver transplants. ASES also considers that this benefit would be available to all dual eligible.

ASES analyzed an estimate of initial net cost in five years from the date when coverage with Hepatitis C medications starts. Potential GHP beneficiaries were identified during fiscal year

2018 and our actuaries used the existing projection for GHP membership and demographic composition. ASES emphasizes that PRHIA provides medication coverage against HCV for beneficiaries diagnosed with VIH and HVC, who presently receive treatment through the ADAP Program of Puerto Rico's Department of Health.

5. Premium payment of Medicare Part B for dual eligible

There are approximately 282,000 Medicaid and Medicare beneficiaries who are dual eligible in Puerto Rico paying for Medicare Part B out of pocket. In all states, Part B premiums are paid by Medicaid for dual eligible - however, this is not the case for Puerto Rico. PRHIA wishes to assume Medicare Part B premium payments for all dual eligible and move these beneficiaries to select a Medicare Platino plan. At the present, there are approximately 53,000 dual eligible Part A Medicare beneficiaries, who do not belong to a Platino plan since Part B Medicare membership is required to enroll in one of these plans. ASES understands that these beneficiaries would select a Medicare Platino plan if premium payment is allowed since, generally speaking, these plans offer a wider variety of services and benefits than those offered by Medicaid. ASES estimates that the proposed measure presumes that the Platino plans presently existing will not change and that there will be no significant changes in policy.

ASES has estimated the net additional cost of paying the Part B premium multiplying the dual eligible members both enrolled and not enrolled in Platino, which approximately total of 336,000, times the estimated premium plus the wrap around cost. ASES then calculated the difference between these costs and the costs projected at line b for dual eligible members in the currently existing program. ASES assumes that PRHIA will pay the Part B premium amount of $135.50 and the $10 wrap around payment for all dual eligible enrolled in a Platino plan for calendar year 2020. The additional cost assumed with these measures over five years would be $372 million. The cost related to this initiative will be paid directly to CMS for payment of Part B premium for dual eligible members.

6. Puerto Rico Poverty Level Adjustment

PRHIA and the Office of Medicaid are currently analyzing an increase to the Puerto Rico Poverty Level (PRPL) in order to mitigate the eligibility loss for members who do not qualify or lose eligibility due to the implementation of the Modified Adjusted Gross Income (MAGI) methodology. The objective is to increase the PRPL to a level qualifying the majority of Puerto Rico's population under Medicaid or CHIP. Additionally, the government is also analyzing the possible increase of enrollment of individuals who are not currently insured; however, this analysis is not yet final and is not included in our projection.

ASES assumes that Puerto Rico's present population will almost completely qualify for Medicaid and the GHP will be at 83% FMAP. This will also increase the average FMAP for our population and federal matching for non-premium expenditures. ASES assumes that the cost for this additional population will continue the same, except lower copayment levels for services and an increase in utilization caused by said lower levels, specifically in pharmacy

and ER services. In order to comply with federal requirements, copay would have to decrease to a level not exceeding 5% of monthly family earnings.

7. Conclusion

In addition to the above, we want to make very clear that the implementation of the baseline budget set forth by the FOMB will also have a serious impact on our existing operations. The almost one billion dollars difference between the requested budget and the baseline budget would cause, with complete certainty, the need to revise existing benefits and consider the disenrollment of a significant number of GHP beneficiaries. In addition to this, and to the effect of the baseline budget on the six initiatives detailed above, additional initiatives presented to the federal government would have to be postponed or reevaluated, such as new HIV medications proposed for addition to our formulary (Pifeltro, Delstrigo and Symtuza); and revise or eliminate the forecast increase for our dental providers.

ASES is committed to continue improving the integrity, transparency and efficiency of Puerto Rico's GHP. To achieve these goals, however, we require the sustainability and continuity of PRHIA operations. This continuity is seriously affected by the baseline budget. It is also important to point out that our successful efforts before the federal government are directed to the improvement of health care services for our most vulnerable populations and to give our health providers a fair compensation for their services. ASES therefore beseech this Office to consider the above information and positively reassess PRHIA's proven need of its requested budget.

