



UPDATED CALL TO ACTION:

Weighing the Effects of the Mass Exodus of Puerto Ricans to the U.S. on Health System Funding - How economic, social service and political trends and repercussions justify increased investments

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BY: MARIA LEVIS AND RICHARD SCOTT

Summary

Federal Medicaid Funding Caps, the reduced Federal Medicaid Assistance Percentage (FMAP) and unequal treatment in Medicare Advantage for Puerto Rico, which were probably implemented by Congress as cost containment measures, have cost Federal and State governments more to cover those who have left the Island than it would have cost them to provide for Puerto Rico the same level of funding provided to States due to the externalities produced by migration.

Since 2010, Impactivo has published various reports explaining how Federal Medicaid Funding Caps, the reduced Federal Medicaid Assistance Percentage (FMAP) and unequal treatment in Medicare Advantage for Puerto Rico, which were probably implemented by Congress as cost containment measures, have cost Federal and State governments more to cover those who have left the Island than it would have cost them to provide for Puerto Rico the same level of funding provided to States due to the externalities produced by migration¹. The purpose of this article is to provide an update to our [September 2017 Issue Brief](#) and explain how costs to Federal and State Governments are significantly greater due to the increased migration of Puerto Ricans accelerated by Hurricanes Irma and Maria and justify why providing Puerto Rico with equal treatment for federal health and human service programs is not only the right thing to do, it is also the fiscally responsible option.

While there are other social, political and economic factors that impact migration, this issue brief will focus exclusively on the issues related to federal health funding.

A Modern Migration: By the Numbers

Most Americans likely are unaware of the exodus of thousands of Puerto Ricans from the Island to the States, even as the numbers mount in real

¹ Levis, M. The Price of Inequality for Puerto Rico. Health Affairs Blog (2015)
Levis, M. Your Money or Your Life: Federal Policies and Health Disparities in Puerto Rico. Health Affairs Blog (2016)
Levis, M. et al. Action Required: How Underfunding Puerto Rico's health system costs federal and state governments more money than it saves. Impactivo Issue Brief (2017)

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time. A recent study tracking passenger flight data found that roughly 100,000 Puerto Ricans [fled the island](#) in just a six-week period following the devastating toll of Hurricane Maria in September.

Projecting those numbers into the next few years [could mean an exodus of more than 470,00 Puerto Ricans by 2020](#). That would account for 14% of the island's population and, by and large, those leaving are finding a new home in the continental U.S. Some 212,000 Puerto Ricans may migrate to one of the 50 states in the next year alone, with Florida expected to welcome the largest influx – of perhaps 82,000 native islanders, experts say.

What may also surprise most people in the states is the number of Puerto Ricans already living stateside. Here's a statistic that puts the situation in perspective: About 3.4 million Puerto Ricans live on the island; 2 million more than the entire island population, or 5.4 million Puerto Ricans, already live in one of the 50 states.

As more people flee the island, those numbers will continue to move in opposite directions, and the new math that emerges may not snap back to previous norms unless Congress acts. A survey from Hunter College researchers in New York found that nearly one in five (18%) Puerto Ricans who fled to the U.S. after Hurricane Maria intend to stay permanently while more than half (52%) were uncertain of returning home. Fewer than one-third (29%) said their stay in the states was decisively temporary. However, all of this depends on the rate of recovery for the Island.

Puerto Rico's Unfolding Health Care Crisis

Access to health care services on the island is a major concern among the Puerto Rican population with a significant physician migration. The island is also on the edge of a Medicaid funding cliff that, without federal assistance, could render essential health programs essentially bankrupt. The health care quandary is contributing in no uncertain terms to the number of Puerto Ricans opting to make a home in the mainland. A recent Impactivo poll found that nearly two-thirds (65%) of people living in Puerto Rico have considered moving to the United States to receive better health services.

"Migration from Puerto Rico [is often motivated by families' seeking access to adequate health services](#). Local communities in Central Florida, for example, have experienced a surge in Puerto Rican patients," report the authors of a new book, *State of Puerto Ricans 2017*, published by Centro Press. "As the health system in Puerto Rico is strained by budget cuts, Central Florida, Philadelphia and many other communities receive a wave of Puerto Rican migrants in need of health services," add the authors.

TABLE 1: Puerto Rico Enrollment in Medicare Advantage (as of December 31)

2016	2017	Difference
568,637	555,787	(-12,850)

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Additional evidence of the massive exodus is the decreased enrollment of Medicare Part C beneficiaries which dropped significantly by 12,850 enrollees in the past year (with 11,851 of this reduction taking place in the past month).

