



February 12, 2023

Author: Francisco Rodríguez-Castro

The U.S. Congress Discriminates against Puerto Rico by sending 69% less Healthcare Funding than the 50 States, which amounts to \$29.9 billion in less funding per year for Puerto Rico, USA; the result is that Healthcare discrimination costs Puerto Rican Lives.

Puerto Rico faces a Healthcare Ecosystem Systemic Risk for all healthcare facilities, services, and providers.

While recovering from a recent malady, I remembered those days during my childhood in Ponce when our pediatrician Dr. Chiqui Castro would perform house calls and come to our house every time my brothers or me were sick. Our neighbor Yuyin Camara, owner of Laboratorios Camara, would also stop by and draw our blood or perform any necessary test in our home. Then if we were very sick, our nurse Mercedes would stay at our house. Lastly, Farmcias Moscoso or Moreno would deliver the prescriptions to our home. I begin to wonder what went wrong in the past 40 years. What happened to the level of personal care? In my case, we have the benefit our having a Doctor in Dorado that practices with the level of care and personal touch that I remember from my childhood; his name is Dr. José L. López-Jiménez, and he has been our doctor since we moved from Ponce 23 years ago and has provided the level of care we all deserve and need.

The golden rule is that numbers never lie. They usually tell the story for us. With all the media and dozens of experts saying there is a health crisis in Puerto Rico, we have decided to analyze the staffing problems, physician losses, and critical economic and financial problems affecting the health sector. When the pandemic began on March 15, 2020, to December 31, 2021, the estimated losses to the Puerto Rico Healthcare ecosystem amounted to \$1,085,185,711 billion, while some \$300 million were granted thru the Cares act, providing relief, a \$785 million hole is hard to fill.

As Puerto Rico plays its role during these trying times, we must remind everyone that since 2017 we have been advising all our constituents that one of the biggest threats that the Island faces is a Puerto Rico Healthcare Ecosystem Systemic Risk for all Healthcare Facilities, services, providers, Doctors, and all personnel.

The U.S., including Puerto Rico, ranks first in per capita health spending. However, we are dead last in the health system performance of 11 major developed countries. Out of the total healthcare expenditure, a whopping 38 percent goes towards Healthcare Ecosystems, which has been this way for the last 50 years.

Another considerable challenge facing the Puerto Rico Healthcare Ecosystem and even those in the U.S. is that they are forced to either reduce costs at the expense of creating potentially devastating impacts on the communities served or take less aggressive cost-cutting measures and risk facing severe financial hardships. The pandemic made this situation even direr.

This scenario to this indubitable Hobsons Choice has developed through profound public policy and market moves that transfer financial risk into local healthcare systems.

Healthcare Ecosystem systems in Puerto Rico are, in many cases, the largest employer in their communities. With little or no financing available in Puerto Rico, it has become similar to the systemic risk crisis of 2008.

In our view, the most important lesson the financial crisis of 2008 taught us is that changing rules, poorly understood interdependencies, and lack of proactive management of the market forces would have dire consequences for the Puerto Rican economy and even for the U.S. economy itself.

With 3.211 million American Citizens depending on our services that save lives, we must be sure we do not have to learn that lesson again in health care.

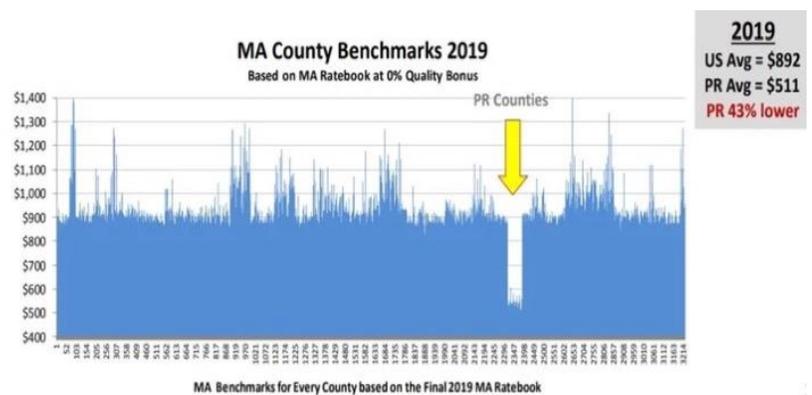
The U.S. Congress discrimination in Puerto Rico's Healthcare funding

