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The Puerto Rico Healthcare Fiscal Cliff Is a Discriminatory Choice Congress Makes

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Puerto Rico's healthcare system is running low on money, doctors, and time, with Congress setting the clock.

The federal funding that keeps Puerto Rico's Medicaid program running will expire on September 30, 2027; that date is less than a year away and is not covered by any provision in existing law. Hospitals are already losing money, doctors are already leaving, and the banks that previously financed both organizations are becoming increasingly rare. Each problem worsens the others, and together they threaten care for 3.2 million American citizens and one of the island's major sources of employment. The island's healthcare system faces ten pressures due to the deadline, and the sections that follow address the most urgent.



Puerto Rico Gets 63% Less Funding Per Person

Annual spending per resident, same federal system

\$9,000

less per person every year

American citizens in Puerto Rico contribute to the same federal system

United States average

\$14,200

Puerto Rico

\$5,200

Source: Medicare Advantage and Medicaid in Puerto Rico fact sheet, July 2025

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10 Factors Affecting the Puerto Rico Healthcare Ecosystem

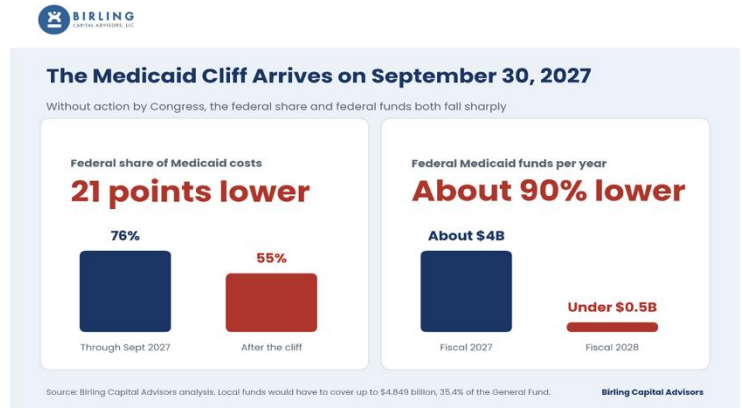
- 1. Healthcare Funding and Medicare Advantage Payment Disparities:** Lower federal funding levels and payment gaps tied to Puerto Rico's Medicare Advantage methodology constrain healthcare capacity, access to services, and the delivery of care.
- 2. Access to Capital Due to Uncertainty:** Uncertainty over the September 30, 2027 Medicaid funding cliff is delaying new hospital financing, limiting lenders and investors when hospitals most need to refinance debt and modernize.
- 3. Concentrated Medical Spending:** Delayed treatment and complex conditions drive high costs among a small group of patients.
- 4. Demographic Pressures:** Population aging, declining births, and emigration increase healthcare needs while shrinking the workforce.
- 5. Physician Shortages:** Physician departures limit access and place greater pressure on remaining providers.
- 6. Chronic Disease Burden:** Diabetes and other chronic conditions demand stronger prevention, early detection, and ongoing management.
- 7. Insufficient Preventive Care Investment:** Limited resources hinder comprehensive physical, mental, emotional, and social healthcare.

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8. **Fragmented Health Information:** Gaps in health information exchange weaken coordination, planning, and resource allocation.
9. **Uneven Specialist Distribution:** Specialists concentrated in urban areas leave rural communities underserved.
10. **Disaster-Related Disruption:** Hurricanes, earthquakes, and pandemics strain operations and require costly infrastructure improvements.

The deadline Congress wrote into law

The current Medicaid allocation for Puerto Rico, approximately \$4 billion and based on a five-year agreement with a 76% federal match, will end on that day. If Congress does not pass legislation, the federal match will drop to 55%, reducing federal funding by about 90% to less than \$500 million per year for fiscal year 2028. One independent analysis suggests the Government of Puerto Rico would need to raise as much as \$4.849 billion in local funds, equivalent to 35.4% of the General Fund. Around 1.1 million people, or 38.5% of the population, are covered by Medicaid, including 281,000 dual-eligible Platino members.



Medicaid in Puerto Rico is not financed the same way as it is in the states. In the states, federal Medicaid funding has no cap, and the matching contribution is revised each year according to per capita income. In Puerto Rico, however, a capped block grant is provided, and the match is determined by law; once the cap is reached, further federal funding stops for the remainder of the fiscal year. Since 2017, Congress has relied on temporary solutions to avoid a sudden funding drop. The law passed in December 2022 finally provided five years of a 76% match through 2027 and required physicians to be paid at least 75% of traditional Medicare rates, with a program integrity system in place. Puerto Rico has used that period. In 2024, it increased the eligibility threshold for Plan Vital to 100% of the federal poverty level, widened coverage, raised hospital per diem payments by 5 percent, and pledged to pay the full Medicare rate for all specialties and laboratories under the plan. The need is severe: 41.7% of the residents live below the poverty level, and household income is around \$24,000.

Puerto Rico is not waiting. The Government of Puerto Rico submitted a report supporting its request for continued federal Medicaid funding. Governor Jenniffer González-Colón, the island's health leadership, the Puerto Rico Federal Affairs Administration (PRFAA), Resident Commissioner Pablo José Hernández, and representatives from healthcare and business organizations attended the presentation. This cross-sector initiative aims to provide Congress with data and possible solutions as early as possible, and participating organizations, such as MMAPA, have promised to continue offering data, expertise, and policy options to strengthen Medicaid and ensure access to care. As MMAPA pointed out, more than 1.3 million people in Puerto Rico rely on Medicaid, and greater stability of the program means greater stability for patients, providers, and the healthcare system as a whole.

Since lenders can't base the price of a hospital loan on a revenue stream that could drop suddenly, new hospital financing will likely be postponed until the funding situation is clearer. The uncertainty has already become a cost.

A discount built into the formula

Congress gives Puerto Rico a discriminatory level of healthcare funding—approximately \$5,200 per resident annually, compared to the national average of \$14,200. This means that American citizens in Puerto Rico receive \$9,000 less per person even though they contribute to the same federal system. I see this as discrimination because the formulas used to fund Medicaid and Medicare Advantage are in law, not merely the result of budgetary allocation, and the disparity shows up in every hospital's records and in every doctor's decision to leave.

Medicare Advantage presents the same account, including one positive point. The latest rates for 2027 increase payments to Puerto Rico by 4.01 percent, compared with 2.48 percent nationally, marking the first time the island has exceeded the national average, and that should be credited. However, Puerto Rico still gets \$778 per beneficiary compared with \$1,299 nationally, a difference of around 40 percent, down from 41 percent. In 2024, about 661,000 people were enrolled in Medicare Advantage. The next payment round will occur in 2028. Leading a group of fifteen House Republicans, including Representative Greg Murphy from North Carolina, have requested that the Department of Health and Human Services and the Centers for Medicare & Medicaid Services (CMS) set a minimum level of payment for Medicare Advantage in Puerto Rico beginning in 2028, with this minimum to be the same as the one currently in place in the U.S. Virgin Islands—namely 70 percent of the Average Geographic Amount (AGA). This request comes as the 2028 payment rule is already underway, since HHS is expected to send the proposed regulation to the Office of Management and Budget (OMB) in October, giving the Administration an opportunity to respond immediately. Federal policymakers should look into Puerto Rico because in 2024, 94 percent of eligible beneficiaries chose Medicare Advantage, which is the highest participation rate in the country, while only 28,943 people remain in traditional Medicare, and all of them are in plans that have been rated 4.5 stars or better by CMS. The island also runs one of the most cost-effective Medicare Advantage schemes in the United States.

