MEMORANDUM OF UNDERSTANDING
FEDERAL HEALTHCARE POLICY PRIORITIES FOR PUERTO RICO

This Memorandum of Understanding (MOU) reflects a shared commitment amongst public and private stakeholders of the Puerto Rico Healthcare Community to advance fiscally responsible and sustainable healthcare solutions for the 3.2 million American citizens residing in Puerto Rico. Over the past decade, federal policy improvements have helped to temporarily stabilize Puerto Rico's healthcare system, including increased Medicaid funding, enhanced Federal Medical Assistance Percentage (FMAP) support, and administrative actions related to Medicare Advantage payment policies. While these measures have been important, long-term structural reforms are still needed to provide certainty and sustainability for the island's healthcare programs. Building on recent federal engagement and progress, this MOU outlines priority areas for continued collaboration with the U.S. Department of Health & Human Services (HHS), the Centers for Medicare & Medicaid Services (CMS), and the U.S. Congress.

Puerto Rico's healthcare system operates under unique structural constraints within both Medicare and Medicaid. Despite strong performance in both quality and efficiency, the island continues to face significant funding and program limitations, as well as healthcare infrastructure and access challenges, that require coordinated administrative and legislative action. This MOU is intended to provide a clear framework for such engagement moving forward.

I. ADMINISTRATIVE PRIORITIES – HHS & CMS ACTION FOR MEDICARE

Medicare Advantage (MA) is the backbone of Puerto Rico's healthcare system, serving over 670,000 of our seniors and over 96% of eligible beneficiaries. While the increase included in the 2027 Rate Announcement provides important near-term stability, a structural funding gap persists. We respectfully seek continued collaboration with HHS and CMS for an administrative solution during the 2028 rate cycle, including addressing methodological limitations and advancing benchmark adjustments that ensure a reasonable minimum payment level and long-term sustainability. As a community, we have specifically proposed establishing a national minimum payment at 0.70 geographic adjustment, using the current rate for the U.S. Virgin Islands as the baseline.

In parallel, the Community urges HHS and CMS to prioritize action within the federal rulemaking calendar to address the Medicare Part A Inpatient Prospective Payment System (IPPS) wage index disparity affecting Puerto Rico hospitals, as well as adjust the Supplemental Social Security Income proxy to reflect updated costs. Current wage index calculations do not accurately reflect local labor market conditions, resulting in depressed reimbursement levels that threaten provider sustainability and access to care. Addressing this issue through administrative rulemaking represents a high-impact opportunity to strengthen Puerto Rico's healthcare delivery system.

We look forward to a continued partnership with HHS and CMS to advance these priorities in the next 90 days. Moreover, we strongly believe that the proposed administrative fixes are also the best alternative to support value and cost-effectiveness for the programs at the national level.

II. CONGRESSIONAL PRIORITIES FOR MEDICAID

The Puerto Rico Healthcare Community also calls for continued partnership with HHS and CMS in supporting congressional efforts to address longstanding shortfalls in the Medicaid program. Puerto Rico's Medicaid financing structure—characterized by a capped allotment and statutory FMAP limitations — continues to create funding instability and constrain program growth. As a result, securing sustained funding levels with the corresponding inflation adjustments is critical as Puerto Rico approaches the September 30th, 2027, funding cliff.

Other specific priorities involve the allocation of federal matching funds for the inclusion of the Medicare Savings Program (MSP) in the Medicaid program since Puerto Rico cannot operate the MSP due to lack of funding; establish a pathway toward Long-Term Services and Supports (LTSS); and address the FMAP so it's matching rate is increased or at least maintained at the current 76% level.[1]

Through this federal advocacy framework, the Puerto Rico Healthcare Community reaffirms its commitment to continue working collaboratively with the Federal Administration to advance solutions that promote fiscal discipline, program integrity, and proper access to healthcare for the 3.2 million American citizens in Puerto Rico.

Executed in San Juan, Puerto Rico, on May 18, 2026.

[1] All the U.S. Territories, except Puerto Rico, received a permanent FMAP fix at 83% in the Consolidated Appropriations Act, 2023