INCREASE MEDICAID ASSISTANCE TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

HEARING

BEFORE THE

SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT

OF THE

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

H.R. 3871

A BILL TO AMEND THE SOCIAL SECURITY ACT TO PROVIDE THAT FEDERAL ASSISTANCE TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM UNDER THE AFDC, CHILD WELFARE, MEDICAID, AND SOCIAL SERVICES PROGRAMS SHALL BE FURNISHED ON THE SAME BASIS (UNDER THE SAME FORMULA AND WITHOUT SPECIFIC DOLLAR CEILINGS) AS IN THE CASE OF OTHER STATES, AND TO AMEND SECTION 228 OF SUCH ACT TO EXTEND TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM THE PROGRAM OF SPECIAL BENEFITS AT AGE 72 FOR CERTAIN UNINSURED INDIVIDUALS

H.R. 4999 and H.R. 6745

BILLS TO AMEND THE PUBLIC ASSISTANCE PROVISIONS OF THE SOCIAL SECURITY ACT TO PROVIDE THAT BENEFITS THEREUNDER (INCLUDING SUPPLEMENTAL SECURITY INCOME BENEFITS) SHALL BE MADE AVAILABLE AND FINANCED IN THE CASE OF GUAM AND THE VIRGIN ISLANDS ON THE SAME BASIS AS IN THE CASE OF OTHER STATES

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INCREASE MEDICAID ASSISTANCE TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

THURSDAY, SEPTEMBER, 8, 1977

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:30 a.m., in Room 2322, Rayburn House Office Building, Hon. Paul G. Rogers (chairman of the subcommittee) presiding.

Mr. ROGERS. The subcommittee will come to order, please.

Today we are happy to hold these hearings and to take testimony from the Honorable Carlos Romero, Governor of the Commonwealth of Puerto Rico, as well as from our distinguished colleagues, Congressman Corrada and Congressman de Lugo, concerning legislation to increase the amount of Federal assistance available in the Medicaid programs of Puerto Rico, Guam, and the Virgin Islands.

The public assistance laws have traditionally provided a ceiling on Federal expenditures for Medicaid and cash assistance programs in these jurisdictions. Yet spending on health programs by these jurisdictions has been high, and the proportion of the population whose income is below the poverty line is substantial.

We are examining today whether adjustments should be made in the limitation on Federal payments which were last established in 1972.

The subcommittee looks forward to hearing from these distinguished witnesses and from the representatives of the Department of Health, Education, and Welfare on this issue.

Without objection the text of H.R. 3871, H.R. 4999, and H.R. 6745 will be printed at this point in the record:

[The bills referred to follow:]

95TH CONGRESS
1ST SESSION

H. R. 3871

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 23, 1977

Mr. CORRADA introduced the following bill; which was referred jointly to the Committees on Interstate and Foreign Commerce and Ways and Means

A BILL

To amend the Social Security Act to provide that Federal assistance to Puerto Rico, the Virgin Islands, and Guam under the AFDC, child welfare, medicaid, and social services programs shall be furnished on the same basis (under the same formula and without specific dollar ceilings) as in the case of other States, and to amend section 228 of such Act to extend to Puerto Rico, the Virgin Islands, and Guam the program of special benefits at age 72 for certain uninsured individuals.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 403 (a) of the Social Security Act is amended—

(1) by striking out "other than Puerto Rico, the Virgin Islands, and Guam" in paragraph (1); and

(2) by striking out paragraph (2).

(b) (1) Section 403 (a) (1) (A) of such Act is amended by striking out "or paragraph (2)".

(2) The last sentence of section 403 (a) of such Act is amended by striking out "or (2)".

(3) Section 1118 of such Act is amended by striking out "403 (a),", and by inserting after "1603 (a)" the following: "and paragraph (1) of section 403 (a)".

SEC. 2. (a) Section 423 (a) of the Social Security Act is amended by striking out "(1)", and by striking out ", and (2)" and all that follows and inserting in lieu thereof a period.

(b) Section 423 (b) of such Act is amended by striking out "(1)", and by striking out ", and (2)" and all that follows and inserting in lieu thereof a period.

(c) Section 423 (d) of such Act is amended by striking out "and the District of Columbia" and inserting in lieu thereof ", the District of Columbia, Puerto Rico, the Virgin Islands, and Guam".

SEC. 3. (a) Section 1101 (a) (8) of the Social Security Act is amended—

(1) by striking out "(other than Puerto Rico, the

Virgin Islands, and Guam)" in subparagraphs (A) and (B); and

(2) by striking out "and the District of Columbia" in subparagraph (C) and inserting in lieu thereof ", the District of Columbia, Puerto Rico, the Virgin Islands, and Guam".

(b) Any determination and promulgation of percentages with respect to Puerto Rico, the Virgin Islands, and Guam which may be required under section 423(c), 1101(a)(8), or 1905(b) of the Social Security Act by reason of the amendments made by subsection (a) shall be made as soon as possible after the enactment of this Act (and shall be conclusive for each of the eight quarters in the period beginning October 1, 1977), but such amendments shall not affect any determinations or promulgations heretofore made under such sections with respect to other States.

SEC. 4. (a) Section 1108(a) of the Social Security Act is amended by striking out ", and under part A of title IV (exclusive of any amounts on account of services and items to which subsection (b) applies)".

(b) Section 1108(b) of such Act is repealed.

(c) Section 1108(c) of such Act is repealed.

(d) Section 1108(d) of such Act is amended by strik-

ing out "Guam, American Samoa," and inserting in lieu thereof "American Samoa".

SEC. 5. The first sentence of section 1905(b) of the Social Security Act is amended—

(1) by striking out "the continental United States (including Alaska) and Hawaii" and inserting in lieu thereof "all the States";

(2) by striking out "(1)"; and

(3) by striking out "and (2)" and all that follows and inserting in lieu thereof a period.

SEC. 6. (a) Section 2007(2) of the Social Security Act is amended by striking out "and the District of Columbia" and inserting in lieu thereof ", the District of Columbia, Puerto Rico, the Virgin Islands, and Guam".

(b)(1) Section 2002(a)(2)(A) of such Act is amended by striking out "the fifty States and the District of Columbia" and inserting in lieu thereof "all the States".

(2) Section 2002(a)(2)(C) of such Act is amended by striking out "for allotment as provided in subparagraph (D)" and inserting in lieu thereof "for additional allotments to the States on the basis of population and need in accordance with regulations prescribed by the Secretary".

(3) Section 2002(a)(2)(D) of such Act is repealed.

(c) Section 2002(a) of such Act is further amended by striking out "the fifty States and the District of Columbia"

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in paragraph (5) (B) (ii), in paragraph (6) (B) (i) (II), and in the last sentence of paragraph (6) (B) and inserting in lieu thereof in each instance "all the States".

SEC. 7. Section 228(e) of the Social Security Act is amended by striking out "and the District of Columbia" and inserting in lieu thereof ", the District of Columbia, Puerto Rico, the Virgin Islands, and Guam".

SEC. 8. The amendments made by the first section of this Act and sections 3 and 5 shall apply with respect to calendar quarters beginning on or after October 1, 1977. The amendments made by sections 2, 4, and 6 shall apply with respect to fiscal years beginning on or after October 1, 1977. The amendment made by section 7 shall apply with respect to months after September 1977.

95TH CONGRESS
1ST SESSION

H. R. 4999

IN THE HOUSE OF REPRESENTATIVES

MARCH 14, 1977

Mr. WON PAT introduced the following bill; which was referred jointly to the Committees on Ways and Means and Interstate and Foreign Commerce

A BILL

To amend the public assistance provisions of the Social Security Act to provide that benefits thereunder (including supplemental security income benefits) shall be made available and financed in the case of Guam and the Virgin Islands on the same basis as in the case of other States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 1108(a) of the Social Security Act is amended by striking out paragraphs (2) and (3).

(b) Section 1108(b) of such Act is amended by striking out paragraphs (2) and (3).

(c) Section 1108(c) is amended by striking out paragraphs (2) and (3).

(d) Section 1108(d) of such Act is amended by striking out "Guam, American Samoa," and inserting in lieu thereof "American Samoa".

SEC. 2. (a) Section 3(a) of the Social Security Act is amended by striking out "the Virgin Islands, and Guam," in paragraphs (1) and (2).

(b) Section 403(a) of such Act is amended by striking out "the Virgin Islands, and Guam," in paragraphs (1) and (2).

(c) Section 1003(a) of such Act is amended by striking out "the Virgin Islands, and Guam," in paragraphs (1) and (2).

(d) Section 1403(a) of such Act is amended by striking out "the Virgin Islands, and Guam," in paragraphs (1) and (2).

(e) Section 1603(a) of such Act (as in effect prior to January 1, 1974) is amended by striking out "the Virgin Islands, and Guam," in paragraphs (1) and (2).

(f) Section 1905(b) of such Act is amended by striking out ", the Virgin Islands, and Guam".

(g) The last sentence of section 1101(a) of such Act (as added by section 18(z-2)(1)(A)(ii) of Public Law 93-233) is amended by striking out ", the Virgin Islands, and Guam" each place it appears.

(h)(1) Section 1101(a)(8) of such Act is amended—

(A) by striking out ", the Virgin Islands, and Guam" in subparagraphs (A) and (B); and

(B) by striking out "and the District of Columbia" in subparagraph (C) and inserting in lieu thereof ", the District of Columbia, the Virgin Islands, and Guam".

(2) Any determinations and promulgations of percentages with respect to the Virgin Islands and Guam which may be required under sections 1101(a)(8) and 1905(b) of the Social Security Act by reason of the amendments made by this section shall be made as soon as possible after the enactment of this Act, and shall be conclusive for each of the eight quarters in the period beginning October 1, 1977, and ending with the close of September 30, 1979.

SEC. 3. (a) Section 1614(e) of the Social Security Act (as in effect after December 31, 1973) is amended by striking out "and the District of Columbia" and inserting in lieu thereof ", the District of Columbia, the Virgin Islands, and Guam".

(b) Section 1101(a)(1) of such Act is amended by inserting ", and in title XVI (relating to supplemental security income benefits)," after "XIX".

(c) Section 303 of the Social Security Amendments of 1972 is amended by striking out ", Guam, and the Virgin Islands".

SEC. 4. (a) Section 2007 (2) of the Social Security Act is amended by striking out "and the District of Columbia" and inserting in lieu thereof ", the District of Columbia, the Virgin Islands, and Guam".

(b) (1) Section 2002 (a) (2) (A) of such Act is amended by striking out "the fifty States and the District of Columbia" and inserting in lieu thereof "all the States".

(2) Section 2002 (a) (2) (D) of such Act is amended—

(A) by striking out "to the jurisdiction of Guam $500,000, and to the jurisdiction of the Virgin Islands $500,000,";

(B) by striking out "each such jurisdiction" and inserting in lieu thereof "such jurisdiction";

(C) by striking out "such jurisdictions" and inserting in lieu thereof "such jurisdiction"; and

(D) by striking out the proviso.

(c) Section 2002 (a) of such Act is further amended by striking out "the fifty States and the District of Columbia" in paragraph (5) (B) (ii), in paragraph (6) (B) (i) (II), and in the last sentence of paragraph (6) (B) and inserting in lieu thereof in each instance "all the States".

SEC. 5. The amendments made by the first section of this Act shall apply with respect to fiscal years beginning on or after October 1, 1977. The amendments made by section 2 shall apply with respect to calendar quarters beginning on or after October 1, 1977. The amendments made by sections 3 and 4 shall be effective October 1, 1977.

95TH CONGRESS
1ST SESSION

H. R. 6745

IN THE HOUSE OF REPRESENTATIVES

APRIL 28, 1977

Mr. DE LUGO introduced the following bill; which was referred jointly to the Committees on Ways and Means and Interstate and Foreign Commerce

A BILL

To amend the public assistance provisions of the Social Security Act to provide that benefits thereunder (including supplemental security income benefits) shall be made available and financed in the case of Guam and the Virgin Islands on the same basis as in the case of other States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 1108(a) of the Social Security Act is amended by striking out paragraphs (2) and (3).

(b) Section 1108(b) of such Act is amended by striking out paragraphs (2) and (3).

(c) Section 1108(c) is amended by striking out paragraphs (2) and (3).

(d) Section 1108(d) of such Act is amended by striking out "Guam, American Samoa," and inserting in lieu thereof "American Samoa".

SEC. 2. (a) Section 3(a) of the Social Security Act is amended by striking out "the Virgin Islands, and Guam," in paragraphs (1) and (2).

(b) Section 403(a) of such Act is amended by striking out "the Virgin Islands, and Guam," in paragraphs (1) and (2).

(c) Section 1003(a) of such Act is amended by striking out "the Virgin Islands, and Guam," in paragraphs (1) and (2).

(d) Section 1403(a) of such Act is amended by striking out "the Virgin Islands, and Guam," in paragraphs (1) and (2).

(e) Section 1603(a) of such Act (as in effect prior to January 1, 1974) is amended by striking out "the Virgin Islands, and Guam," in paragraphs (1) and (2).

(f) Section 1905(b) of such Act is amended by striking out ", the Virgin Islands, and Guam".

(g) The last sentence of section 1101(a) of such Act (as added by section 18 (z-2) (1) (A) (ii) of Public Law 93-233) is amended by striking out ", the Virgin Islands, and Guam" each place it appears.

(h) (1) Section 1101(a) (8) of such Act is amended—

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(A) by striking out ", the Virgin Islands, and Guam" in subparagraphs (A) and (B); and

(B) by striking out "and the District of Columbia" in subparagraph (C) and inserting in lieu thereof ", the District of Columbia, the Virgin Islands, and Guam".

(2) Any determinations and promulgations of percentages with respect to the Virgin Islands and Guam which may be required under sections 1101(a)(8) and 1905(b) of the Social Security Act by reason of the amendments made by this section shall be made as soon as possible after the enactment of this Act, and shall be conclusive for each of the eight quarters in the period beginning October 1, 1977, and ending with the close of September 30, 1977.

(i) (1) Section 248(b) of the Social Security Amendments of 1967 is amended by striking out ", the Virgin Islands, and Guam".

(2) Section 248(c) of such amendments is amended—

(A) by striking out ", the Virgin Islands, and Guam" each place it appears; and

(B) by striking out "agencies" and inserting in lieu thereof "agency".

SEC. 3. (a) Section 1614(e) of the Social Security Act (as in effect after December 31, 1973) is amended by striking out "and the District of Columbia" and inserting in

lieu thereof ", the District of Columbia, the Virgin Islands, and Guam".

(b) Section 1101(a)(1) of such Act is amended by inserting ", and in title XVI (relating to supplemental security income benefits), after "XIX".

(c) Section 303 of the Social Security Amendments of 1972 is amended by striking out ", Guam, and the Virgin Islands".

SEC. 4. (a) Section 2007(2) of the Social Security Act is amended by striking out "and the District of Columbia" and inserting in lieu thereof ", the District of Columbia, the Virgin Islands, and Guam".

(b)(1) Section 2002(a)(2)(A) of such Act is amended by striking out "the fifty States and the District of Columbia" and inserting in lieu thereof "all the States".

(2) Section 2002(a)(2)(D) of such Act is amended—

(A) by striking out "to the jurisdiction of Guam $500,000, and to the jurisdiction of the Virgin Islands $500,000,";

(B) by striking out "each such jurisdiction" and inserting in lieu thereof "such jurisdiction";

(C) by striking out "such jurisdictions" and inserting in lieu thereof 'such jurisdiction"; and

(D) by striking out the proviso.

(c) Section 2002(a) of such Act is further amended

by striking out "the fifty States and the District of Columbia" in paragraph (5) (B) (ii), in paragraph (6) (B) (i) (II), and in the last sentence of paragraph (6) (B) and inserting in lieu thereof in each instance "all the States".

SEC. 5. The amendments made by the first section of this Act shall apply with respect to fiscal years beginning on or after October 1, 1977. The amendments made by section 2 shall apply with respect to calendar quarters beginning on or after October 1, 1977. The amendments made by sections 3 and 4 shall be effective October 1, 1977.

Mr. ROGERS. Our first witness today, of course, is the Honorable Carlos Romero, the Governor of Puerto Rico. I think he is accompanied by his Secretary for Health for Puerto Rico, Dr. Rivera and, of course, the Honorable Baltasar Corrada of Puerto Rico.

We welcome you to the committee. We are pleased to have you and we will be pleased to have you give us whatever statement you desire. Your prepared statement will be made a part of the record in full without objection [see p. 21].

STATEMENT OF HON. CARLOS ROMERO-BARCELO; GOVERNOR OF PUERTO RICO, ACCOMPANIED BY JAIME RIVERA-DUENO, M.D., SECRETARY OF HEALTH FOR PUERTO RICO; AND HON. BALTASAR CORRADA, RESIDENT COMMISSIONER OF PUERTO RICO

Governor ROMERO. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, I have filed a more extensive and comprehensive statement. My testimony now will be a summary and highlight that testimony.

Mr. ROGERS. That will be fine.

Governor ROMERO. One of the priorities of our administration is to provide our fellow U.S. citizens in Puerto Rico with the best health care possible. Puerto Rico operates a public health care system which offers health services to the total population of the island, which now numbers approximately 3.2 million people, more than 23 of the 50 States of the Union.

Hard pressed by difficult financial circumstances, our health system is further hampered by the problems we have encountered in the manner in which Medicaid is currently made applicable to the island.

We are here today to ask for the removal of the ceiling established by Congress for Medicaid benefits to which Puerto Rico is entitled. I will defer my specific recommendations until the end of my testimony.

For the moment, I would like to provide you with an overview of the manner in which the government of Puerto Rico is implementing our current health care program to provide the best care we can to our citizens.

Both the State and the 78 municipal governments of the island operate a six-region system geared to provide personal health services to low income people classified as medically indigent.

Referrals are made from the local municipal level to an intermediate area hospital level and/or to regional hospitals. If medical conditions require special care, the patient is referred to one of three modern medical centers located in the northeastern, southern and western areas of the island. A limited number of private general practitioners, specialty physicians, and clinical and radiological laboratories work for the Department of Health on a contractual basis to complement its services.

This comprehensive health care system provides services to about 60 percent of the total population of the island, pursuant to the standards of the Joint Commission on Accreditation of Hospitals, the Medicare and Medicaid programs and Puerto Rican law. Due to a severe lack of personnel, equipment, drugs and other medical costs requiring substantial financial investment, we have not been able to utilize fully these available physical facilities to render adequate services to the large number of indigents in need of care even though State and local appropriations for health services to the medically indigent have increased from $62 million to $162 million—or 261.3 percent—in the last 10 years. Of the 1.7 million islanders classified as medically indigent, 1.3 million are eligible for Medicaid and the other 400,000 receive services fully paid by the Government of Puerto Rico.

I have a graph here which shows the general consumers price index and the medical care index in Puerto Rico. The red line is the average consumer price index line and here the green line on top is the medical care index. This same increase from 1972 to 1977, the same pattern, you will see in other graphs as how the payments are made in the Medicaid system in Puerto Rico.

Just to give you another idea about the cost, throughout these years when the Medicaid appropriations for Puerto Rico were originally $20 million and then in 1972 were increased to $30 million, the amount paid by the Federal Government has not increased except for the increase from $20 million to $30 million. Meanwhile, unemployment rates in Puerto Rico in the past years, particularly since 1973, has increased from an overall average of 10 to 12 percent to 20 percent which is the present unemployment.

Mr. ROGERS. Twenty percent unemployed?

Governor ROMERO. That is correct. So that gives you an idea of the additional number of medically indigent which is increasing every day.

The construction of medical facilities has taxed the scarce financial resources of our State and local governments.

In 1965, when Congress established the medical assistance program under Title XIX of the Social Security Act, better known as Medicaid, Puerto Rico was treated on an equal footing as a State, except that the Act imposed a 55 percent matching requirement on Puerto Rico, which is nearly the same as the requirement applied to the State with the highest per capita income. Were it not for this provision, Puerto Rico would have been eligible for 83 percent Federal matching.

In 1968 Congress established an annual ceiling of $20 million for the program and reduced the Federal share to 50 percent. In 1972 the ceiling was raised to $30 million and has remained at that level to this date.

Here is another graph which is also included in the testimony. This shows that from 1972 to 1976 the Federal appropriations, $30 million allocated for Puerto Rico has not changed. In the meantime the total Federal appropriations for the national expenditures have increased from $7,375 million to $14,245 million, taking into consideration, of course, the increased costs of medical services and the increased demand for better services.

Here is a chart showing the increased amount which Puerto Rico is allocating for medical and health services from 1972 where we had $137 million. Now it has gone up to $182 million. So while the local share has increased and also the municipal share has increased, the Federal share has remained constant.

This is one of the reasons why Title XIX of the Social Security Act does not fulfill the intent of Congress as it applies to Puerto Rico. As a matter of fact, every year the intent of Congress is fulfilled less and less. The requirement that the island comply with the full range of legislative and administrative conditions for the receipt of these funds adds another barrier to the implementation of a program that was designed to provide full medical assistance to the low income families of the Nation.

The Medicaid program in Puerto Rico requires us to provide the same services to welfare and health clients and to meet the same administrative conditions as any other State. These required services include medical and hospital services; early and periodic screening, diagnosis and treatment for children, home health services, nursing home services, family planning services and reimbursement for emergency and health services provided in other States to participants while traveling on the mainland.

Due to the statutory ceiling, we have not been able to provide the full range of services required under the Act.

In addition, Puerto Rico is expected to establish federally-approved cost accounting systems and mechanized claims processing and information retrieval systems without any Federal cost sharing, because of the ceiling, available to defray the cost of their planning, design and implementation.

We are obliged by law to meet the national standards for health delivery systems. On the other hand, the Federal Government

subsidizes the Legal Services Corporation which receives sufficient funds to have attorneys who receive higher salaries than the attorneys in our Department of Justice receive. They have more attorneys available to file suits against the government to make the government comply with the national standards and we do not have the same number of attorneys to defend the government from those suits being filed by the attorneys subsidized by the Federal Government.

On one hand we are limited in the amount of funds for Puerto Rico and on the other hand the Federal Government is requiring through the Legal Services Corporation to increase the implementation of our health delivery systems.

Until now our Department of Health has absorbed the cost of designing and implementing such a system, further draining the limited resources available for health care.

A cost accounting system, which is necessary in order to better manage the complex Medicaid network of facilities and to substantiate claims for Federal reimbursement is in the midst of being implemented in 19 certified facilities throughout the island. The expansion of the system to include other ambulatory facilities will follow as soon as resources permit.

Puerto Rico is complying with the basic requirements of the Medicaid Management Information System but the system is not operating as effectively as it could and thus it has not been providing timely and accurate information for evaluation and administration of the Medicaid program. This is caused by the use of several fragmented systems. In order to improve this situation, the State Government has contracted a consulting firm to develop and implement an integrated health information system.

An added drawback to the delivery of health services to the medically indigent population is that during the last few years most of the Federal legislation related to the delivery of these services has been based on the third party reimbursement concept used in the States. The main source of third party reimbursement has been Medicaid. Puerto Rico has few prepaid health plans and there are no uncommitted Medicaid funds for third party purposes.

Any program depending on third party reimbursement is doomed to failure in Puerto Rico because most of these programs provide only "seed money" with phase-out schedules allowing the project enough time to become self-sufficient through third party funds. The absence of third party payors and the limited source of Medicaid funds make this system an unfeasible one in Puerto Rico.

Due to this, Puerto Rico's medically indigent will not be able to benefit from any of the new legislation as would their counterparts on the mainland. It would be unfair and unjust to raise expectations for improved health services in a community while knowing that we would have to discontinue them in a few years, due to the inability of obtaining adequate funds.

Despite Puerto Rico's efforts to expand its health budget, our government has been unable to upgrade the quality and further extend these services to its medically indigent, due to the annual increase in population, the high cost of living and inflation of health care costs. Of the entire 1.7 million people regarded as medically

indigent, 57 percent of 975,000 are children—525,000 are considered dependent children and 450,000 are regarded as needy children, according to Medicaid and welfare categories.

For these groups the limitation of Federal financial participation in medical assistance has particular significance, for unlike the jurisdictions of the continental United States, an absolute ceiling is placed upon Federal Medicaid expenditures in Puerto Rico, regardless of actual need.

Puerto Rico's cost of living is considerably higher than in most areas of the United States and a Puerto Rico Department of Labor report indicates a cost of living index for medical care of 190.7 percent—an increase of 24 percent over the general index for October of 1975.

These are just some of the reasons which justify the removal of the Medicaid ceiling for Puerto Rico. The removal of the ceiling will not open the door for an uncontrollable flow of Federal funds into the program because of the limited fiscal capacity of our government and our scarce financial resources.

Should Congress remove the statutory ceiling imposed on Puerto Rico under the Act, it will enable us to comply with the requirements of title XIX and the regulations and, most importantly, meet the needs of the people for whom this program was created—the medically indigent.

Based on figures of actual cost per unit for fiscal year 1975-76, and in order to provide quality health services to our eligible Medicaid population, we have estimated that the total Medicaid program requires a budget of $120 million in fiscal year 1978. Our cost breakdown is being submitted for the record.

In order to make the removal of the statutory ceiling more feasible, we suggest that it be done in stages: 50 percent matching the first year, 1978; 60-40 the second year, 1979; 70-30 the third year, 1980, and 80-20 the fourth and subsequent years, 1981. A table is being submitted for the record.

Puerto Rico is poorer than the poorest State of the Union, Mr. Chairman, and should be eligible to receive Medicaid funds on an 80-20 matching basis.

It is unfortunate that after 9 years, despite a considerable State effort, Puerto Rico has not been able to reach the commendable goals set by the Medicaid legislation due to insufficient funding. The government of Puerto Rico has demonstrated over the years its deep concern for the medically indigent and probably has done more than any other State government to provide adequate health care free of charge for that part of the population that cannot afford it.

Mr. Chairman, with your permission I would like to submit statistics and data in support of the testimony I have presented here today.

I can assure the subcommittee and the Congress that our commitment to a viable health program in Puerto Rico is paramount, and that if the Congress adopts our recommendations, State funds released will be kept within our health budget.

I underscore this statement because I know that in the past sometimes the increases will come and they have been used for

other purposes. We have a commitment, a public commitment, to not only keep whatever funds are freed because of the additional allocation within the Health Department's budget but also to increase the Health Department budget and the State revenues which are dedicated to the health delivery systems.

[Governor Romero's prepared statement and attachments follow:]

STATEMENT OF THE HONORABLE CARLOS ROMERO-BARCELÓ, GOVERNOR OF PUERTO RICO

Mr. Chairman, Members of the Subcommittee, my name is Carlos Romero-Barceló, Governor of Puerto Rico. Accompanying me this morning are the Hon. Baltasar Corrada, Resident Commissioner of Puerto Rico and Dr. Jaime Rivera Dueño, Secretary of Health of Puerto Rico.

Mr. Chairman, one of the priorities of my administration is to provide the best possible health care to the people of Puerto Rico, but unless we get better treatment under the Medicaid program most of our efforts will be seriously hampered.

The Medicaid program was designed to provide medical care to those in our society who are medically indigent. By placing ceilings and restrictions on the applicability of the program in Puerto Rico we have been seriously constrained in carrying out the spirit of the law.

THE PUBLIC HEALTH CARE SYSTEM:

Puerto Rico operates a public health care system which offers preventive services to the total population of the Island.

The State Government and the 78 Municipalities in the Island, operate a system to provide personal health services to low income persons regarded as medically indigent. We have in Puerto Rico, 1.3 million persons who are eligible for Medicaid and an additional 400,000 who receive services at a hundred percent State cost.

Services are provided through a regional health organization comprised of six regions. The number of municipalities in each region varies, according to size, geographical considerations, travel facilities, and others.

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Two thirds of the municipalities operate health centers, under joint agreement with the State Government. The other third operate municipal hospitals, which are being rapidly replaced by health centers or diagnostic and treatment centers.

Patients are referred from the local level (Municipal) to an intermediate level (Area Hospital) and/or to regional hospitals, and from there, if the medical condition so requires, to one of the three modern medical centers located in the Northeast, South and West portions of the island.

A limited number of private general practitioners, some specialty physicians, clinical and radiological laboratories work for the Department of Health on a contractual basis to complement its services.

The services provided by this comprehensive health care system are available to about sixty percent of the total population of the Island and must be provided pursuant to the standards of the Joint Commission on Accreditation of Hospitals, Medicare, Medicaid, and local legislation. To keep the system operating under these standards and servicing that large clientele, the Government of Puerto Rico spends around ten percent of the total State budget for health care. Its appropriations have increased from year to year, from $37.8 million in 1965 to $109 million in 1975, an increase of 188.4 percent in 10 years. During the same period, the municipalities have also increased their share from $24.2 million to $53.8 million, or an increase of 122.3 per cent in 10 years. State and local appropriations for health services to the medically indigent have therefore, increased from

$62.0 million in 1965 to $162.8 million in 1975, or an equivalent of 162.6 percent in 10 years.

Table A attached and made part of this testimony shows the constant increase in local appropriations.

Puerto Rico has also invested heavily in physical facilities. Approximately $210.5 million have been expended during the last 6 years from local funds in the construction of diagnostic and treatment centers to provide services to medically indigent.

During fiscal year 1974 the State share in the construction program amounted to $18.9 million. In fiscal year 1975 the State share reached $37.3 million, for a total State investment of $56.2 million in the two fiscal years. For the same two-year period the Federal share for the program was only $6.8 million, or 12% of the local investment.

TITLE XIX BACKGROUND:

When Congress established in 1965 the Medical Assistance Program through Title XIX of the Social Security Act, Puerto Rico was included in the same manner as the states. However, the matching formula applied to the Island was 55 percent Federal share, or nearly the same applied to the highest per capita income states. Had no special provision been inserted, Puerto Rico would have been eligible for 83% Federal matching.

In 1968 Congress established an annual ceiling of $20 million for the program and reduced the Federal share from 55% to 50%. In 1972 Congress raised the ceiling to $30 million (P.L. 92-603), which is still the applicable ceiling to Medicaid expenditures for the Commonwealth.

PROGRAM IMPLEMENTATION:

Title XIX of the Social Security Act, as it applies to Puerto Rico, does not entirely fulfill the intent of Congress of helping low-income families in the Nation to avail themselves of high quality medical care on an equal basis with those who can afford to pay for it. The constraints imposed by the inflexibility of the statutory limitation of $30 million and the requirements that the Island comply with virtually the full range of legislative and administrative conditions for the receipt of these funds, as they apply to the States, are the key factors that limit the full implementation of the Program in Puerto Rico.

The Medicaid Program in Puerto Rico has to provide the same services to welfare and health clients, and to engage in various administrative actions as required from the States, despite the statutory financial limitation to the Island. The range of required services includes medical and hospital services; early and periodic screening; diagnosis and treatment for children; home health services; nursing home services; family planning services; and reimbursement for certain emergency and other health services provided in other States to participants while traveling in the mainland. These service requirements alone imply costs far in excess of the available State and Federal financing

To aggravate the problem, we find that the Government of Puerto Rico is beginning to be sued in court by the Puerto Rico Legal Services Inc., which is funded by the Federal government, because we are not able to comply with Federal regulations under the Medicaid program. One of the main reasons, Mr. Chairman, that makes it difficult for us to comply with these regulations is that we do not receive adequate funding from the Federal government. Certainly we are anxious to provide more and better services.

Medical and Hospital Services

As I mentioned before, the Public Health Care System provides medical and hospital services in local health centers, area hospitals, and regional hospitals throughout the Island; however, due to a severe lack of personnel, equipment, medicines, and other items of medical care requiring heavy financial investments, we have not been able to fully utilize these available physical facilities for rendering services to the large number of indigents in need of care.

Early and Periodic Screening, Diagnosis and Treatment

The cost of this program is very high because of the large number of people involved. Puerto Rico's goal is to screen 250,000 youngsters annually, or 26 percent of a potential target group of 975,000. We can only maintain clinics rendering these services in pediatric centers using Title V funds and in other medical installations using local funds. Many of these facilities, however, lack sufficient personnel and in most instances are overloaded with acute care activities.

Home Health Services

Home health services rendered to the ill or to the convalescent

is another area in which improvement is necessary. Only four home health care programs which meet the requirements of Title XIX are being operated in four municipalities. The other seventy four municipalities do not have a home health care program.

Nursing Home Services

Puerto Rico has not been able to develop an Island-wide service of nursing homes. With adequate funding some of the local health centers, which as a rule have a low occupancy rate, could be converted into these types of facilities.

Family Planning Services

Aware of the need for reducing the annual growth rate of its population, Puerto Rico is also implementing a program of family planning activities. Funds under Title IV and XX of the Social Security Act are thus directed to strengthening these services throughout the Island. The Medicaid Program, however, has not been able to financially support these services due to a shortage of funds and its activities are limited to referring patients to the regular family planning clinics.

Off-State Services

Payment for Off-State Services to residents of the Island while traveling on the mainland is another requirement which we have been unable to fulfill because of shortage of funds. We have received a number of bills from practitioners and institutions in the states which, until now, we have been unable to honor.

Cost Accounting and Information System

As added requirements, Puerto Rico is expected to establish federally approvable cost accounting systems and mechanized claims processing and information retrieval systems, with no Federal cost-sharing available to defray the costs of their planning, design, and implementation.

At the present time, the Department of Health is designing and implementing a cost accounting system and an information system and is absorbing the cost of these activities from its own resources. It is not claiming Federal financial participation of 90% in the design and implementation of the systems, nor will it be able to claim 75% of the operating costs, since the $30 million ceiling makes it academic.

The Commonwealth is cognizant of the strong need for improved information systems as a mechanism to better manage the Medicaid complex network of facilities and to substantiate claims for Federal reimbursement. Working with a nationally recognized consulting firm we are in the midst of implementing a cost accounting system in 19 certified facilities. The expansion of the system to include other ambulatory facilities serving Title XIX will follow as soon as resources permit.

Although Puerto Rico is complying with the basic requirements of the Medicaid Management Information System (MMIS), the system is operating in a fractioned fashion and is not providing timely and effective information for evaluation and administration of Title XIX Program

The State Government has contracted a consulting firm to develop and implement, in a scaled fashion within the next ~~two years~~ eight months, an integrated information system, which will have as its basic objective the improvement of Puerto Rico's capability to administer Title XIX Program.

IMPACT IN PUERTO RICO OF THE THIRD PARTY REIMBURSEMENT - TYPE OF FEDERAL LEGISLATION

During the last few years, most of the federal legislation related to the delivery of health services to the medically indigent population has been based on the third party reimbursement concept. For example, this is true for mental health, family planning, community health services, rural health initiative, neighborhood health centers, and other. In the U.S., the main source of third party reimbursement for these programs are the Medicaid funds. Also, because of the nature of the health economy in the mainland, Medicare funds and several prepaid health plans become good sources of third party funding. In Puerto Rico the situation is quite different. Prepaid plans are few and there are no uncommitted Medicaid funds available for third party purposes because of the legislative restriction put on the program as it applies to Puerto Rico.

As a result of all this, any such program depending on third party reimbursement is doomed to failure in Puerto Rico. This is so, because most of these programs provide only for "seed money" with a phase out schedule, providing the project enough time to become self sufficient through third party funds. In Puerto Rico, we cannot forsee

that this will ever be feasible because of the absence of third party payors, especially the main one available in the United States, the Medicaid Program.

If this trend continues, the medically indigent in Puerto Rico will not be able to benefit from any of the new legislation their counterparts in the United States are benefitting from. Furthermore, this tendency will make it very difficuly for us to participate in future programs depending on third party payors, because we consider it will be unfair and unjust to start good health services in a community and raise expectations when we know ahead of time we will have to discontinue them in a few years, knowing we will not be able to obtain adequate funds to continue them.

FACTORS AFFECTING THE HEALTH BUDGET IN PUERTO RICO

Although Puerto Rico has made efforts of its own to expand the health budget (from $62.0 million in 1965 to $162.8 million in 1975 - including both state and local resources) it has been unable to upgrade the quality and expand the services to its indigent population.

Most of this increase in funding has been offset by the annual increase in population, the high cost of living and inflation of the health case costs.

Annual Increase in Population

Of the total population of Puerto Rico, approximately 1.7 million persons were classified as medically indigent in 1975. About 1.3 million would be eligible for Federal financial participation if such participation would be available. The remainder, about four hundred thousand persons,

would receive medical services at a hundred percent state cost.

Of the 1.7 million persons, fifty-seven percent, or 975,000, are children -- 525,000 dependent children and 450,000 needy children, according to Medicaid and welfare categories.

These low age groups place increasing demands on the financial resources of the Government of Puerto Rico if it were to provide them all the health care services they need. For these groups the limitation of Federal financial participation on medical assistance has particular significance, for unlike the jurisdictions of the continental United States, an absolute ceiling is placed upon Federal Medicaid expenditures in Puerto Rico, regardless of actual need.

The High Cost of Living

The cost of living in Puerto Rico is considerably higher than in most areas of the United States. The U.S. Civil Service Commission has established a 7.5% cost of living differential for Federal employees working in Puerto Rico. The actual difference is closer to a 14% higher cost of living in the island.

A report of the Puerto Rico Department of Labor provides dramatic evidence of the inroads inflation has made in the purchasing of the dollar in Puerto Rico, particularly in the past years.

This report showed that there has been a 67.0% increase in the cost of living in Puerto Rico over the past eight years. Viewing this in terms of the effect on the dollar/s value in 1975, we can see that a dollar in Puerto Rico buys less than two-thirds of what it bought in 1967. The $30 million ceiling, unfair as it is, becomes more burdensome because of inflation and higher cost of living.

Inflation of the Health Care Costs

The same report indicates a cost of living index for medical care of 190.7%.

The average annual Medicaid payment per eligible recipient in 1972 was $21.25. In 1975 that was equal to $12.85, an effective drop of $8.40, due to the decrease in the purchasing power of the dollar.

REMOVAL OF THE CEILING: RATIONALE AND SAFEGUARDS FOR BETTER UTILIZATION

Title XIX aims at providing full, continuous medical care of optimum quality to all American citizens who qualify and are unable to pay for it themselves. It is unfortunate that after nine years Puerto Rico has not been able to reach this commendable goal due to insufficient funding.

Although the $30 million have been essential to the Program, with 1.7 million persons depending on the Government's medical services and due to the increase in costs of medical care, the Island will never be able to substantially improve health services to the poor. To cope with this situation, a reconsideration of the prevailing Federal financial participation is necessary and the removal by Congress of the statutory limitation of Federal payments to Puerto Rico is fully justified.

The removal of the ceiling will not open a door for an uncontrollable flow of Federal funds into the Program. The fiscal capacity of the Government of Puerto Rico will always be limited due to its scarce resources. The fact that there will always be an additional load of

recipients for whom there is no federal matching funds, at the present time 400,000, or around 23 percent, of the medically indigent population in Puerto Rico, is another limitation to the possibilities of disproportionate State increases that may offset the Federal appropriations under an unrestricted program.

Furthermore, the public health care system servicing the indigent population in the Commonwealth has built-in controls on expenditures to keep costs at lower levels as compared with similar services elsewhere.

In the first place, it is a predominantly ambulatory care system which is cheaper than other systems that use a high incidence of hospitalization. During fiscal year 1974-75, of the $30 million, $27.9 million were used to provide services. Of this amount, $17.5 million, or sixty-three percent, were utilized on ambulatory care.

In the second place, the majority of the services are provided by salaried personnel, including physicians, whose payments schedules are established by the Government Merit System and must be in accordance with other personnel classification and payment schedules of public personnel in the State Government.

Physicians in private practice servicing the Program are paid at a fixed established fee of $3.00 per visit for general practicioners and $6.00 for specialists, which is less than fifty percent of the prevailing fees in the community.

In the third place, purchases of supplies, equipment and other materials for all the public system are done through bidding at a central purchasing and by stimulating competitive procedures by local and mainland suppliers.

The judicious utilization by Puerto Rico of additional funds under Title XIX of the Social Security Act is assured by the Authorities who are responsible for the administration of the Program at State level.

Should Congress remove the statutory ceiling imposed to Puerto Rico under the Act, it will enable us to meet the needs of the medically indigent as well as to comply with the requirements of Title XIX and the regulations.

PROPOSAL

In view of all the above, we respectfully request that the $30 million ceiling imposed to Puerto Rico be removed. The present situation is unfair to our medically indigent population who are unable to benefit from the objective of such legislation.

Based on figures of actual cost per unit for Fiscal Year 1975-76, we have estimated that the total medicaid program requires a budget of $120 million as shown in the attached Table "B".

In order to make the lifting of the ceiling more feasible, we suggest that it be done in stages.

Since we estimate that $120 million are required to provide quality health services to our eligible medicaid population, and because Puerto Rico is poorer than the poorest state, it should be entitled to Medicaid funds on an 80-20 matching basis. However, we recommend the following phase-in table so that within four years Puerto Rico can fully participate in the program:

1st Stage (FY 78) - 50-50 matching

Based on $120 million

Medicaid Funds - $60 million

P.R. matching - $60 million

2nd Stage (FY 79) - 60-40 matching

Based on $129.6 million ($120 M + 8% inflation rate)

Medicaid Funds - $77.7 million

P.R. matching - $51.9 million

3rd Stage (FY 80) - 70-30 matching

Based on $139.9 million ($129.6 M + 8% inflation rate)

Medicaid Funds - $97.9 million

P.R. matching - $42.0 million

4th Stage (FY 81) - 80-20 matching

Based on $151.2 million ($139.9 M + 8% inflation rate)

Medicaid Funds - $120.9 million

P.R. matching - $30.3 million

CONCLUSION

In conclusion, Mr. Chairman, it is unfortunate that after nine years, regardless of a considerable state effort, Puerto Rico has not been able to reach the commendable goals set by the Medicaid legislation due to insufficient funding. The trend in recent federal legislation, which is to relay more and more on third party payors, is making it more difficult for us to deliver adequate health services to our medically indigent population. In order to prevent further deterioration of the services and to treat as equal medically indigent United States citizens residing in Puerto Rico, we propose that the present ceiling of $30 million be lifted.

In order to make it an acceptable proposal which will not result in large sudden outlays from the Federal government, we are suggesting that the ceiling in the matching formula be gradually lifted in the course of four years, starting in FY 1978.

The Government of Puerto Rico has demonstrated over the years its deep concern for the medically indigent and probably has done more than any other state government to provide adequate health care free of charge for that part of the population that cannot afford it.

But as you know, Mr. Chairman, health care costs have skyrocketed in the last years and we hace seen a proportionate deterioration in our health care and delivery system. Puerto Rico does not have the resources to keep pace with these mounting costs and unless we get additional help from the Federal government we will see further deteriorations. Your fellow U.S. citizens in Puerto Rico deserve better.

I believe, Mr. Chairman, that you will agree with me that this is a modest and fair proposal and I hope that the Subcommittee will act favorably on it.

We will be glad to answer any questions that the Subcommittee may have.

Table "A"

STATE AND LOCAL APPROPRIATIONS
FOR HEALTH IN SELECTED FISCAL YEARS

Sources	Appropriations (millions) FY - 65	FY - 75
Puerto Rico (State)	$37.8	$109.0
Municipal	24.2	53.8
TOTAL	$62.0	$162.8

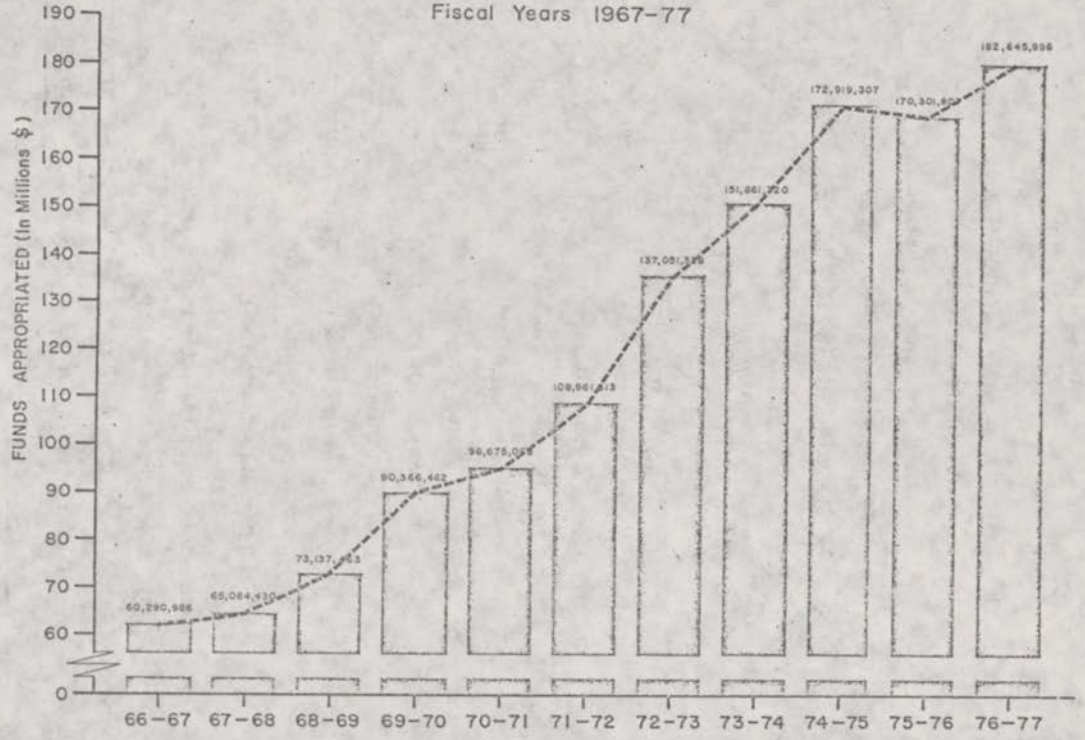
Table "B"

