



CIRCULAR LETTER 2022-0406

April 6, 2022

TO: Managed Care Organizations (MCO) contracted by the Puerto Rico Health Insurance Administration (PRHIA) under the Vital Program

RE: 5% Hospital Increase

This past March 24, 2022, the Fiscal Oversight and Management Board (FOMB) approved the amendments proposed by ASES for the fourth-year contract with the agency's contracting Managed Care Organizations (MCOs). These amendments were preceded by and based upon an actuarial certification providing, among other things, a five percent (5%) increase to the fees payable for hospital inpatient and outpatient care. The relevant language in the actuarial certification, page 28, reads as follows:

"...we included an additional 5% adjustment to hospital inpatient and hospital outpatient average cost to reflect cost pressure associated with the healthcare labor market. This is included as a one-time adjustment in the Facility Charge Adjustment in Appendix B, rather than secular trend..."

Consistent with the public policy of the Government of Puerto Rico as explicitly expressed by the Governor and the Secretary of Health, ASES has taken proactive measures to strengthen our island-wide Vital provider network. These measures include increasing the fees payable for in-patient and out-patient services at Vital participating hospitals. The increase in fees is an answer to the increase in operational costs, medical inflation, and stagnation of fee increases hospital have been pointing out as deleterious to their financial stability and long-term success. ASES has, within the strictures of its capped Medicaid funding, responded as vigorously as possible to these conditions through the implementation of hospital services fees' increase.

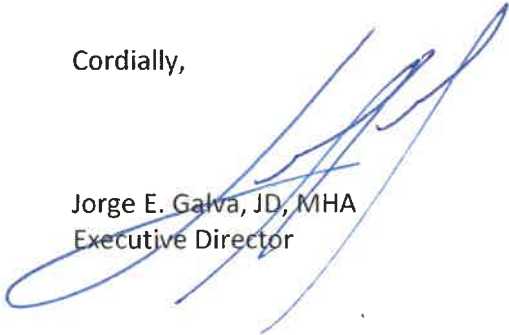
ASES has already met with the Puerto Rico Hospital Association and discussed the finality of the increase as well as the interest the agency has in promoting an across-the-board renegotiation of Vital participating hospital contracts that accounts for the fee increase mentioned above. As our partner MCOs well know, the contract with ASES demands that negotiated fees with all providers must be "actuarially sound", that is, must be structured in such a way that the fees negotiated with the providers allow for a long-term financial viability of the providers' operations. In other words, negotiated fees must account for elements such as the increase in operational costs (notably, in the case of hospitals, increase in the minimum salary and increase in nurses' salaries), medical inflation, baseline inflation, and the ever-present extraordinary increase in the cost of drugs and medications. The 5% hospital fee increase included in our amendment to the fourth Vital year intends to redress, to the greatest extent possible, the imbalance between existing fees and the economic challenges experienced by our hospitals over the past years.

Consequently, ASES will proactively monitor the negotiation process between our partner MCOs and Vital participating hospitals to ensure that these negotiations account for the fee increase which is explicitly intended to provide greater financial strength to these providers. ASES will stand ready to assist in these negotiations as needed and will expend all necessary efforts to make sure that the additional money provided in the fourth year's hospital fees reaches its intended beneficiaries.

We expect the commitment and collaboration of all our partner MCOs in achieving a central goal of our health policy: **strengthen our providers' operations with adequate reimbursement that insures their continued economic viability.**

ASES diligently will provide for the achievement of this goal.

Cordially,



Jorge E. Galva, JD, MHA
Executive Director

- c Board of Directors, ASES
- Roxanna K. Rosario, Deputy Executive Director
- Madeline Figueroa, Chief Compliance Officer
- Edanit Torres, Legal Director