Cordially,

Jorge E. Galva, JD, MHA
Executive Director

Angie López

From: Marla Hadad
Sent: Friday, December 20, 2019 6:21 PM
To: Angie López
Subject: Fwd: Updated Financial Projections
Attachments: Puerto Rico GHP Financial Projections 20191127.xlsx; ATT00001.htm

Begin forwarded message:

From: Jose Carlo <jose.carlo@milliman.com>
Date: November 27, 2019 at 12:49:08 PM AST
To: Lauren Klumper <lauren.klumper@promesa.gov>
Cc: Todd Wintner <Todd_Wintner@mckinsey.com>, Marla Hadad <mhadad@asespr.org>, Yolanda García <ygarcia@asespr.org>, Susan Pantely <susan.pantely@milliman.com>, Dan Henry <dan.henry@milliman.com>, Angie López <alopez@asespr.org>, Carmen L. Rodríguez <cleticia@asespr.org>
Subject: Updated Financial Projections

Hi Lauren – Attached please find the updated financial projections that include the new 100% FMAP extension through December 20th, Poverty Level modeling based on Truenorth's analysis, and the Part B initiative detailed modeling. A few notes regarding the modeling:

- All proposed initiatives (Provider increases, Hep-C coverage, Part B and Poverty Level increase) are calculated to be effective July 1, 2020.
- The dental provider rate increase is effective November 1, 2019 and included within the baseline PMPM for each population. As we have shared before, the total increase for this initiative is $1.75 PMPM (excluding Platino).
- The Poverty Level increase modeling is effective July 1, 2020 and is embedded within the membership assumptions and baseline PMPM.
    - Due to lack of detail in the Truenorth analysis, we have not assumed that any of the members that shift population or enter the program for the first time are dual eligibles. We have requested Truenorth to provide this detail and will update the projection once it becomes available.
- We have provided the Part B detailed modeling in the [Detailed Projection Part B] tab. This tab is the same model as the [Detailed Projection] tab except with the PMPM changes for the Dual Population (Medicaid and Platino). We have also projected reductions to the non-premium expenditures that are driven by utilization or population size. Note that the Part B initiative assumes that all current dual members enroll into Platino plans and therefore the risk is shifted to those entities.

Please let us know if you would like to discuss the projections in more detail next week. Have a happy thanksgiving!

Jose

José R. Carlo
Consultant

Milliman
650 California St, 21st Floor
San Francisco, CA 94108 USA

(415) 394-3718 Office
(734) 358-7659 Mobile

Results presented here represent best estimates of future experience. Actual experience will vary from our estimates for many reasons, potentially including differences in population health status, reimbursement levels, delivery systems, random variation, or other factors. It is important that actual experience be monitored and adjustments made, as appropriate.

In preparation of our analysis, we relied upon the accuracy of data or information provided to us. We have not audited this information, although we have reviewed it for reasonableness. If the underlying data or information is inaccurate or incomplete, the results of our review may likewise be inaccurate or incomplete. The terms of Milliman's consulting service agreement with ASES, signed on August 2, 2019, apply to this letter and its use.

Angie López

From: Marla Hadad
Sent: Friday, December 20, 2019 6:20 PM
To: Angie López
Subject: Fwd: Medicaid Legislation

Begin forwarded message:

