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House Natural Resources Committee Oversight Hearing
"INSULAR AREAS MEDICAID CLIFF"
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Hafa adai, Mr. Chairman and Ranking Minority Member, my name is Maria Theresa Arcangel, Chief Human Service Program Administrator for the Division of Public Welfare, Guam Department of Public Health and Social Services that oversees the administration of Medicaid. I am here with Ms. Linda Unpingco DeNorcey, Director of the Department.

On behalf of Governor Leon Guerrero and the people of Guam, we thank you for inviting us to testify before the Committee on Natural Resources on the matter of Medicaid and the cliff Guam faces if there is no meaningful action taken by the Congress before the expiration of ACA Medicaid Funding on September 30, 2019 and more broadly how Medicaid is applied to Guam as well as other U.S. territories.

My testimony will cover the Medicaid issues in several contexts: 1) access to health care services, 2) the cost of health care and high cost of medications, 3) immigration of the Compact of Freely Associated States citizens, 4) Guam financial instability, 5) the limited time to fully utilize funding appropriated under Section 2005 and Section 1323 of the Affordable Care Act, and 5) the disparity on the Medicaid Program funding distribution of the U.S. Territories in comparison to the U.S. states given Guam Medicaid's Federal Medical Assistance Percentage (FMAP) rate of 55% and Guam's annual Medicaid federal capped funding.

As you know, Guam became a U.S. territory in 1950; the island is 210 square miles, located approximately 5,800 miles west of San Francisco, and has an estimated population of 170,000. It is the largest island in the western Pacific and is a part of Marianas Archipelago, which includes the Common Wealth of the Northern Mariana Islands.

Guam's proximity to Asia (3-4 hours by air) makes it the most strategically important U.S. locations in the Pacific for defense and for U.S. force projection.

Moreover, as the U.S. regional hub in the Pacific, a healthy visitor industry which eclipses more than 1.5 million visitors annually and the primary destination for migrating FAS citizens, the risk of communicable and infectious disease outbreaks (i.e., Tuberculosis, Hepatitis, Influenza, etc.) is heightened.

Like many stateside rural areas, Guam suffers from a shortage of primary care physicians, specialists, dentists, and psychiatrists. Health Resources and Services Administration (HRSA) has qualified Guam as both a Medically Underserved Area (MUA) and a Health Professional Shortage Area (HPSA). The shortage of health professionals is primarily attributed to the difficulty in recruiting providers due to Guam's remote island setting, small scale, and territorial status (i.e., not linked to any larger state entity), the physician salary not comparable to U.S. rate, and the high cost of malpractice insurance on Guam. Clearly, with an estimated population of 170,000 individuals, there remains a shortage of primary care physicians, which is felt most especially among the Medicaid, Medically Indigent, and the uninsured patients who struggle finding a provider and a permanent "medical home" since providers on island refuse

to accept Medicaid patients due to delayed Medicaid payments. Thus, clients are forced to seek treatment at the hospital emergency room, which is more costly.

Other than the shortage of providers, there are gaps in tertiary care services (there are no tertiary care facilities on Guam as in the U.S), off-island referral services, and inpatient care services. Additionally, there are instances when off-island hospitals/doctors refuse to accept Guam's Medicaid referrals due to untimely reimbursements. Thus, the difficulty of accessing health care (facilities and specialists) increases patients' physical and emotional stress, reducing the likelihood of seeking medical care, and so they forego medical care until their condition worsens that they have to be hospitalized.

Given the above factors, the cost of providing health care on Guam is quite high because of its unique geographic location, limited number of primary care physicians, specialists, and allied-health professionals, and the lack of tertiary care facilities.

Similarly, the cost of drugs is more expensive in Guam as compared to the U.S. mainland due to limited choices of pharmaceutical wholesalers and distributors (only 5 or 6) that can ship drugs and medical devices to Guam effectively as compared to hundreds of companies available to the U.S. mainland. These vendors may tend to take advantage of this lack of competition by imposing a higher price on medications. Other factors contributing to the high cost of pharmaceuticals is the shipping cost and the stocking of drugs with a limited shelf life. Thus, pharmaceutical services rank as the second highest Medicaid expenditure on Guam.

The migration of FAS immigrants is allowed under the Compact of Free Association (COFA) signed between the U.S. federal government and former U.S. associated Pacific Islands. This U.S. treaty obligation allows unrestricted migration of FAS citizens (often ill individuals) from the Federated States of Micronesia (FSM) (Pohnpei, Yap, Kosrae, Chuuk), the Republic of Marshall Islands, and the Republic of Palau to the U.S. and its Territories (Guam, