JENNIFFER A. GONZÁLEZ COLÓN
GOVERNOR OF PUERTO RICO

February 25, 2026

The Honorable Robert F. Kennedy, Jr.
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

RE: CMS-2026-0034-0001 – Advance Notice of Methodological Changes for CY 2027 Medicare Advantage (MA) Capitation Rates and Part C and Part D Payment Policies

Dear Secretary Kennedy:

As Governor of Puerto Rico, I write to reiterate the island's urgent and unresolved structural inequities in MA rate-setting, and to request decisive administrative action to stabilize and correct the program.

MA is the backbone of Puerto Rico's Medicare system. Approximately 676,000 beneficiaries—representing the vast majority of Puerto Rico's Medicare population—are enrolled in MA plans. Of these, more than 305,000 are low-income beneficiaries dually eligible for Medicare and Medicaid. MA is therefore the program that finances most inpatient, outpatient, physician, and ancillary services delivered to elderly and disabled U.S. residents across the island.

Despite this reality, the 2027 Advance Notice proposes no new Puerto Rico-specific corrections, while national methodological changes risk disproportionately harming our MA program. As a result, Puerto Rico remains a major anomaly within MA—one that continues to require targeted fixes.

Benchmark Methodology Based on a Statistically Unreliable FFS Population

Puerto Rico's MA benchmarks are derived from fee-for-service (FFS) utilization data that is neither representative nor statistically reliable. Only approximately 29,000 beneficiaries remain enrolled in Medicare Parts A and B FFS. This residual population's utilization bears little resemblance to a functional Original Medicare program and cannot credibly serve as the basis for determining benchmarks applicable to more than 676,000 MA enrollees.

The use of such a limited and atypical sample introduces fundamental methodological flaws. The remaining FFS population is disproportionately composed of beneficiaries with lower utilization, alternative coverage arrangements, or incomplete claims capture. As a result, FFS cost estimates systematically understate the true cost of delivering Medicare benefits in Puerto Rico.

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To partially mitigate the understatement, CMS has historically provided a series of fragmented adjustments and provisional stopgaps without addressing the core structural problem with benchmarks. Taken together, MA benchmarks persistently undervalue the true cost of care and prevent Puerto Rico's MA program from achieving stability.

Perpetual Instability and Structural Misalignment

Because benchmarks remain artificially depressed, Puerto Rico's MA program operates in a constant state of instability and volatility. Plans are unable to reliably invest in provider infrastructure, workforce retention, and long-term system improvements. Providers face chronic underpayment relative to the services delivered, and beneficiaries face increasing pressure on benefits and access.

This cycle prevents Puerto Rico from evolving toward an economic structure that can more closely resemble the states—while remaining highly cost-effective. Instead, Puerto Rico is locked in a structural disadvantage that widens over time. In fact, one significant MA plan recently pulled out of the Puerto Rico market.

National Changes Will Disproportionately Harm Puerto Rico

The 2027 Advance Notice proposes national methodological changes without introducing new safeguards for Puerto Rico. Because Puerto Rico already operates at the lowest MA benchmark levels in the nation, even neutral or modest national adjustments can have amplified negative effects locally. Without corrective action, the gap between Puerto Rico and the national average will continue to grow.

Requested Administrative Actions

To address these systemic failures, I respectfully request that CMS take the following actions:

1. Establish a National Medicare Advantage Benchmark Floor of 0.70

CMS should set a national MA benchmark floor of no less than 0.70 to protect Puerto Rico and other low-reimbursement jurisdictions from further erosion. This floor would align Puerto Rico more closely with national norms, provide predictability, and stabilize the program without disproportionately increasing federal spending. A 0.70 floor is consistent with payment proxies CMS has used in other Medicare contexts and mirrors current MA levels in the U.S. Virgin Islands.

2. Interim Corrective Actions if a Floor Is Not Immediately Implemented

If CMS does not implement a benchmark floor in 2027, I urge CMS to use its administrative authority to take interim steps in this direction, including:

- Issuing special MA bid instructions allowing any incremental funding to be allocated directly into the Part A and Part B cost structure, including hospital, physician, and ancillary services; and/or

- Ensuring that MA payments in Puerto Rico increase at least at the same rate as the national average, so the distance between Puerto Rico and the states does not continue to grow.

Absent such measures, the consequences may include deterioration of provider infrastructure, diminished competition, and reduced capacity of the market to sustain high-quality access to care, and increased movement of both healthcare providers and beneficiaries to the U.S. mainland.

Puerto Rico has demonstrated that MA can deliver high-quality, cost-effective care at scale. However, no system—regardless of efficiency—can succeed when its financial foundation is structurally misaligned with reality. The MA situation in Puerto Rico remains a significant anomaly and requires additional fixes. As such, I urge CMS to use its existing statutory authority to correct these disparities and provide Puerto Rico with a stable, equitable, and sustainable MA program for its senior U.S. citizens. I remain committed to working collaboratively with CMS to achieve these goals.

Respectfully,

Jenniffer González-Colón

CC. Dr. Mehmet Oz, Administrator, Centers for Medicare & Medicaid Services (CMS)
Chris Klomp, Chief Counselor to the Secretary & Director, Center for Medicare, CMS

Thank you!
Mr. Secretary!