> **From:** Jose Carlo <jose.carlo@milliman.com>
> **Date:** December 11, 2019 at 12:18:12 PM AST
> **To:** Lauren Klumper <lauren.klumper@promesa.gov>, Susan Pantely <susan.pantely@milliman.com>, Dan Henry <dan.henry@milliman.com>
> **Cc:** Laura Johnson <Laura_Johnson@mckinsey.com>, Kyle Patel <Kyle_Patel@mckinsey.com>, Marla Hadad <mhadad@asespr.org>, Yolanda García <ygarcia@asespr.org>
> **Subject: RE: Medicaid Legislation**
>
> Hi Lauren – Please see my answers below. I am including Marla and Yolanda from ASES to keep them in the loop.
>
> **From:** Lauren Klumper <lauren.klumper@promesa.gov>
> **Sent:** Wednesday, December 11, 2019 10:29 AM
> **To:** Jose Carlo <jose.carlo@milliman.com>; Susan Pantely <susan.pantely@milliman.com>; Dan Henry <dan.henry@milliman.com>
> **Cc:** Laura Johnson <Laura_Johnson@mckinsey.com>; Kyle Patel <Kyle_Patel@mckinsey.com>
> **Subject:** Medicaid Legislation
>
> Hi Jose Carlo,
>
> Hope you are doing well. We are preparing an update for Natalie and the Board on the latest Medicaid legislation, and we had a couple hopefully quick questions we wanted to run by you:
>
> 1. We wanted to confirm that new Medicaid Federal Funding is not incremental to the Section 1108 funding we otherwise would have received (i.e., available funding in FFY2020 is $2.6B, not $2.6B + $375M)

-Senate Finance has indicated that the new Capped amounts in the bill includes the already appropriated Section 1108 funds and also the EAP funds. For example in FY2020 total funding is $2.6B = $375.1M (from Section 1108) + $59M (from EAP) + $2,165.9B (From new funding). Please note that for FY2020 PR has the $586M leftover from ACA which is not included in amount in the bill.

> 2. The new legislation grants $200M in additional allotment if 70% of Medicare Part B premiums are covered. Do the estimates detailed in your projections for Part B coverage reflect 100% of premiums, or 70%?

-I think you are misunderstanding this section of the bill. The $200 million is tied to establishing a reimbursement floor of 70% Puerto Rico Medicare reimbursement rate, if the services would have been paid under Medicare Part B benefits. The Medicare reimbursement rate is established for Medicare Part B benefits under Fee-For-Service and Medicare publishes a fee schedule each year. Presumably, the bill

expects Puerto Rico also update the reimbursement floor each time Medicare updated their fee schedule. The Part B premiums that duals currently have to pay has no role here and is a separate initiative.
-In terms of our projection we have included a reimbursement floor of 70% of the 2018 PR Medicare reimbursement rate for these services. This means that once the initiative becomes effective we would have to recalculate the impact utilizing the most up to date fee schedule available.
-Puerto Rico this week will submit questions to the bill writers in order to request clarification on exactly the expectation Congress has for the compliance with this language. For example, some services are not covered by Part B therefore Medicare does not publish a fee, Puerto Rico will request the bill writers to clarify if there is a reimbursement threshold they have to meet for these services.

3. Given the higher total Medicaid funding, how do you expect EAP drawn down will be affected? In our current model, we calculate MAP draw-down by starting with eligible expenditures, then deducting EAP funds, then multiplying the balance by the FMAP percentage (76%). Does this match your understanding?

-As explained in #1 the total funding Cap in the bill includes the EAP funds amount. The manner these funds can be used (for Part D benefits for duals) does not change. In our model, we assume that at the beginning of each Federal Fiscal Year the EAP funds are drawn down for Part D expenditures at the appropriate FMAP for each population until they are exhausted. After this then the Capped funds will be used for these expenditures.

We'd like to send an update by EOD today, so we'd greatly appreciate it if you could share input by early afternoon. Appreciate your support.

Thank you,

Lauren Klumper
Commonwealth Associate
Financial Oversight & Management Board for Puerto Rico
T: 787-641-0001 | **E:** lauren.klumper@promesa.gov
https://oversightboard.pr.gov/

PRESUPUESTO POR PARTIDAS,
ORIGENES DE RECURSOS Y AÑO FISCAL
(CONSOLIDADO)

PRESUPUESTO: SOLICITADO By ases P1/3
(Redondeado al Millar)

Agencia: Administración de Seguros de Salud de Puerto Rico

PARTIDAS DE ASIGNACIÓN		PRESUPUESTO 2021											
		Resolución Conjunta	Asignac. Especiales	Otras Asignac.	Fondo Presupuestario	Fondos Federales (ARRA)	Fondos Federales	Fondos Especiales Estatales	Ingresos Propios	Otros Ingresos	Fondo Mejoras Públicas	Préstamos y Emisiones de Bonos	Total
Nómina y Costos Relacionados													
6021	Anualidad Empleados-Ley 70	300	0	0	0	0	0	0	0	0	0	0	300
6010	Pagos por Incapacidad o Muerte	4	0	0	0	0	0	0	0	0	0	0	4
902-000	Sueldos puestos no unionados	2,968	0	0	0	0	0	0	0	0	0	0	2,968
900-000	Sueldos puesto gerenciales	1,047	0	0	0	0	0	0	0	0	0	0	1,047
909-000	Aportaciones a: Seguro Social Federal	311	0	0	0	0	0	0	0	0	0	0	311
908-000	Aportaciones a: Seguro de hospitalización y atenci	567	0	0	0	0	0	0	0	0	0	0	567
907-000	Aportaciones a: Fondo de Seguro del Estado	57	0	0	0	0	0	0	0	0	0	0	57
905-000	Aportaciones a: Bonos de Navidad	54	0	0	0	0	0	0	0	0	0	0	54
6430	Contribución al Seguro Social Choferil	1	0	0	0	0	0	0	0	0	0	0	1
Total:	Nómina y Costos Relacionados	5,309	0	0	0	0	0	0	0	0	0	0	5,309
Facilidades y Pagos por Servicios Públicos													
2510	Pago de servicios a la Autoridad de Energía Eléctr	34	0	0	0	0	5	0	9	0	0	0	48
2590	Servicios públicos - no clasificados	5	0	0	0	0	1	0	1	0	0	0	7
2593	Combustible y Lubricantes A.S.G.	11	0	0	0	0	2	0	3	0	0	0	16
965-000	Servicios Públicos	6	0	0	0	0	1	0	2	0	0	0	9
923-000	Autoridad de Teléfonos y/o Compañía de Teléfonos:	45	0	0	0	0	7	0	12	0	0	0	64
921-000	Autoridad de Energía Electrica: Pago corriente	42	0	0	0	0	7	0	11	0	0	0	60
Total:	Facilidades y Pagos por Servicios Públicos	143	0	0	0	0	23	0	38	0	0	0	204
Servicios Comprados													
942-000	Arrendamiento a entidades privadas	273	0	0	0	0	43	0	74	0	0	0	390
935-000	Pago por servicio de adiestramiento	12	0	0	0	0	2	0	3	0	0	0	17

PRESUPUESTO POR PARTIDAS,
ORIGENES DE RECURSOS Y AÑO FISCAL
(CONSOLIDADO)
PRESUPUESTO: SOLICITADO By Ases P2/3
(Redondeado al Millar)

