



Congressman Pedro R. Pierluisi
Statement As Prepared For Delivery
Keynote Address
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Thank you, and good afternoon. I am honored to be here.

I want to thank Pedro González, the President of the Board of Directors of the Puerto Rico Hospital Association, for inviting me to speak. In addition, in my personal capacity, I want to thank Executive President Jaime Plá for his friendship and, in my professional capacity, I want to thank him for all the work he has done over the years on behalf of Puerto Rico hospitals and Island patients.

Last year, because of a scheduling conflict, I was not able to address this annual convention in person, although I did provide a taped message. In 2010, however, I did attend. I was impressed then, and I am just as impressed now, by the organization of this event, by the quality and quantity of speakers, and by the range of topics covered.

Like I did the last time I was here, I want to begin by pausing for a moment to reflect on the importance of hospitals and to thank you—the doctors, nurses, administrators and other health professionals—for having devoted your lives to helping patients. The work of a hospital is

noble, and it is never done. Your doors are open 24 hours a day, seven days a week. You treat the sick and the injured, the rich and the poor, the young and the old. You are there when a life begins, and often when it ends. A baby takes his first breath in a hospital. And as the sun sets on a patient's life, a hospital does everything possible to ensure that his or her final days are peaceful and dignified.

The best hospitals provide high-quality medical care, but they do so much more than that. A good hospital, through the dedication and compassion of its staff, can inspire as well as heal. Hospitals offer stability and comfort to patients and their family members when they are most vulnerable, anxious and afraid. The best hospitals become an integral part of the communities they serve.

In addition, Puerto Rico's nearly 70 hospitals serve as a major economic engine for the Island, directly employing over 40,000 professionals whose labor, in turn, generates thousands of jobs in many other industries. As centers of graduate medical education, hospitals play a critical role in training today's doctors to confront tomorrow's health care challenges and to treat the next generation of Island residents.

There is no higher calling than devoting your life to serving others. So, you have my gratitude and respect. You should be immensely proud of what you do.

I am going to provide a brief overview of where things stand in Washington with respect to the landmark health care reform legislation enacted in 2010, known formally as the *Affordable Care*

Act and informally as Obamacare. I am also going to update you on my various initiatives to improve how Puerto Rico hospitals are treated under federal law. Back in March, I discussed these issues in taped remarks at the Medicare and Medicaid Symposium, held at the Caribe Hilton Hotel. For those of you who attended that event, some of what I say today may cover familiar ground. My remarks will not be long, because I want to leave as much time as possible for you to ask me questions on any topic, health or otherwise. I hope you will ask me about the political landscape in Washington, because the upcoming federal elections are highly relevant to the future of the *Affordable Care Act* and to the other issues the Association cares about. I am happy to share with you my views on these matters.

Events like this convention are important, because they give us the opportunity to pause and take stock of where we were, where we are now, and where we hope to go.

Most of you have probably heard me describe the efforts that Governor Luis Fortuño and I—working side-by-side with so many of you—took to ensure that Puerto Rico was treated in an equitable manner under the *Affordable Care Act*. As I always emphasize, while the final result was historic for Puerto Rico, it was *not* inevitable. To the contrary: we had to struggle for every dollar we got. And I have the scars to prove it.

Most significantly, Obamacare dramatically increases federal funding for Puerto Rico's Medicaid program, Mi Salud. As you know, the federal government pays a significant share of the program's cost in the states—and up to 80 percent in the poorest states. By contrast, federal law imposes a cap on funding to Puerto Rico. Historically, Puerto Rico's cap was so low that the

federal government paid under 20 percent of the program's costs on the Island each year. This has made it difficult for Puerto Rico to provide quality health care to our most vulnerable residents. It has also required the Puerto Rico government to spend a tremendous amount of its own funds to compensate for the shortfall in federal dollars, which has caused damage to the Island's fiscal health.

Some people now forget that the first significant increase in federal funding for Puerto Rico's Medicaid program was not provided by the *Affordable Care Act*, but rather by the 2009 *American Recovery and Reinvestment Act*. Early versions of ARRA proposed an increase in Puerto Rico's Medicaid funding of between 11 and 15 percent. Because of our efforts, however, the final bill contained a 30 percent increase. This translated into over \$230 million dollars in additional federal funding for Puerto Rico between 2009 and 2011. At the time, this was the largest increase in funding for health care in the Island's history.

Of course, the temporary funding infusion achieved in ARRA was later surpassed by the long-term gains realized in the *Affordable Care Act*. Under this legislation, federal funding for Mi Salud will essentially triple over the next decade. Instead of receiving about \$300 million dollars a year, we will now receive over \$1 billion dollars annually. This is not state-like treatment, and we should not be under any illusion that it is, but it is a remarkable improvement over the status quo.

I know that Alberto Velázquez and others have explained in more detail how Puerto Rico is using this new money. So I will just summarize it now. There are approximately 1.5 million

individuals currently enrolled in Mi Salud: about 900,000 in the federal-state program and about 600,000 in the state-only program. Armed with this new funding, and authorized by less stringent eligibility rules established by Obamacare, the Puerto Rico government will migrate hundreds of thousands of individuals from the state plan to the federal-state plan, where they will receive better benefits and pay less out-of-pocket costs for their care. Instead of the Puerto Rico government paying the entire cost of covering these individuals, the federal government will bear over half the cost. According to estimates, this migration will save Puerto Rico about \$2 billion dollars over the next decade. In addition to this migration, the new funding has already enabled the current administration to add about hundreds of thousands of individuals to Mi Salud, many of whom were removed from the program by prior administrations and had become uninsured.