Yet the unfortunate truth behind the instability of the health care system is almost wholly a byproduct of inadequate funding from the federal government, based primarily on outdated Medicaid spending caps and Affordable Care Act rules imposed on Medicare Advantage that legislators have failed to bring in line with the needs of a largely indigent population. Puerto Rico's health care "[operates under patently unfair Medicaid and Medicare funding rules](#)," wrote Merrill Goozner, editor emeritus of Modern Healthcare, in a recent article.

Unlike the states, Puerto Rico's Medicaid system, which provides insurance coverage for more than 40% of the population, receives an arbitrarily lower level of federal funding to help finance the health care program which covers approximately 13% of the program's expense. Some states, for example, receive 75% or more in matching federal funds to cover Medicaid expenditures for their populations.

Making matters worse are limits on Medicaid eligibility unique to the island. In the states, an individual earning up to 133% of the federal poverty level qualifies for Medicaid; on the island, that cap is limited to 50% of the poverty level, according to data from Rep. Jenniffer Gonzalez-Colon, who represents Puerto Rico on Capitol Hill. That means Medicaid covers a family of three in Puerto Rico only if they earn less than \$10,080 per year.

A similarly unequal treatment can be seen in the Medicare program where Puerto Ricans pay the same level of Medicare taxes. However, Puerto Rico receives a Medicare Advantage (MA) County Benchmark² which is 43% lower than the US average and 26% lower than the Virgin Islands which receive the next lowest benchmark according to the PR Chamber of Commerce Health Committee. This difference is due to the formula imposed on MA through the Affordable Care Act which uses imperfect data that does not reflect the cost of the program in Puerto Rico. This is of importance since 90% of those eligible³ enroll in a Medicare Advantage Plan.

² The MA County Benchmark forms the basis for funding for the Medicare Advantage program.

³ Residents of Puerto Rico are not automatically enrolled in Medicare Part B and those who have not opted in are not eligible for MA.

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Formulas for Medicare Advantage, Disproportionate Share Hospital GPCI are all based in part or in whole on factors that are not applicable to the territories and create unfair conditions for patients and providers in Puerto Rico. The evidence led Goozner to call on lawmakers to “revise the inequitable formulas that systematically shortchange the 69 hospitals and approximately 20 federally qualified health centers with nearly 90 facilities that dot the Caribbean island.”

A one-time injection of \$6.4 billion under the Affordable Care Act (ACA) gave Puerto Rico a short-term funding solution. However, that money is expected to run out by April 2018, leaving Puerto Rico’s Medicaid system, called Mi Salud, on the brink of collapse.

In economic terms, the lack of adequate funding is a lose-lose situation for the American taxpayer. In Puerto Rico, per-capita Medicaid spending costs [are significantly lower than in the states](#) – about \$1,571 in Puerto Rico versus \$5,790 in the U.S. Were Puerto Ricans to maintain residency on the island and receive health care services there instead of receiving care under a state-based Medicaid program, total savings to state and federal governments would approach nearly \$10 billion annually.

Could the Population Shift Affect Politics?

Anyone with a recollection of the 2016 presidential election will recall the spate of extremely tight races in a number of swing states, including Wisconsin, Michigan and Pennsylvania, that ultimately decided the vote. Consider this: More Puerto Ricans currently reside in each of those states than the difference in votes that decided which candidate won.

Take Wisconsin. The Republican party [carried Wisconsin](#) by a 1% margin, or 27,257 votes, according to election statistics. Michigan was won by 11,612 votes and Pennsylvania by 66,236 votes. Cumulatively, the margin among those three states was about 105,000 votes.

Currently, about 43,000 Puerto Ricans reside in Wisconsin, 47,000 in Michigan and more than 444,000 in Pennsylvania – all totals that eclipse the 2016 margin of vote in the states, respectively. Add the post-Maria exodus to the mix, which could bring nearly 60,000 more Puerto Ricans to Pennsylvania and thousands to other states, and the recipe for political upheaval takes on an intriguing glint. This is accentuated by Puerto Rico’s culture of high voter participation turnout with [55.5% of Puerto Ricans on the island voting in the last elections](#).

The 2018 midterm elections will put all 435 seats in the House of Representatives on the line, as well as 33 Senate seats and almost 40 governor posts, at a time when more Puerto Ricans are expressing their political voice. “Overall, ... turnout during presidential elections has increased steadily from just over 45 percent in the 2000 elections to more than 52

percent in 2012, the last year for which data are available,” states the Centro Press study.