Agencia: Administración de Seguros de Salud de Puerto Rico

PARTIDAS DE ASIGNACIÓN		PRESUPUESTO 2021											
		Resolución Conjunta	Asignac. Especiales	Otras Asignac.	Fondo Presupuestario	Fondos Federales (ARRA)	Fondos Federales	Fondos Especiales Estatales	Ingresos Propios	Otros Ingresos	Fondo Mejoras Públicas	Préstamos y Emisiones de Bonos	Total
2980	Servicios Comprados no Clasificados	137	0	0	0	0	21	0	37	0	0	0	195
2960	Adiestramiento a Funcionarios y Empleados Públicos	9	0	0	0	0	1	0	3	0	0	0	13
2890	Seguros - No Clasificados	295	0	0	0	0	46	0	80	0	0	0	421
2792	Conservación y Reparación de Edificios y Otras Con	33	0	0	0	0	5	0	9	0	0	0	47
2760	Conservación y reparación de equipo de oficina por	18	0	0	0	0	3	0	5	0	0	0	26
2690	Arrendamiento No Clasificados	60	0	0	0	0	9	0	16	0	0	0	85
2112	Franqueo	6	0	0	0	0	1	0	2	0	0	0	9
Total:	Servicios Comprados	843	0	0	0	0	131	0	229	0	0	0	1,203
Gastos de Transportación													
913-000	Aportaciones a: Dietas	24	0	0	0	0	4	0	7	0	0	0	35
914-000	Aportaciones a: Millaje	10	0	0	0	0	2	0	2	0	0	0	14
2390	Gastos de viaje fuera de Puerto Rico	53	0	0	0	0	8	0	14	0	0	0	75
2380	Gastos de Viaje en PR - no clasificados	7	0	0	0	0	1	0	2	0	0	0	10
Total:	Gastos de Transportación	94	0	0	0	0	15	0	25	0	0	0	134
Servicios Profesionales													
912-000	Aportaciones a: Servicios Profesionales Consultivo	19,122	0	0	0	0	3,048	0	5,096	0	0	0	27,266
Total:	Servicios Profesionales	19,122	0	0	0	0	3,048	0	5,096	0	0	0	27,266
Otros Gastos Operacionales													
2970_7	Otros Gastos No Clasificados	0	0	0	0	0	223	0	0	0	0	0	223
3010	Servicios Bancarios	70	0	0	0	0	11	0	19	0	0	0	100
2970	Otros Gastos - No Clasificados	1,422	0	0	0	0	0	0	386	0	0	0	1,808
2910	Cuotas y Subscripciones	29	0	0	0	0	5	0	8	0	0	0	42
											0		

PRESUPUESTO POR PARTIDAS,
ORIGENES DE RECURSOS Y AÑO FISCAL
(CONSOLIDADO)

PRESUPUESTO: SOLICITADO
(Redondeado al Millar)

Agencia: Administración de Seguros de Salud de Puerto Rico

PARTIDAS DE ASIGNACIÓN	PRESUPUESTO 2021											
	Resolución Conjunta	Asignac. Especiales	Otras Asignac.	Fondo Presupuestario	Fondos Federales (ARRA)	Fondos Federales	Fondos Especiales Estatales	Ingresos Propios	Otros Ingresos	Fondo Mejoras Públicas	Préstamos y Emisiones de Bonos	Total
Total: Otros Gastos Operacionales	1,521	0	0	0	0	239	0	413	0		0	2,173
Asignaciones Englobadas												
Total: Asignaciones Englobadas	0	0	0	0	0	0	0	0	0	0	0	0
Compra de Equipo												
Total: Compra de Equipo	0	0	0	0	0	0	0	0	0	0	0	0
Materiales y Suministros												
4012 Materiales y Efectos de Oficina	37	0	0	0	0	6	0	10	0	0	0	53
Total: Materiales y Suministros	37	0	0	0	0	6	0	10	0	0	0	53
Anuncios y Pautas en Medios												
2010 Anuncios y Avisos Públicos	7	0	0	0	0	1	0	2	0	0	0	10
Total: Anuncios y Pautas en Medios	7	0	0	0	0	1	0	2	0	0	0	10
Reserva Presupuestaria												
Total: Reserva Presupuestaria	0	0	0	0	0	0	0	0	0	0	0	0
Entidades Gubernamentales												
2594 Pago de Primas de Salud de ASES	2,758,960	0	0	0	0	395,837	168,390	227,413	0	0	0	3,550,600
Total: Entidades Gubernamentales	2,758,960	0	0	0	0	395,837	168,390	227,413	0	0	0	3,550,600
Pay As You Go												
7003 Pensiones del ERS	109	0	0	0	0	0	0	239	0	0	0	348
Total: Pay As You Go	109	0	0	0	0	0	0	239	0	0	0	348
GRAN TOTAL:	2,786,145	0	0	0	0	399,300	168,390	233,465	0	0	0	3,587,300