Yet payment levels are still considerably lower than the national average. This can be seen in the monthly data: the July 2025 fact sheet on Medicare Advantage and Medicaid in Puerto Rico shows that the average payment in Puerto Rico was \$685, compared to \$862 in the U.S. Virgin Islands and \$1,130 nationally, which is equivalent to about \$445 a month, or 65 percent more, than the amount paid in Puerto Rico. The fact sheet's case study indicates that the cost to an individual is \$2,840; an American citizen enrolled in Medicare thus receives \$2,840 less because they live in Puerto Rico. Law requires that 85 percent of each dollar go to benefits and payments to providers, and the plans on the island have the highest average quality (Stars) ratings of all the states. Establishing a floor would show that Medicare Advantage can support high-performing, high-participation markets while keeping the program sustainable.

An older, smaller and poorer island

Puerto Rico is also getting older and losing population. Births are decreasing, and life expectancy is increasing, and at the same time emigration to the U.S. mainland has reduced the number of people of working age. The island has lost 696,736 people, which is 18.29% of its total population. The Census illustrates how rapidly this change has taken place: in 2000, 15.9% of the residents were 65 or older, and by 2021 that figure had risen to 26.8%, an increase of 68.5% in that age group alone. The largest age group, those aged 25 to 54, decreased from 52.1% of the population in 2000 to 43.6% in 2021, a drop of 16.3%.

An aging population is placing extra pressure on the healthcare system. Because older people require more care, demand for geriatric care, specialized medical services, and long-term care facilities has risen sharply, which in turn calls for changes in infrastructure and resource allocation. Moreover, a new and

disturbing phenomenon has emerged, consisting of elderly patients being left in hospitals by families who then fail to return to collect them.

Chronic disease comes with advancing age, since cardiovascular conditions, diabetes, and neurodegenerative disorders become more frequent whether the cause is genetic susceptibility, diet, or inadequate comprehensive care. This means that doctors have more chronic illnesses to deal with and thus have a stronger rationale for promoting prevention and for ensuring access to quality care. A further issue is that individuals do not take steps to look after their own health until it is too late; by the time they get to a health center, their illness has progressed so far that the treatment costs reach the millions. In fact, 2% to 3% of patients account for 80% of total medical expenditure. Prevention, primary care, and early detection are not only more effective forms of medicine but are the only means of altering that cost curve.

Puerto Rico is also poorer. According to the July 2025 fact sheet, 41.7% of the island lives below the poverty line, and median household income is about \$24,000. The gap is not evenly spread across the island, and the map below shows how income divides it into two Puerto Ricos.

The problem is not merely medical; with fewer people of working age, employers face a shortage of skilled workers, particularly in customer-facing sectors such as retail, healthcare, restaurants, and construction, and this is slowing economic growth. Steps such as improving workforce development, strengthening vocational training, and carrying out labor market reform are just as important as financing. Three additional pressures add to this problem. When health information is hard to share across providers, it hampers coordination and planning. Because specialists are based in urban areas, rural communities are not adequately served. Moreover, hurricanes, earthquakes, and pandemics constantly strain operations and require expensive infrastructure improvements.

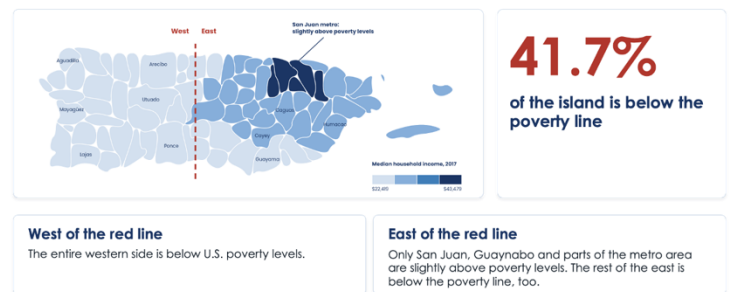
Hospitals, doctors, and the credit that left

The 58 community hospitals in Puerto Rico suffered estimated losses of \$1.085 billion between March 2020 and December 2021 and have liabilities of \$2.18 billion, about 75% of which is owed to banks and the remainder to thousands of suppliers, including nearly 5,000 small and midsize businesses. Hospital del Maestro applied for Chapter 11 in August 2024 and subsequently closed. Hospital San Antonio in Mayagüez avoided a planned closure in April 2025 when Mayagüez Medical Center assumed its administration under a 35-year operating agreement. In September 2025, the Colegio de Médicos cautioned that between 17 and 24 private hospitals might close or go bankrupt within the next two years.