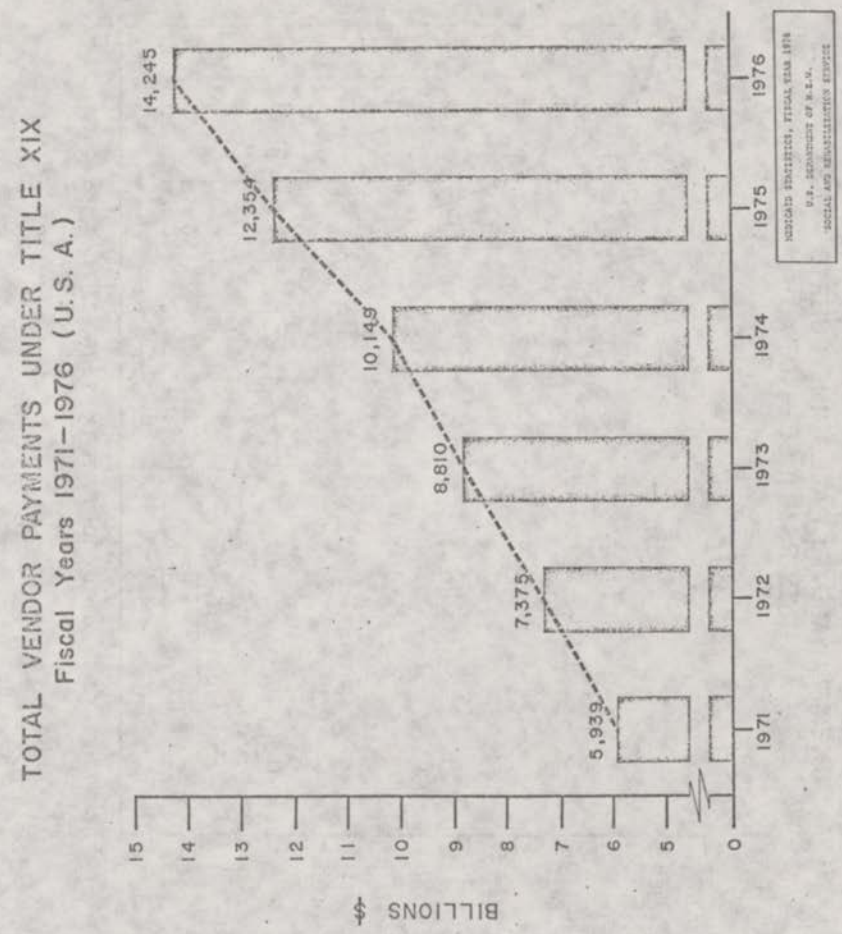
A. Hospitalization at Regional Hospitals	
Admissions - 100,000/ year	
Cost Per Unit* - $702 (Av.)/Patient	
Total Cost - $70,200,000	
Medicaid Estimate (66% of Total Cost)	$46,332,000
B. Out Patient Care at Regional Hospitals	
Visits - 900,000/year	
Cost per Unit** - $37 (AV.)/Patient	
Total Costs - $33,300,000	
Medicaid Estimate (66%)	21,978,000
C. Services at Area Hospitals	
1976 Experience - $16,555,747	
Medicaid Estimate (66%)	10,890,000
D. Services at Health Centers	
1976 Experience - $24,691,386	
Medicaid Estimate (66%)	16,236,000
E. Services Provided by the San Juan Health Department	
1976 Experience - $26,000,000	
Medicaid Estimate (66%)	17,160,000
F. Services Provided by Other Municipalities	
1976 Experience - $12,000,000	
Medical Estimate (66%)	$7,920,000
Total Estimate of Medicaid Funds Required	$120,516,000

*Includes all services rendered during patient's stay, until his discharge.

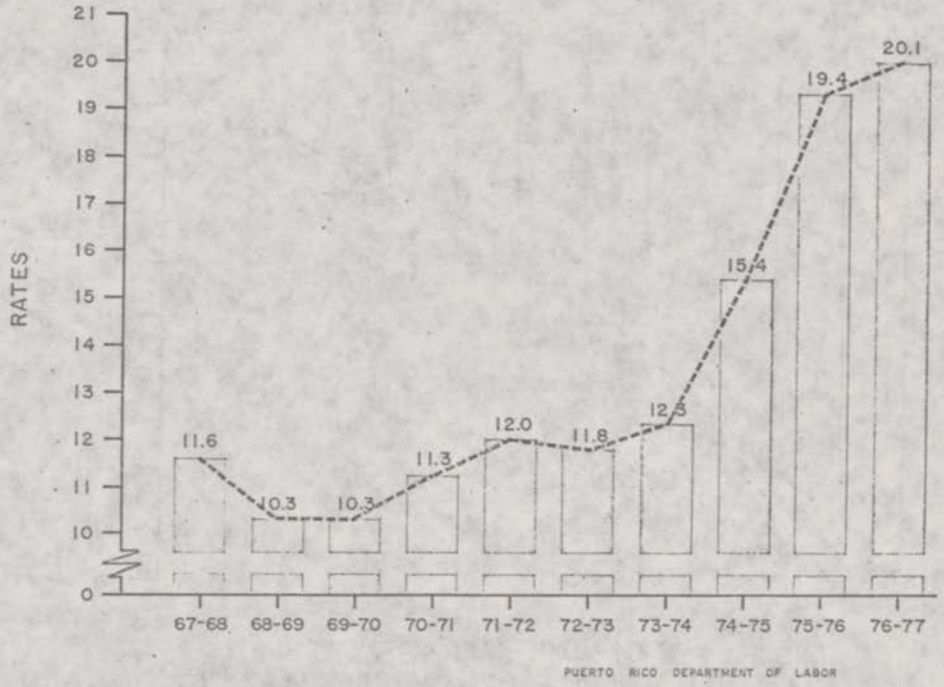
**Includes all services rendered during patient's visit.

STATE AND MUNICIPAL FUNDS APPROPRIATIONS
FOR HEALTH SERVICES IN
THE COMMONWEALTH OF PUERTO RICO
Fiscal Years 1967-77



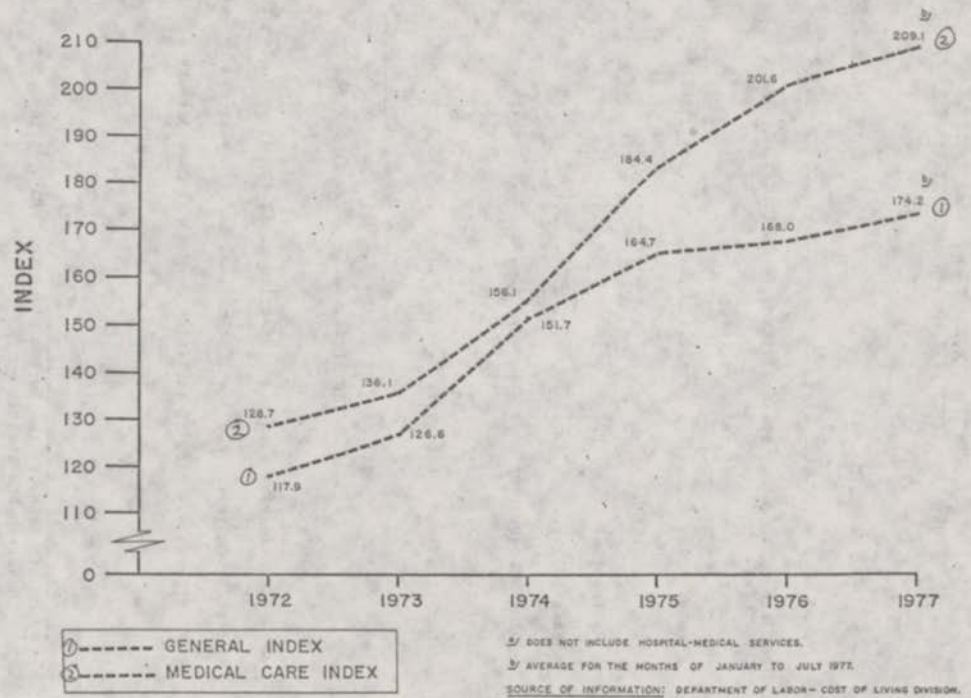

TOTAL VENDOR PAYMENTS UNDER TITLE XIX
Fiscal Years 1971–1976 (U.S.A.)
BILLIONS $
15
14
13
12
11
10
9
8
7
6
5
0
5,939
7,375
8,810
10,149
12,354
14,245
1971
1972
1973
1974
1975
1976

UNEMPLOYMENT RATES IN PUERTO RICO
YEARS 1968 — 1977



PUERTO RICO DEPARTMENT OF LABOR

GENERAL CONSUMERS PRICE INDEX AND MEDICAL CARE INDEX
Puerto Rico 1972-77



a/ DOES NOT INCLUDE HOSPITAL-MEDICAL SERVICES.

b/ AVERAGE FOR THE MONTHS OF JANUARY TO JULY 1977.

SOURCE OF INFORMATION: DEPARTMENT OF LABOR- COST OF LIVING DIVISION.

P.R., ESTIMATED AVERAGE ANNUAL EXPENDITURE
FOR A FAMILY OF FIVE MEMBERS, SUMMARY TABLE */

1970

ITEM	AVERAGE ANNUAL EXPENSE
Food	$ 1,954.68
Clothing and other Personal items	1,179.76
Housing, equipment, electricity, water, gas	1,556.13
Transportation	447.00
Recreation, schooling and printed material	213.00
Other Consumption Expenditures	114.00
Insurance	139.00
Donations and Presents	99.00
TOTAL	$ 5,702.57

Considering a rate of inflation of 7% annually, during the last seven years, the level of medical indigency should be raised considerably. Rate of inflation of Medical Care exceeds other items.

*/ Basic Needs of the Puerto Rican in 1970 Division of Planning Research and Evaluation.

Commonwealth of Puerto Rico
DEPARTMENT OF HEALTH

PER CENT OF ELIGIBLE MEDICAID PATIENTS
(BY TOWN)

TOWN	POPULATION	% ELIGIBLES
Adjuntas	20,240	61.9
Aguada	33,300	78.4
Aguadilla	60,660	59.5
Aguas Buenas	21,800	67.6
Aibonito	23,200	71.4
Añasco	24,060	53.1
Arecibo	86,690	65.3
Arroyo	14,580	74.8
Barceloneta	13,220	63.7
Florida	9,920	-
Barranquitas	24,840	68.0
Bayamón	183,590	42.0
Cabo Rojo	29,740	60.2
Caguas	109,370	57.8
Camuy	21,410	74.6
Carolina	140,950	36.7
Cataño	30,150	74.0
Cayey	42,290	74.2
Ceiba	12,940	40.2
Ciales	16,570	66.5
Cidra	25,520	88.3
Coamo	26,320	82.2

PER ENT OF ELIGIBLE MEDICAID PATIENTS....(Cont. 2)

TOWN	POPULATION	% ELIGIBLES
Comerío	21,250	68.8
Corozal	30,310	66.7
Culebra	870	-
Dorado	23,570	50.3
Fajardo	27,080	38.5
Guánica	16,770	62.8
Guayama	43,600	63.4
Guayanilla	19,970	72.2
Guaynabo	76,810	51.2
Gurabo	20,760	73.9
Hatillo	23,620	89.2
Hormigueros	12,500	44.9
Humacao	41,550	58.6
Isabela	35,390	67.0
Jayuya	14,120	79.1
Juana Díaz	43,950	68.3
Juncos	24,060	70.5
Lajas	18,980	54.7
Lares	29,080	70.3
Las Marías	10,890	51.7
Las Piedras	20,340	60.4
Canóvanas	25,030	58.8
Luquillo	11,230	66.2
Manatí	33,420	64.8
Maricao	6,650	59.6
Maunabo	10,690	86.7

PER CENT OF ELIGIBLE MEDICAID PATIENTS.... (Cont. 3)

TOWN	POPULATION	% ELIGIBLES
Mayaguez	99,010	43.6
Moca	29,870	68.3
Morovis	18,530	83.5
Naguabo	20,320	63.4
Naranjito	23,300	74.2
Orocovis	20,460	89.9
Patillas	19,770	76.1
Peñuelas	18,380	63.0
Ponce	175,690	56.1
Quebradillas	17,370	60.5
Rincón	10,570	70.9
Río Grande	26,610	52.0
Río Piedras	363,060	21.8
Sabana Grande	18,470	64.0
San Germán	31,360	62.8
Salinas	25,090	66.2
San Juan	147,890 ***	73.8
San Lorenzo	34,390	78.2
San Sebastián	37,470	67.1
Santa Isabel	17,670	63.3
Toa Alta	25,150	66.3
Toa Baja	60,910	35.1
Trujillo Alto	40,280	57.9
Utuado	39,470	64.4
Vega Alta	27,780	55.9

***/ Incluye San Juan I, II, III y IV.

PER CENT OF ELIGIBLE MEDICAID PATIENTS....(Cont. 4)

TOWN	POPULATION	% ELIGIBLES
Vega Baja	37,600	72.6
Vieques	9,040	-
Villalba	19,320	82.3
Yabucoa	36,210	56.7
Yauco	37,640	69.0
Loíza	18,370	45.0
TOTAL	3,120,900	56.1 %

Mr. ROGERS. Thank you very much for a fine statement.

