



Alejandro J. García Padilla  
Governor  
Commonwealth of Puerto Rico

March 18, 2013

The Honorable Kathleen Sebelius  
Secretary  
U.S. Department of Health and Human Services  
200 Independence Avenue, SW  
Washington, D.C. 20201

Dear Secretary Sebelius:

Receive our kindest regards from the Commonwealth of Puerto Rico. I am writing this letter with an earnest petition for justice on behalf of the elderly and disabled population of our Island. Our petition relates to the release of the "2014 Advance Notice" on Medicare Advantage Rates and its impact on Puerto Rico's entire healthcare's infrastructure. I respectfully submit that the situation behooves the need to decry what can become a wider disparity and inequity in the Federal Government's treatment of its American citizens in the Island.

As Governor of Puerto Rico, I have enthusiastically joined our President in his noble quest for phasing-in equitable treatment for all healthcare programs in Puerto Rico. The inclusion of Puerto Rico in the Affordable Care Act ("ACA") was a milestone for it enabled a policy of equality for all Puerto Ricans. Regretfully, a converse effect appears inevitable due to the unintended consequences of the ACA reductions in MA Rates based on Medicare Fee-For-Service ("FFS") which cost calculation, in the case of Puerto Rico, is inaccurate and undercounts expenditures per Medicare beneficiary. Now, coupled with the proposed 2014 Advance Notice, our healthcare system may be in peril.

We are respectfully requesting you to exercise your statutory authority and stay any disproportionate and unintended impact to Puerto Rico, pending an alternative calculation method that will appropriately determine payment rates for the Medicare Advantage program. Our forcible appeal is substantiated on the following grounds:

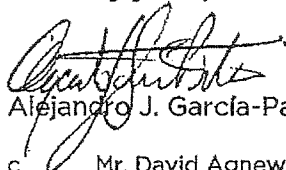
- a. **MEDICARE ADVANTAGE IN PUERTO RICO IS MEDICARE**--In Puerto Rico, approximately 72% of the Medicare beneficiaries (513,000) get their benefits from Medicare Advantage. If we only consider those eligible to MA with Part A & B, 88% of our Medicare beneficiaries have chosen an MA program in the Island. When compared to a 29% penetration rate in the United States, any proposed changes to MA Rates in Puerto Rico will be uniquely reflected in the vast majority of our elderly population.

- b. UNEQUAL TREATMENT FOR PUERTO RICO MUST CEASE -In March 2011, The President's Task Force on Puerto Rico laid the groundwork to bring these historic inequities in all healthcare programs to an end. Proposed reductions to Puerto Ricans are disproportionate when compared to the national average and ALL of the States. The cumulative effect of the rate reductions in Puerto Rico brought about by the enactment of the ACA, the sequestration, the health insurance tax of 2% and now the 2014 Advance Notice reflect reductions of over 10% just between 2013 and 2014. Consequently, the inequality gap is widening, which is not the ACA policy intent for Puerto Rico. Currently, the 2013 Puerto Rico MA Benchmark is \$158 (22%) less than the lowest state, and the Traditional Medicare FFS rate is \$217 (39%) less than the lowest State. There is no justification for Puerto Rico to be an outlier at the bottom with the lowest Medicare Advantage rate and the highest reductions.
- c. UNIQUE DEMOGRAPHICS OF PUERTO RICO -Puerto Rico's median household income is roughly half of the lowest State, and over 60% lower than the overall U.S. average. Over 40% of our population lives below the U.S. Poverty level. Our unemployment rate is 14.9% compared to the 7.8% national level and our elderly and disabled population has the highest level of diabetes prevalence in the Nation. A mere perusal of our current demographics should suffice to appraise the impact the proposed cuts will have on the access, quality and cost of healthcare for Puerto Rico.

I urge you to take this opportunity to address once and for all the untenable disparity that for decades has existed in the way Medicare Fee-for-Service costs are calculated for Puerto Ricans. If we do not correct this fundamental flaw, our already frail healthcare system will not be able to absorb the proposed reductions without limiting access and quality of healthcare to our elderly and disabled population. We also recommend that we develop a working group comprised of technical members appointed by you and the Government of Puerto Rico with the specific goal of seeking a permanent resolution to the perennial underestimation of the Medicare Fee-for-Service in the Island and jointly design the roadmap for equitable and non-discriminatory treatment of Puerto Ricans by the Federal Government.

Our government stands ready to work with you on this matter and I look forward to meeting with you soon. I thank you for your personal and prompt attention.

Sincerely yours,



Alejandro J. García-Padilla

- c. Mr. David Agnew, Director of White House Office of Intergovernmental Affairs  
Ms. Marilyn Tavenner, Acting Administrator, Centers for Medicare and Medicaid Services  
Mr. Jonathan Blum, CMS Deputy Administrator and Director, Center for Medicare  
Mr. Paul Dioguardi, Member of the White House Task Force on Puerto Rico and Director of Intergovernmental Affairs, U.S. Department of Health and Human Services