Administracion de Seguros de Salud
Financial Projections

Puerto Rico GHP Baseline Expenditures (Millions)					
Federal Matching Eligible Premium Expenditures	FY2020	FY2021	FY2022	FY2023	FY2024
Federal Medicaid	$1,994.3	$2,532.8	$2,627.5	$2,761.5	$2,902.4
CHIP	$103.3	$16.1	$16.7	$17.6	$18.5
Dual Eligibles	$343.3	$367.2	$380.2	$398.1	$416.9
Federal Health Insurance Provider Fee	$0.0	$43.3	$48.1	$52.6	$55.3
Total	$2,440.9	$2,959.5	$3,072.5	$3,229.8	$3,393.0
Federal Matching Eligible Non-Premium Expenditures					
Healthcare Related Programs	$130.4	$149.8	$149.8	$149.8	$149.8
Administrative and Operating Costs	$78.1	$83.8	$83.8	$83.8	$83.8
Total	$208.5	$233.7	$233.7	$233.7	$233.7
State Population - Commonwealth Expenditures					
Premium	$157.1	$34.2	$34.2	$34.7	$36.5
Non-Premium Expenditures	$21.4	$3.9	$3.9	$3.9	$3.9
Total	$178.4	$38.2	$38.2	$38.7	$40.5
Total Program Expenditures	$2,827.8	$3,231.3	$3,344.3	$3,502.1	$3,667.1

Puerto Rico Medicaid Federal Funding Source (Millions)					
Funding Source Based on Required Federal Funds	FY2020	FY2021	FY2022	FY2023	FY2024
Medicaid	$2,034.6	$2,042.9	$2,111.8	$2,210.6	$2,313.8
CHIP	$85.6	$11.5	$11.5	$12.0	$12.6
EAP	$100.4	$120.2	$127.5	$135.2	$143.4
Total	$2,220.6	$2,174.6	$2,250.7	$2,357.9	$2,469.9
Puerto Rico Funds	$607.3	$1,056.7	$1,093.6	$1,144.2	$1,197.2
Funding Source Based on Available Federal Funds	FY2020	FY2021	FY2022	FY2023	FY2024
Medicaid	$1,576.5	$381.5	$388.0	$394.6	$401.3
CHIP	$85.6	$11.5	$11.5	$12.0	$12.6
EAP	$58.0	$63.9	$65.8	$69.3	$72.9
Total	$1,720.1	$456.8	$465.3	$475.9	$486.8
Puerto Rico Funds	$1,107.8	$2,774.5	$2,879.1	$3,026.2	$3,180.2

Puerto Rico Medicaid Critical Sustainability Measures (Millions)				
Critical Sustainability Measures	FY2021	FY2022	FY2023	FY2024
Provider Reimbursement Increase	$204.2	$204.2	$204.2	$204.2
Hepatitis-C Drug Coverage	$41.7	$29.2	$11.8	$2.7
Payment of Part B Premium for Dual Eligibles	$206.2	$210.9	$221.4	$237.7
Total	$452.1	$444.3	$437.4	$444.6
Projected Federal Funds				
Provider Reimbursement Increase	$137.3	$137.2	$137.2	$137.2
Hepatitis-C Drug Coverage	$28.0	$19.6	$7.9	$1.8
Payment of Part B Premium for Dual Eligibles	$67.2	$67.5	$70.8	$77.2
Total	$232.6	$224.4	$216.0	$216.3
Projected Puerto Rico Funds				
Provider Reimbursement Increase	$66.9	$67.0	$67.0	$67.0
Hepatitis-C Drug Coverage	$13.7	$9.6	$3.9	$0.9
Payment of Part B Premium for Dual Eligibles	$138.9	$143.4	$150.6	$160.5
Total	$219.5	$220.0	$221.4	$228.3

Notes:

1 Assumes Puerto Rico Poverty Level incresae is effective on July 1, 2020.

2 Assumes all initiatives are effective July 1, 2020.