Would your distinguished colleague like to make a statement?

Mr. CORRADA. Mr. Chairman and members of the subcommittee, I will just be making some brief comments in support of the elimination of the $30 million ceiling for Puerto Rico in the Medicaid program and for the establishment of a phase-in program to provide for a more equitable matching formula at the levels recommended in Governor Romero's testimony.

I think the Governor's testimony has made clear that the government of Puerto Rico is deeply committed to provide the optimum health care for the medically indigent population in our Island.

The line item in the health budget to provide services to the medically indigent has increased 263 percent in the last 10 years.

Another example of this commitment is the fact that we are spending $78 million to match the $30 million which the Federal Government provides under the Medicaid program. This, Mr. Chairman, is probably, as the Governor said, the highest matching ratio in the program, even though Puerto Rico is poorer than any of the States.

The fact that Puerto Rico's participation in the Medicaid program is limited to $30 million per year on 50-50 matching ratio has severely strained the resources of the government of Puerto Rico, particularly the health budget, and has also constrained our ability to provide optimum health care to our medically indigent. Unless immediate action is taken through legislation and through the

recommendations of this subcommittee, our ability to provide these services will continue to be severely hampered.

Finally, Mr. Chairman, we are experiencing a situation by which we find that we have to comply with Federal regulations and legislation requiring the States to provide more services, more sophisticated cost accounting and management information systems and the government of Puerto Rico is having to bear the full burden of providing the services and developing the systems without any assistance whatsoever from the Federal Government since most of our funds under the ceiling are already committed to providing the basic health care services.

You will agree with me, I hope, Mr. Chairman, and members of the subcommittee, that this is an unfair situation and that steps should be taken to remedy it. The proposal that the Governor has spelled out this morning for the removal of the ceiling and a 4-year phase-in of the matching requirement is more than equitable, both to the Federal Government and to the island, and I hope that the committee will act favorably on it in the near future. This matter is of great priority to me as Puerto Rico's Resident Commissioner and for that reason I introduced legislation shortly after the beginning of the 95th Congress to remedy the problems we have discussed today.

Thank you.

Mr. ROGERS. Thank you so much.

It is true that you have been very diligent on this. It is because of your diligence along with our colleague, Mr. de Lugo, from the Virgin Islands that the committee is holding these hearings.

So, Governor, I want you to know that your representative has been doing a good job and has gotten on this committee to make sure we hold these hearings.

Governor ROMERO. Thank you.

Mr. ROGERS. Dr. Carter.

Mr. CARTER. I notice you have a 3-tier system of health care in Puerto Rico which consists of municipal clinics, then a second tier of treatment, and then regional hospitals. Is that correct?

Governor ROMERO. That is correct.

Mr. CARTER. What is the average that you spend per Medicaid patient?

Governor ROMERO. I will defer to Dr. Rivera.

Dr. RIVERA. The average for a Medicaid patient is around $49 per year.

Mr. CARTER. What is the total population of Puerto Rico?

Dr. RIVERA. 3.2 million people out of which is Medicaid program we had around 1.4. We have 400,000 persons who are not covered, are not eligible. They do go as medically indigent persons for services.

Mr. CARTER. Could you give us some examples of the extent of communicable diseases in Puerto Rico? For example, do you have a high rate of measles or whooping cough?

Dr. RIVERA. No. I would say most of the infectious diseases are not as prevalent in Puerto Rico as they used to be. We don't have malaria, typhoid fever, and we very seldom get a polio case, and TB has come down. We do have some outbursts of measles, but not the usual type we used to have.

Mr. CARTER. Do you have dengue fever?

Dr. RIVERA. Yes, we do.

Mr. CARTER. That is caused by mosquitoes?

Dr. RIVERA. That is right.

Mr. CARTER. Why do you think it is that you have eliminated malaria and yet have dengue?

Dr. RIVERA. We have an endemic type of dengue in Puerto Rico. It is a very seasonal type of thing. We are working with it in such a way that, for instance, at this very moment we are taking all the precautions that are needed in order to eradicate the places where the mosquito is born.

Mr. CARTER What about the mortality rates?

Dr. RIVERA. From dengue, no.

Mr. CARTER. Not from dengue, but in general?

Dr. RIVERA. The mortality rate, the infant mortality——

Mr. CARTER. Actually, I should have asked about the morbidity among your poor people, instead of mortality.

Dr. RIVERA. Right now I would consider it still high, not as it used to be before, but it is still high.

Mr. CARTER. Do you have problems with dental caries?

Dr. RIVERA. No doubt that is one of our programs, yes.

Mr. CARTER. You do have great problems?

Dr. RIVERA. Yes, we have a tremendous problem in that particular line.

Mr. CARTER. Are you able to take care of your poor people who are sick?

Dr. RIVERA. Well, we are doing it. How we are doing it sometimes I consider it a miracle within the circumstances of the budget we do have. But we are providing the care. The average cost per unit type of investment, we pay about $700 per admission per year per patient which is very, very low as you might compare with the States which is close to $2,000.

Mr. CARTER. What is your cost per hospitalization day?

Dr. RIVERA. We have a cost unit. I don't have it for each day. At the biggest regional hospital it is between $1 and $126 per day. In the intermediate hospital, the areas hospital, it is around $86 per day at the present rate.

Mr. CARTER. Thank you very kindly.

Mr. ROGERS. There is a call to the floor for a vote. If you will bear with us, we will recess for 10 minutes to allow Members to vote and we will come back and conclude questions.

[Brief recess.]

Mr. ROGERS. The subcommittee will come to order.

Mr. Walgren.

Mr. WALGREN. Being a new member I just wanted to explore how Puerto Rico was left so far behind originally in this kind of legislation. What was the rationale for that?

Governor ROMERO. The rationale for this and for any other different treatment for Puerto Rico is the fact that Puerto Rico does not pay Federal income taxes. So that, therefore, we are not entitled to the same benefits under all the legislation automatically as a State. So this is the reason behind it.

I cannot see any other type of reason. This reason, however, fails to make us clearly understand what happens to any kind of Federal aid that goes to Puerto Rico.

Recently there was a program on 60 Minutes which has been very prejudicial to the image of the people of Puerto Rico. They gave some statements in that program which were untrue because they did not give all the information. They talked about $3 billion of Federal outlays in Puerto Rico, Federal expenditures, but they are really outlays. It includes the military bases. It includes the U.S. Department of Justice, the court systems, post office, social security, veterans payments and all kinds of payments. Actually, as far as grants to Puerto Rico are concerned, there is $1,700 million in total. Puerto Rico purchases from the U.S. a total of $3,600 million. So that all the money that goes into Puerto Rico is more than turned back over in purchases of goods and services.

Out of our total $7 billion and some gross State product, we purchase over $3-1/2 billion from the Nation.

Mr. WALGREN. When a population is as poor, not adding any judgment to that word, but when so many of the people would qualify for medical aid, how do you decide which ones or which programs to fund? There must be a cutoff point there someplace. Does it just fall arbitrarily?

Governor ROMERO. No.

Mr. WALGREN. Can you provide the services to everyone?

Governor ROMERO. We provide the services to everyone who comes in. Of course, as you must imagine, there is a shortage of doctors and nurses and equipment and medicines. So that what happens is that people accept a situation which would be unacceptable in just about any State of the Union. If you go to one of the out-patient clinics and see the amount of people put together in that clinic waiting for a specialist to see them and waiting to be x-rayed or waiting for a lab test, this would be unacceptable in many States and many cities.

The same situation exists with the hospitals. Certain things will be unacceptable as far as the number of people put together, the waiting time. We do with what we have. But everyone is treated. I would say perhaps we are falling way behind in dental treatment.

Mr. WALGREN. Have there been any situations where the Department of Health, Education, and Welfare has threatened to cut off funds to any of the institutions in Puerto Rico that you know of for failure to comply with some of these cost accounting systems and other regulations that are put on the local governments?

Dr. RIVERA. We receive letters. HEW tries to make us comply because obviously we have to. But they are understanding. I believe they have been reasonable enough to us. They have been trying for us to start, like to have a list to show the intention that we are trying to. We are doing that in certain areas. There are some areas where we definitely cannot do it because of the cost involved. Obviously, they are trying for us to see if we can do it.

Mr. WALGREN. I see.

Governor ROMERO. When you talk about standards and treatment, the medical and health services in Puerto Rico are much better than medical health services in just about any other nation

in the world, particularly in all of this continent. But when you compare them, the standards that have to be met, the national standards, then that is when they begin to fall short.

On a comparative basis, we might be doing all right comparing with one area, but not compared to the rest of the Nation and the requirements of the Federal Government.

Mr. WALGREN. I simply would like to add my compliments to Mr. Corrada. Congressmen are so preoccupied and it is so easy to not realize what is happening in someone else's world. Certainly in the instance of health care, our country has a commitment. When I think of the way we have criticized other countries that have not provided proper health care to their people and thought of ourselves as almost holier than thou, and then to find that in our own—in the people that live together in our political system left behind in that, it is really disturbing.

I think Mr. Corrada has done a very effective job in bringing it to the attention of many people who I am sure are very distracted. It is hard to get their attention, but it certainly is a worthwhile cause.

I would like to lend my support to that.

Mr. CORRADA. Thank you.

Mr. ROGERS. Do you have any cost containment programs in the health care field?

Dr. RIVERA. We do. It is sort of a built-in style of cost containment approach. Of the system we have in Puerto Rico, we have a different health delivery system in Puerto Rico than you do in the States. We have tried to keep it through salaried positions, trying to buy materials and so on. This keeps us in cost containment activities. Obviously, we have to depend on certain equipment and material from the States. Every time it increases here it is reflected over there.

Locally we are trying a sort of cost containment activity, but it is always influenced by what happens in the States.

Mr. ROGERS. Have you tried to encourage the establishment of the health maintenance approach?

Dr. RIVERA Yes. We are for it. As a matter of fact, starting January of next year we are starting a new concept of health delivery services. This is what we call an area concept. The area concept is for us to get three or four towns together and utilize all the physical resources and facilities and the human resources available for the populations of those three or four towns. The concept is similar to the health maintenance type.

Our main approach is prevention. We have shifted completely from the acute aspect to the prevention aspect. We will have a good laboratory to test that.

Mr. ROGERS. I think the committee will be interested in benefiting from your experience and what you have planned. If you can let us have some details on that, I think it would be helpful.