With a period of calamity – inclusive of the current impending health care funding cliff turmoil in addition to what some consider an [inadequate response](#) to the devastation of Maria [and life-changing and often heart-wrenching outcomes](#) – fresh on their minds, Puerto Ricans may bring their voices to the U.S. election ballot box in increasing numbers next year. Ultimately, Puerto Ricans are loyal, and they’ll put the needs of the island first when it comes to voting. Most, if not all, will vote for whichever candidate is friendliest to Puerto Ricans.

Encouraging a Safe Return Home

Pending legislation, including funding for the Children’s Health Insurance Program (CHIP), could help alleviate Puerto Rico’s funding crisis. But more is needed, according to Governor Roselló, Resident Commissioner Gonzalez-Colon and other advocates, including the [American Medical Association](#), the [American Academy of Pediatricians](#) and the [National Association of Medicaid Directors](#) who made parity for Puerto Rico a legislative agenda priority before the Hurricanes.

Allotting Puerto Rico the same federal matching as in the states and removing other caps would inject \$1.5 billion in annual Medicaid funding, and returning Medicare Advantage formulas to -pre- Affordable Care Act levels could add \$748 million in annual funding which is an ever-more critical resource as the island struggles to return to a semblance of normalcy following its recent calamities. While doing so would be a big step in allowing Puerto Ricans to return home and help the island revitalize, this is only a fraction of what has been done in other jurisdictions facing similar disasters.

Immediate Action Required

The U.S. President’s FY 2018 Budget presented to Congress includes an allocation of \$1.5 billion for Puerto Rico’s Medicaid Program, recognizing the need for action. In addition, the Bi-Partisan Congressional Task Force on Economic Growth in Puerto Rico has also recommended that Puerto Rico and the other territories should be treated in a more equitable and sustainable manner under the Medicaid program. However, Congress has yet to act to help Puerto Rico re-establish a health system that addresses the population’s needs.

In order to curve the massive migration caused by Hurricanes Irma and Maria, Congress needs to act immediately to re-engineer and re-build the Puerto Rico’s health system. This can be achieved by adding health care assistance grants to implement strategies that address the local needs of the population and provide more flexibility (including the CMS

approved PR State Health Innovation Plan which includes a strong governance structure) and increasing the federal share allotted to the Medicaid program as a part of any Disaster Relief Fund proposal.

However, a permanent solution is vital to re-establishing stability for the Puerto Rico health system. This permanent solution should:

1. Eliminate the formula for the federal ceiling under Section 1108 and replace with a per capita cap on par with those being proposed in current health reform bills, providing Puerto Rico with parity and/or a formula that is more closely tied to the size and needs of the low-income population. This can serve as an opportunity to both address the Puerto Rico Medicaid Funding Cliff and pilot federal health reform initiatives.
2. Provide the Department of Health and Human Services (HHS) and Centers for Medicare and Medicaid Services (CMS) with a mandate and flexibility to make reasoned and justifiable adjustments for any formula that is dependent in whole or in part on data that are not available or not reliable or dependent on factors inapplicable to the territories. In these cases, the best proxy would be to use data from other states with similar demographics. Additionally, Congress can ask HHS to establish a pilot or demonstration project for territories like the State Innovation Models, to effectively transition to improved health system quality and value-based payments since current CMS pathways remain inaccessible.
3. Adjust Disproportionate Share Hospital (DSH) Formula to appropriately reflect the inapplicability of SSI to Puerto Rico.
4. Extend Part D Low Income Subsidy (LIS) for the territories and eliminate enhanced allotment program (EAP) which does not currently attend the need.
5. Eliminate HIT Tax for Puerto Rico since it does not manage any public Health Insurance Exchanges that could be financed through this collection.
6. Eliminate Affordable Care Act requirements for Medicare Advantage on the island to be 115% of Medicare Fee For Service (FFS) since the small percent of patients enrolled in FFS are not representative of the general population.
7. Adjust the GPCI to 1.25 to reflect the cost of living on the island, on par with treatment of other U.S. jurisdictions required to use the U.S. Merchant Marines for maritime transport.
8. Automatically enroll Puerto Rico Medicare beneficiaries in Part B coverage.

9. Reduce/eliminate Medicaid program requirements that increase costs.
10. Eliminate the systematic exclusion of Puerto Rico from most national statistics which have made the Puerto Rico crisis more difficult to resolve.

The time to act is now.

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PMB 140
1357 Ashford Avenue
San Juan, PR 00907

- Telephone: (787) 993-1508
- Email: maria.levis@impactivo.com
- Web: www.impactivo.com
- <https://www.facebook.com/Impactivo/>