The doctors are also departing. As of 2021, the island had 9,492 licensed physicians still in practice, a 46% decline from the previous decade, and the Colegio says only about 3,000 primary care doctors are now

Demographic Changes

The median household income disparity creates two Puerto Ricos



Puerto Rico Could Lose Thousands More Doctors

Active licensed physicians; the 2021 count was already 46% below a decade earlier



active. A recent study found that 87% of physicians who emigrate cite mistreatment and bureaucracy as reasons. If the trends seen in 2021 continue, Puerto Rico could have between 5,100 and 7,600 doctors by 2035. That number is my estimate, not an official forecast.

The capital was the first to withdraw. Since 2009, nine banks have left, and commercial loan portfolios have decreased by about 56% between 2008 and 2021. Credit has since regained momentum.

According to the Office of the Commissioner of Financial Institutions (OCIF), total bank loans rose from \$33.2 billion in 2021 to \$43.4 billion by the end of 2025, with commercial, industrial, and agricultural loans increasing from \$3.8 billion to \$6.5 billion. The market is now concentrated among six banks, and it is difficult to underwrite an uncertain revenue base.

What New Hope would do

The New Hope scheme, known as the National Emergency Wellness Hospital Lending Program, will be financed by \$1.5 billion from the American government and will work with the Treasury to supplement the Federal Reserve's lending facilities in this sector. The loans will vary from \$5 million to \$400 million, have terms extending up to 30 years, and include a five-year period during which only interest is paid. The objective is to refinance high-cost debt, stabilize operations, and rebuild capacity before further hospitals and doctors are lost.

This matters because hospitals make up about 13.4% of Puerto Rico's workforce, so their problems pose both economic and health risks. Just as American citizens have been able to cope with hard times because of the safety net Congress provides, Puerto Rico is now facing a similar situation.

A call to action: stronger together

Puerto Rico's healthcare system works best when there is cooperation. On June 3, healthcare leaders from different areas of the island's healthcare community met to discuss the current state of Medicaid and Medicare Advantage and to explore ways to strengthen those two programs. Because decisions about the future financing of these programs are being made now, collaboration, information sharing, and stakeholder involvement are more important than ever.

Puerto Rico has a proven record of achieving quality results, encouraging innovation, and offering coordinated care, and this record should therefore be considered in the national debate. It is a privilege for both MMAPA and the Puerto Rico Hospital Association to lead these discussions, and we will keep on working with healthcare organizations, providers, and community leaders to advance policies which will help create a stronger and more sustainable healthcare system for the hundreds of thousands of people who rely on these programs every day. We thank the organizations and leaders who took part in the dialogue.

If anyone reading this—such as a hospital, a doctor, an insurer, a lender, or a business leader—wants to take part in the discussion, they should share their data, their experience, and their own voice and make sure that Congress hears from them by September 30, 2027.

The Final Word

The fact that the amount differs by \$9,000 per person is not an indication of a lack of funding but rather a policy choice, and Congress has the authority to alter it; likewise, the cliff that will take place on September 30, 2027, is also a matter of policy since only Congress can stop it. New Hope would help stabilize the hospitals, keep physicians on the island, and enable capital restoration, although long-term health requires parity. Puerto Rico has fulfilled its duty by supplying the data and presenting a unified position to Washington.

All the different kinds of inequality, Discrimination in healthcare is the most horrifying and the most inhuman. Martin Luther King Jr. on March 25, 1966

Martin Luther King Jr. said those things at a press conference in Chicago on March 25, 1966, shortly before speaking to the Medical Committee for Human Rights. Medicaid had been in existence for just one year. Sixty years on, little has improved for Puerto Rico's 3.2 million American citizens. Congress continues to assign the island a discriminatory level of healthcare funding, which is 63% less than that given to the states, and the injustice that King found most shocking is still included in the federal formulas.



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