Dr. RIVERA. We will be glad to.

[The information was not available to the subcommittee at the time of printing.]

Mr. ROGERS. The government of Puerto Rico has an exemption from the freedom of choice provisions of Medicaid as well as the eligibility standards for medical needs. I think the general require-

ment is 133 percent of the cash assistance payments, where I think perhaps you go up to perhaps 200 percent.

Dr. RIVERA. That is right.

Mr. ROGERS. If the Federal ceiling were removed giving a normal match, if that meant losing those exemptions, what would your feeling be?

Governor ROMERO. We would be in a difficult position. I think at this moment still not to be exempt from the free choice would create problems because we still need so much of those funds to help our government delivery system.

Mr. ROGERS. So you think it is essential to keep that exemption?

Governor ROMERO. I think so.

Mr. ROGERS. What about the 133 percent vis-a-vis the 200 percent?

Governor ROMERO. The reason they have the higher ceiling is because the cash assistance in Puerto Rico is much lower. Therefore, the percentage is much higher. At this moment a blind person would be receiving $13 a month vis-a-vis $167 in the States. An impaired person would be receiving $14 a month vis-a-vis $160 or $170. An aged person would receive $19 a month vis-a-vis $170 in the States. This is why the percentage is so much higher because the cash assistance payments are so much lower.

Mr. ROGERS. There was some indication, unofficial, that HEW might seek the approval of the OMB in perhaps doubling the ceiling and then giving a comparable cost of the health inflationary factor each year. What would be your reaction to that?

Governor ROMERO. I think that would be much better than what we have now. We feel our plan would meet our needs a lot better, but if that were to be the only available plan, that would be definitely better than what we have at this moment.

Mr. CORRADA. May I say, Mr. Chairman, in terms of the amounts available, it would not be problematic, but in terms of keeping the 50-50 matching requirement throughout the period, it would seem to us that it would not be equitable to keep it that way, particularly in view of the fact that the Governor has stated that even though through the phase-in program the matching requirement goes to 60-40, 70-30, 80-20, that the resources that would be liberated in terms of Puerto Rico's share would still be kept in the health field and, of course, the 80-20 matching requirement at the end of 4 years we are talking about is nothing unheard of because that is what the States with lower capita income get.

Mr. ROGERS. One more question on the situation of the income tax. I guess the main beneficiary of that would be corporations.

Governor ROMERO. There is no doubt about it.

Mr. ROGERS. Many people would qualify for rebates if they had to pay income tax?

Governor ROMERO At this moment our personal income tax at this level begins at a lower income level than it does here. The rates are higher. A person in Puerto Rico pays more income tax with the same amount of income than he does in New York State, even though if he lives in New York City he has to pay Federal, State and city income tax. Still he pays more in Puerto Rico. The rates are higher.

Mr. CORRADA. Here we are speaking of the medically indigent. Most of them do not pay Federal taxes whether they are in Puerto Rico or in the mainland as a result of their low incomes.

Mr. ROGERS. Are there any other questions?

Mr. CARTER. Yes, Mr. Chairman.

Mr. ROGERS. All right.

Mr. CARTER. Do you keep up with the Federal taxes that are collected in Puerto Rico?

Governor ROMERO. The Federal taxes that are collected for the imports and excise taxes are returned from Puerto Rico after the deduction of collection expenses.

Mr. CARTER. How much does this amount to per year?

Governor ROMERO. At this moment I don't have the figures. Would you have those figures? It is about $180 million.

Mr. CARTER. Does that figure represent the Federal taxes which you get and which other States in the country do not receive?

Governor ROMERO. That is correct.

Mr. CARTER. That is an advantage to your Commonwealth of Puerto Rico, isn't it?

Governor ROMERO. Yes. I think the reason for those payments is because of the principle of taxation without representation. Since we have no representation we don't have that taxation. I myself, personally, would much rather have representation. We have representation which does not have a vote. We would be entitled to seven.

Mr. CARTER. Of course, it is your business which reduces the taxes and of course you benefit from them. What you stated is quite true.

Thank you, Governor.

Mr. ROGERS. Governor, thank you very much for your testimony. It has been most helpful. Governor, our distinguished colleague and Mr. Secretary, we have been pleased to have you. The committee will try to take some action on this matter. Thank you for your presence today.

Our next witness is our distinguished colleague from the Virgin Islands, the Honorable Ron de Lugo. We welcome you to the committee. Your statement will be made a part of the record in full.

I want to give credit to the gentleman, too, for his persistence in trying to get this matter brought to the Congress for final resolution.

STATEMENT OF HON. RON DE LUGO, A DELEGATE IN CONGRESS FROM THE VIRGIN ISLANDS

Mr. DE LUGO. Thank you for those kind remarks. I will try to be as quick as possible because I see the committee has been called to the floor again.

First of all, let me open by requesting unanimous consent that the record be kept open so that we can insert a statement that will be coming from the Commissioner of Health, Dr. Schneider.

Mr. ROGERS. Do you anticipate that within about 5 days?

Mr. DE LUGO. Yes.

Mr. ROGERS. We will keep the record open for that.

Mr. DE LUGO. He will provide all the necessary data to support my statement [see p. 54].

Mr. DE LUGO. Mr. Chairman and members of the Subcommittee on Health and the Environment, I am grateful for this opportunity to testify in support of the Medicaid provisions of H.R. 6745, comprehensive legislation I have introduced to eliminate discriminatory treatment of the Virgin Islands under the various public assistance sections of the Social Security Act.

The purpose of this legislation, major provisions of which have already been unanimously adopted by the Ways and Means Committee and passed by the House, is to guarantee equal protection under the law by extending to residents of the United States Virgin Islands the same rights and benefits already enjoyed by residents of the several States and the District of Columbia, the same rights that they would, as U.S. citizens, have if they were in one of the States.

Section 1108 of the Social Security Act sets absolute ceilings on Federal funding for the Medicaid programs in the Virgin Islands, Guam and Puerto Rico. Federal financial participation with respect to the U.S. Virgin Islands is limited to $1 million a year. At the same time, the Virgin Islands is subject to a 50-50 matching rate, whereas the territory would qualify for 75 percent Federal matching if it were entitled to full State-like treatment, the difference with Puerto Rico being, of course, pegged to the per capita income.

The net effect of these provisions is to reduce the level of health care services available to low income persons in the U.S. Virgin Islands, as well as to place an ever-increasing financial burden on the fiscally strapped local government that is disproportionately higher than that of individual States.

I should like to point out that the health care responsibilities of the Virgin Islands government are expected to increase significantly over the next few years. The aggregate case load for government-sponsored health services has increased from 25,000 in 1972 to 34,000 in 1976—out of a total population of 100,000—and additional growth is expected to continue as large numbers of nonresident aliens in the territory are adjusted every year to permanent resident status under Federal law.

Moreover, operational costs are expected to increase as the local government moves ahead with its $50 million health care modernization and construction program. While eliminating the Federal ceiling and allowing the matching rate to rise under the variable State formula would enable the Virgin Islands to help finance needed improvements in its health care system, HEW has estimated that full State-like treatment would barely cost an additional $600,000 in fiscal year 1979, rising to an additional $1.8 million in fiscal year 1983. So you can see as far as the Virgin Islands go, it is a drop in the bucket by Federal standards. It is not, however, a drop in the bucket by our standards.

The principle justification for discriminatory treatment of the Virgin Islands under the Social Security Act has been, as was pointed out earlier in the discussion with Mr. Walgren, its special tax status. However, in October of 1976, the HEW Under Secretary's Advisory Group on Puerto Rico, Guam and the Virgin Islands issued a report which concluded that "the current fiscal treatment of Puerto Rico and the territories under the Social Security Act is

unduly discriminatory and undesirably restricts the ability of these jurisdictions to meet their public assistance needs."

The report went on to recommend full State-like treatment for the off-shore areas, arguing that "while the legitimate obligations of Puerto Rico and the territories to contribute to general Federal tax revenues should be considered within the context of their overall political relationship with the Federal Government, there is little justification for addressing this issue within the context of the Social Security Act."

This conclusion is in accordance with statements of general policy the present administration has made with respect to the off-shore territories. As President Carter recently stated, "The Constitution of the United States does not distinguish between first and second class citizens."

Rather, the Constitution specifically guarantees equal protection under the law to all United States citizens, regardless of where they may live. The logic of the constitutional argument, moreover, is strengthened by the fact that while the people of the Virgin Islands do not contribute to the Federal Treasury, neither do millions of Americans who are unable to pay taxes because of economic circumstances. In the final analysis, neither of these circumstances relieves the Federal Government of its responsibilities to these citizens.

While the Under Secretary's report mentioned above also recommended full State-like treatment, it did suggest a number of ways in which to do it, including phasing in reforms over a 3-year period. The House Ways and Means Committee took a major step in this direction last May when it voted unanimously to extend the supplemental security income program, eliminate the Federal ceilings on cash assistance programs and revise administrative procedures for the title XX social services program for the benefit of United States citizens in the Virgin Islands, Guam and Puerto Rico. In its report on H.R. 7200, the Ways and Means Committee states that its action was a "necessary and important step" in the direction of "complete equity between the States and the territories."

More significantly, President Carter has included the Virgin Islands and the other United States territories in his comprehensive welfare reform proposal on a full and equal basis with the several States and the District of Columbia.

I would just like to stop here because the sooner I stop talking, the quicker you can resolve this injustice.

[Dr. Schneider's statement was subsequently received for the record:]

STATEMENT OF ROY L. SCHNEIDER, M.D., FACS, FICS, COMMISSIONER OF HEALTH, GOVERNMENT OF THE VIRGIN ISLANDS OF THE UNITED STATES

Through the years, the Virgin Islands Medicaid Program has operated under severe restraints which have become even more confining because of the increased need and cost for services. Medicaid as operates in the Virgin Islands has documented expenditures higher than the allowable ceiling. Therefore, a much-needed increase in this ceiling will bring the Virgin Islands program in line with other States, and more importantly will enable the program to meet all financial responsibilities.

The continued constraint of a one-million-dollar ceiling for the Medicaid Program coupled with an unfair matching formula (50%-50%) place the Virgin Islands in a less favorable light than any State, victimizing the citizens of the Territory, and placing a burden on the local Government at a time when it is least able to tolerate such demands. Looking to the future, one can only project upward trends in both the costs of health care and the number of persons needing Medicaid. The Virgin Islands Medicaid Program has attempted to meet the needs of the recipients, but the amount, duration and scope of the program is threatened by the present financial restraints.

While the Health Department is strengthening its service to the community, Medicaid continues to purchase medical care off-island, which means more fluid cash expended, as against Virgin Islands in-kind contribution.

The non-matching categories reflect the severe constrictions of the Federal regulations—specifically, those families not having characteristics of Federal requirement or citizenship status, requiring disproportionate local monies for the provision of services.

The high level of unemployment in 1975 led to the rapid increase of recipients: 4,220 additional recipients were added in that year: and the number has continued to grow.

It is to be noted that the projected budgets for the Virgin Islands Medicaid program for the Fiscal Year 1976, and 1977 were equal, each being $2,584,400. During the same two years, the Medicaid Program demonstrated that the one million dollar ceiling was spent as follows:

1976

Total	$2,445,759
Federal Financial Participation	780,705
Territory	780,705
Non-Matching	884,350

1977 (CURRENT YEAR—ONLY THRU JUNE 30TH)

Total	$2,413,307
Federal Financial Participation	908,162
Territory	908,162
Non-Matching	596,983

These exorbitant figures for expenditures represent a total of 33,965 recipients for 1976, and 34,062 for 1977. Reflected in these figures are social, economic and other community factors, plus changes in other Federal programs relating to Medicaid, which support the need for an increase in the funding of the Medicaid Program.