The Medicare FFS program data that Congress considered a standard for the ACA MA payment formula does not work in Puerto Rico. The resulting anomaly is that Puerto Rico's average M.A. is as follows:

- **43% of payments below the U.S. average: Puerto Rico's Medicare Advantage benchmark is now 43% below the U.S. average.**
- **38% of payments below the lowest State (H.I.) standard.**
- **26% of payments below the U.S. Virgin Islands (just 9 miles from Puerto Rico).**
- **In Puerto Rico, this program has faced reductions of more than 20% since 2011 compared to U.S. rates, while the U.S. average has increased by 4% over the same period.**

This disparity with U.S. rates is one of the causes of the healthcare ecosystem's financial challenges, in addition to the accelerated migration to the U.S. of all types of healthcare ecosystem professionals.

This disparity with U.S. rates is one of the causes of the healthcare ecosystem's financial challenges, in addition to the accelerated migration to the U.S. of all healthcare ecosystem professionals.



Recently we celebrated when the U.S. Congress allocated some \$17.6 billion spread over five years, which amounts to \$3.52 billion. In the statement, Congress said it prevented some 1 million Puerto Ricans from losing benefits.

While this action is long overdue, it falls short of the per capita allocation that, by law, each resident of the 50 states receives in funding.

Each U.S. citizen receives \$13,000 per year in healthcare funding, yet Puerto Ricans only receive \$4,000 per capita, representing a shortfall of \$9,000 per capita per year in less healthcare funding. So every year, Puerto Rico should have received **\$29.9 billion per year** in healthcare funding using the same allocation that the 50 states receive.

Thus the allocation of **\$3.52 billion per year** is just 12% of the total due to Puerto Rico that Congress blatantly distributes stateside in discrimination of all Puerto Rico, USA Citizens.

You want to talk about Land of the Free and Home of the Brave; let's also talk about 50 years of discrimination against the Puerto Rico population.

The \$29.9 billion in less funding we receive amounts to \$300 Billion in a decade.

Just imagine What the healthcare sector would look like today with such an infusion of capital?

- **How many lives could we have saved?**
- **How many transplants?**
- **How many cancer treatments?**
- **How much healthier would our lives be?**

Puerto Rico's Hospitals alone are shortchanged \$9.86 billion per year. Doctors and all healthcare providers are shortchanged \$7.77 billion in less funding. Puerto Rico's Hospitals alone are shortchanged \$9.86 billion per year, Doctors and all healthcare providers are short changed \$7.77 billion in less funding.

This discrimination in funding is the leading cause of the current financial challenges, which have, in turn, accelerated the outward migration of healthcare professionals.

There is a need to allocate funds to strengthen the Healthcare Ecosystem, not only to prevent them from being pushed to the edge financially, as they are now but to give them



the necessary financial support. Allowing to hire staff, build the essential infrastructure, and acquire sufficient equipment and materials to manage pandemics such as COVID-19 patients without overwhelming the capacity to treat other medical needs and without unnecessarily exposing healthcare workers.

The Puerto Rico Healthcare Ecosystem is a significant sector of its economy, accounting for approximately 13.4% of the Island's total workforce. Nonetheless, Puerto Rico spends about 13% of its GDP on healthcare, less than the United States. Puerto Rico's healthcare system is predominately private but serves beneficiaries of "Vital", the Government-sponsored health plan, which provides coverage to 38% of Puerto Ricans through Care Management Organizations (CMO).

To date, the allocation of funds per citizen residing in Puerto Rico is roughly one-third of the funds invested in the health of a citizen living on the mainland and lower than in other territories of the U.S.