Going forward, my most important health-related goal will be to work with Governor Fortuño and our many allies in the White House, the Senate and the House to protect the additional Medicaid funding that we received under the *Affordable Care Act* from any and all misguided efforts to repeal that funding in the name of deficit reduction. We will fight as hard to retain this funding as we fought to obtain it in the first place, and this is a fight we intend to win.

Although much has been accomplished on the health care front, much work—as always—remains to be done. For example, Obamacare, for all of its positive features, did not mitigate the various disparities that Puerto Rico faces under Medicare, though not because of a lack of effort on our part. In Congress, as in life more generally, you win some battles and you lose some battles. But you live to fight another day. And you never stop fighting.

I want to briefly mention a few of the various Medicare inequalities that I am working to address, most of which are directly relevant to Island hospitals.

First, Puerto Rico is the only U.S. jurisdiction—state or territory—where individuals who become eligible for Medicare Part A, which covers *inpatient* hospital services, must take affirmative steps to opt in to Part B, which covers doctors' services and *outpatient* hospital services. Simply stated, this approach has failed. About 53,000 Part B beneficiaries in Puerto Rico have opted in to Part B after the seven-month enrollment period and are therefore paying a lifetime penalty. All told, these seniors—most of whom are individuals of limited means—are paying over \$7 million dollars per year in late enrollment fees to the federal government. In addition, there are over 130,000 eligible Puerto Rico seniors who are not enrolled in Part B at all. If and when they enroll in the future, they too will have to pay a late penalty.

I am working this issue on both the administrative and the legislative front. Senator Charles Schumer of New York and I have successfully convinced CMS and SSA to improve the written materials they make available to Island seniors, so that they are better informed about the enrollment period and the financial consequences of late enrollment. In addition, I introduced a bill that would convert Puerto Rico from the nation's only *opt-in* jurisdiction to an *opt-out* jurisdiction—just like everywhere else. My bill would also reduce the late penalties now being paid by Puerto Rico seniors who enrolled late and would authorize a special enrollment period during which Island seniors who do not have Part B could enroll on favorable terms. Senator Schumer and I are working hard to enact this bill into law.

Second, as you are well aware, another Medicare-related fight I am waging involves the HITECH Act, which provides bonus payments under both Medicare and Medicaid to hospitals and doctors that become meaningful users of electronic health records. The bill excluded Puerto Rico hospitals from the Medicare payments, but included the Island in all other components. I introduced legislation in 2010, and again in 2011, to rectify this omission. My bill has 15 cosponsors in the House. Senator Bob Menendez of New Jersey has introduced companion legislation that is cosponsored by Senators Schumer and Gillibrand from New York, Senator Bingaman from New Mexico, and Senator Kerry from Massachusetts.

My office is working closely with the Hospital Association and their very able advocates in Washington, led by former Congressman Jerry Weller from Illinois, to move this issue forward. Recently, thanks to the terrific work of Mr. Weller and his team, Florida Senator Marco Rubio and eight House Republicans sent separate letters to the leaders of the Senate Finance Committee and the House Committee on Ways and Means, which have jurisdiction over this issue, to urge their support for my legislation.

Third, in February, I re-introduced the *Puerto Rico Hospital Medicare Reimbursement Equity Act*. This bill is designed to correct an inequality in current law that results in the federal government reimbursing Puerto Rico hospitals that treat Medicare patients a substantially lower amount than hospitals in the states. This fix has been an important priority for the Hospital Association.

As you know, the federal government reimburses hospitals who admit Medicare patients for inpatient care under a system known as the Inpatient Prospective Payment System. The payment made to the hospital is intended to cover the costs that a reasonably efficient hospital would incur in furnishing high quality care.

Consider a Medicare patient who is admitted to the hospital in the 50 states. First, the hospital is paid a base rate of about \$5,630. That amount is to cover the hospital's operating costs and capital costs. Every hospital in the states receives the same base rate, regardless of whether it is located to New York City or rural Montana. This base amount is then adjusted based on a variety of factors, including the severity of the patient's diagnosis and market conditions where the hospital is located, with hospitals receiving a higher upward adjustment if they are located in areas where employee wages, rent, and the cost of equipment and supplies are higher.

In Puerto Rico, however, hospitals are not paid the same base rate as hospitals in the states. Instead of receiving a base payment based on 100 percent of the national operating and capital costs associated with running a hospital, they receive a base payment based on 75 percent of the federal base payment amount and 25 percent of a Puerto Rico-specific rate, for both operating and capital payments. As a result, the base rate for Puerto Rico hospitals is about 13 percent less than the base rate for hospitals in the states. Specifically, whereas the base rate for hospitals in the states is \$5,630, the base rate for Island hospitals is \$4,899.

The lower base rate for Puerto Rico hospitals is not fair. To the extent that the cost of operating a hospital in Puerto Rico is lower than in the states, that will be reflected in the adjustment made

for local market conditions. To give Puerto Rico a lower base amount *and* a lower adjustment for market conditions is, in a sense, like penalizing Island hospitals twice.

According to one estimate, paying Puerto Rico hospitals the same base rate as stateside hospitals will result in additional reimbursements of about \$24 million dollars a year, which would be used by hospitals to improve patient care and remain financially stable.

Note that this problem is compounded by a second problem, namely that Puerto Rico hospitals that treat large numbers of low-income patients do receive fair upward adjustments under the DSH program. This is because the Supplemental Security Income program has not been extended to the Island and because neither Congress nor CMS has crafted an alternative DSH payment formula for Puerto Rico to account for this reality. I have introduced legislation to correct this problem as well. In all that I do, I am guided by a single principle: Puerto Rico hospitals—and the patients they serve—deserve nothing less than full equality, and I intend to fight every day until that principle is put into practice.

Although there is so much more to discuss, I will end here so I can answer any questions you may have.