Because the eligibility level for the Virgin Islands has remained low and constant, there are realistic pressures from the public to raise eligibility levels. Another factor to consider is that if the Virgin Islands participates in the Supplemental Security Program (SSI) more recipients will automatically be eligible for Medicaid. Therefore, a larger number of recipients necessitates a larger expenditure of funds for medical and health services.

The Virgin Islands government strongly feels that there should be an increase in the Medicaid ceiling and matching formula which would more realistically accommodate the needs of the residents of the Territory.

Mr. ROGERS. We appreciate your bringing to our attention the problem that does exist and a possible solution.

Mr. Walgren?

Mr. WALGREN. I would just simply like to add my endorsement of the views and thank you for presenting them so directly.

Mr. DE LUGO. Thank you very much for this very sympathetic hearing that you have given us. I appreciate your statements. Of course, my good friend, the chairman, we serve on another committee together and he has been a long time friend of the Virgin Islands. Of course, we would like full State-like treatment, but if in the committee's wisdom you should adopt the HEW proposal which is to double the ceiling from $1 million to $2 million for the Virgin Islands, I think Mr. Corrada made an excellent point on the matching formula. In our case it would be 75 percent Federal. I think that should be made part of it.

At the present time we are just strapped at the local level with our health needs.

Mr. ROGERS. Actually, I presume if they double your present ceiling, that would be more than you would ask for immediately. You said that only $600,000 would be needed immediately and not until 1983 would you get up to an additional $1.6 million?

Mr. DE LUGO. That is right.

Mr. ROGERS. So if there were an inflationary factor in that, you might come out better than if it were done the other way.

Mr. DE LUGO. We could very well in the short run.

Mr. ROGERS. We can discuss that.

Mr. DE LUGO. I think the matching formula would be a key to it, too.

Mr. ROGERS. Thank you so much for being here today.

Mr. DE LUGO. Thank you for your consideration.

Mr. ROGERS. The committee stands in recess for 10 minutes to answer the call.

[Brief recess.]

Mr. ROGERS. The subcommittee will come to order, please.

Our next witness is William Fullerton who is the Deputy Administrator for Health Care Financing Administration of the Department of HEW.

We welcome you again to the committee. We will be pleased to receive your testimony.

STATEMENT OF WILLIAM FULLERTON, DEPUTY ADMINISTRATOR, HEALTH CARE FINANCING ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. FULLERTON. Thank you. Mr. Chairman and members of the subcommittee: My name is Wiliam Fullerton and I am the Deputy Administrator of the Health Care Financing Administration, organized earlier this year to bring together in one unit the Medicare and Medicaid programs and their supporting quality and standards functions. I am pleased to have the opportunity to appear before you today to discuss the provisions of H.R. 3871, and H.R. 6745. These bills would remove the current ceilings on Federal matching funds and change the matching rate for medical services provided under the Medicaid programs of the Commonwealth of Puerto Rico and the Territories of the Virgin Islands and Guam, and make other changes in the public assistance programs in these jurisdictions.

The unique status of the Commonweath and these territories has been well established over the years and is reflected in a number of special relationships with the Federal Government.

As was brought out this morning, these jurisdictions are exempt from all Federal income taxes, permitting them to tax individuals and corporations solely to support locally-determined priorities; they are exempt from the limitations on Federal financial participation imposed upon State Medicaid programs regarding payments for the medically needy; they are exempt from the requirement that Medicaid recipients be given freedom of choice of qualified medical providers; they have a specific dollar ceiling on Federal Medicaid

funding; and they differ significantly in the way in which their Medicaid funds are spent. In effect, Medicaid represents a grant program to their public health departments rather than vendor payments to private providers.

The bills under consideration would increase the ceiling dollar amounts established by law in 1972 and increase the Federal matching rate from 50 percent to the amount computed under the formula applicable to States.

We are sympathetic to the need for increased funding for health services in Puerto Rico, the Virgin Islands and Guam. The dollar limits have not changed since 1972, and we are acutely aware of the increase in dollars, in real terms, that would be necessary to fund the same level of services in 1979. Also, per capita Federal contributions in Puerto Rico are less than one-fifth of those to the 50 States. We believe, however, that the measures set out in the bills we are discussing today are not the best approach to the special problems faced by the Commonwealth and the territories. We are particularly concerned that these jurisdictions continue to have flexibility in the spending of health funds, and for this reason we do not believe they should be treated in the same way as the 50 States.

For example, we do not propose that Puerto Rico have the federally-imposed income restrictions for Medicaid recipients which apply to the States and we would not wish to disrupt completely its current system of health care delivery by giving recipients freedom of choice of providers.

I would like to take a moment here to take note of a program in Puerto Rico that is of vital interest today. The Commonwealth has invested heavily in maternal and child health care and the results have been very encouraging. The Department believes that this type of preventive health care is one of the most important elements in a total health system, and tomorrow the Secretary will be discussing with you the new Departmental initiative in this area, the Child Health Assessment Program (CHAP). Puerto Rico is to be specially commended for its continuing recognition of the value which accrues from an investment in maternal and child health in terms of the life-long health status of individuals.

As you know, at President Carter's request, Commerce Secretary Kreps is directing an interagency study to asess the present and potential impact of Federal programs on the economy of Puerto Rico. We anticipate that the study will provide information which is relevant not only to Puerto Rico but also to the territories, and that it will provide a base upon which sound solutions can be developed to the problems of these jurisdictions.

Under the budget cycle, we are now in the process of preparing fiscal year 1979 recommendations. It seems quite likely at this point that we will be recommending to the President some changes in the existing provisions which will be favorable to Puerto Rico and the territories. I feel quite confident that the changes we will recommend will help achieve the objectives of the bills now before you.

Mr. Chairman, this concludes my prepared remarks. I will be pleased to answer any questions you or members of the subcommittee may have.

Mr. ROGERS. Thank you.

Now you indicate that the Department will be making budget recommendations to deal with the fiscal problem of the Commonwealth of Puerto Rico and Guam and the Virgin Islands?

Mr. FULLERTON. Yes, sir.

Mr. ROGERS. What are some of the alternatives that are being thought about?

Mr. FULLERTON. The major alternative that is before the Department now, and they are getting close to making a final recommendation, is one which would double the maximum allowed for Puerto Rico from $30 million to $60 million and keep that figure up-to-date with some kind of index of increases in health care costs. The same thing would be true of the Virgin Islands. The situation with Guam is a little different. They are not able to spend the Federal money now furnished them. We would not have a recommendation on Guam at this point.

Mr. ROGERS. They cannot spend the money or they cannot match it?

Mr. FULLERTON. They cannot match it. They cannot come up with another $900,000 to match that $900,000. So increasing that $900,000 figure would not be of any help to them.

Mr. ROGERS. Does the current amount handle their problems in Guam?

Mr. FULLERTON. I am sure the people in Guam would say no. Guam has been hit with a lot of problems in recent times, from storms in the Pacific to economic consequences flowing out of our recession a couple of years ago. I am sure they would say they are in dire straits economically with respect to their health care system.

Mr. ROGERS. I wondered about the health delivery system there. Is it sufficient or not?

Mr. FULLERTON. That would be a judgmental thing. It is a Government program largely.

Mr. ROGERS. What does HEW think or would you like to give us a comment on that for the record?

Mr. FULLERTON. I would like to give you a comment for the record. We have some information about the hospital situation, but really to give you an assessment of the total picture I would like to provide that for the record.

Mr. ROGERS. I think it would be well to let us have something if we could.

Mr. FULLERTON Yes, sir.

Mr. ROGERS. And maybe raising the match when you double the ceiling?

Mr. FULLERTON. Yes, sir, we will look into that.

[The following information was received for the record:]

ADEQUACY OF THE MEDICAID PROGRAM IN GUAM

Most physicians on the island are in private practice, including those affiliated with a Seventh Day Adventist Clinic, a federally-qualified HMO (about 20 physicians), and an independent practice association. There are also a number of military-affiliated physicians and facilities on Guam. Since there is a lack of health professionals in the specialties, some off-island care is necessary. Guam's Medicaid program, however, reimburses for such treatment.

There are two hospitals on the island: Guam Memorial, which is government-owned, and the Medical Center of the Marianas, which is owned by the Catholic Diocese.

Guam Memorial is accredited, after having lost its accreditation in 1975. For the past 6 months, it has been managed by Hyatt Medical Enterprises which is under contract to the Guamanian government. The territory's Medicaid program has not reimbursed Guam Memorial promptly; however, the hospital itself also has not actively attempted to collect reimbursement for care rendered. In May of 1976, the hospital's accounts receivable were reputed to total nearly $4 million.

Claims processing is a manual function with only one claims clerk to handle all reviews and approvals. Verification of eligibility and review of claims history is inadequate, and there is a backlog of billed title XIX claims. The Medicaid program has also failed to bill the Medicare program in many instances when recipients have Medicare coverage.

The island has one skilled nursing facility (SNF) of 16 beds, which is a distinct part of Guam Memorial Hospital. This facility, which is certified to provide care under Medicare and Medicaid, is currently operating under a 60 day extension of its time-limited SNF certification. This extension was granted by the Division of Survey Operations in the Bureau of Health Quality and Standards in HCFA to permit the SNF to meet certain health and Life Safety Code Standards.

Most cases in the SNF are custodial. We understand from our Regional Office staff that ICF of "group homes' could be of some benefit because off-islanders moving to Guam, combined with other social changes, have affected the "extended family" structure under which those requiring such care remain at home with the family.

The medicaid agency has not assigned staff to perform utilization review but has relied instead on the hospital utilization review committee.

Guam has experienced a number of difficulties in its early and periodic screening, diagnosis, and treatment program, primarily in the areas of screening and informing. There is no monitoring of the informed recipient to guarantee that he or she is screened. The Guamanian government has no full-time staff person to implement or to be responsible for the program.

Guam lacks sufficiently trained and qualified staff to operate its Medicaid program. It is difficult to recruit staff who meet the levels of technical and programmatic expertise required for day-to-day management of the program. The necessary staff simply is not available in Guam.

Mr. ROGERS. Where they can't match currently, it won't help much to raise it if they are held to a 50 percent match. What about the inconsistency of the administration's position where they want to talk about coverage for 700,000 children in CHAP, which we will get into tomorrow, and raising the match? Puerto Rico, as the Governor indicated, has about half a million children they hope to cover under EPSDT. But they do not get any benefit from CHAP because of the ceiling. So that probably ought to be looked at, too, had it not?

Mr. FULLERTON. Yes. Let me make a couple of things clear on that. Under the CHAP program there are proposals for increases in the matching rates. In the law where there are 75-percent matching for certain kinds of administrative expenses and 90-percent matching for family planning services or putting in a new information retrieval system, those matching rates do apply to Puerto Rico now.

The problem has been the limitation. Matching rates have not done them any good because of the limitation. When you have the increased matching rates for CHAP they will also apply to Puerto Rico. If you combine that with an increase in the limit, I think you can have the resources available to the Commonwealth that they will be able to carry out the CHAP program.

Mr. ROGERS. All right.

As I understand it, then, the Department is not giving an official position as yet, a solution, since it has not yet cleared the OMB?

Mr. FULLERTON. That is true of the whole Department budget for 1979. This is part of that process. September 15th, when the Department's budget is submitted to the President for his approval, will be a key day.

Mr. ROGERS. Well, I am not sure we can wait. So we may want to get some various ideas.

Mr. FULLERTON. Yes, sir.

Mr. ROGERS. Thank you so much. We appreciate your presence here today.

I believe that concludes the list of witnesses. The committee stands adjourned.

[Whereupon, at 12:16 p.m. the subcommittee adjourned.]

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