Due to many challenges, including hurricanes, earthquakes, and the coronavirus pandemic, Puerto Rico's Healthcare Ecosystem and its components have taken a hard hit, and some are on the brink of collapse. The risks facing the healthcare ecosystem may create a systemic risk collapse and force Healthcare ecosystems that are "Too Big to Fail" Institutions to close. While facing this sober reality, the Government of Puerto Rico is doing all it can to protect the health of the 3.211 million Puerto Ricans and the broader economy by stabilizing the industry with the little money it receives.

18 Factors affecting hospitals, medical facilities, and the ecosystem

1. **One of the biggest problems in Puerto Rico is that the most significant percentage of health spending arises because people do not take care of their health conditions on time.** When they go to the health centers, their conditions are so critical that the cost of treating them is in the millions. **For example, 2% to 3% of patients consume 80% of medical budgets.**
2. **There is a need to focus on chronic diseases:** diabetes is the most expensive condition in Puerto Rico due to genetic and dietary reasons.
3. **Lack of funds to carry out a Holistic Healthcare Model restructuring of the entire system:** it is critical to creating a holistic model of preventive healthcare: where the population is educated to take care of their health in a proactive way and with constant monitoring to learn how to stay healthy at all stages of their lives.
4. **In Puerto Rico, there is a backlog in creating a Health Information Exchange System.** Therefore, data is limited, and resources are scarce. For example, there are too many doctors in certain areas and not enough in others, such as endocrinologists. Another case is psychiatrists who are concentrated in urban areas, and a great vacuum is created in the Island's towns and rural areas.
5. **Shortage of physicians wreaks havoc:** According to figures from the Puerto Rico College of Surgeons, in ten years, 5,000 physicians have left Puerto Rico, and the vast majority have moved to the United States in search of better economic conditions and more excellent work flexibility. That is a loss of over 36% of physicians in Puerto Rico, which contrasts with a population loss of 13.77% or 161.43% higher. This leaves

us with about 9,000 active physicians, which results in 1 physician for every 365 people out of a total population according to the 2020 census of 3,285,874.

6. **Federal and state regulatory requirements have been decreasing Medicare and Medicaid payments** on both a per diem and per stay basis and a considerable reduction in outpatient reimbursement.
7. **Legislated staffing patterns** and mandated salary and benefit compensation for certain professionals also impact operations.
8. **Increased educational requirements:** for medical and technical professionals are excellent if your funding is as ample as the U.S. and not so great when you have 69% less budget.
9. **Diverse and stricter quality measures:** the real problem is that all insurance companies have different quality measures that evaluate process, not patient outcomes; there is an increased need to overhaul the systems and agree on a methodology that places patient care first—better quality with less overhead spending.
10. **Cataclysmic events:** Hurricanes Irma and Maria in 2017 and the 2020 earthquakes followed by Fiona in 2022 continued unprecedented activity requiring emergency capacity renovations and upgrades costing millions).
11. **The bankruptcy of insurance companies:** after the hurricanes and the lack of affordable property and casualty insurance at the local level, among others.
12. **Need to combine health efforts with social services** to keep the population healthy.
13. **Cybersecurity Concerns:** medical facilities' victimization by hackers places the burden of protecting personal information on providers without government support.
14. **Less Diversity in Access to Capital and government bankruptcy:** that has limited access to financial markets, increasing financing costs.
15. **Population dynamics:** are crossing a double threshold with negative emigration patterns and negative population growth (live births vs. deaths), decreasing patient volume at 10% per year.
16. **The elimination of local drug manufacturing for generics** has increased specific therapeutic categories by almost 500% and new federal pricing rules.
17. **Aging and contraction of Medical Specialties:** making some critical beyond the capacity of our residency programs to maintain the need.
18. **We need a Champion:** every ecosystem needs a champion in other to integrate the great work the P.R. Hospital Association and its members perform with other organizations.

In addition to suing the U.S. Congress for discrimination, we must restructure the ecosystem into a Holistic Healthcare Model.

Dr. Martin Luther King used to say “Of all the forms of inequality, injustice in health is the most shocking and inhumane”

**Francisco Rodríguez-Castro
President & CEO
Birling Capital Advisors**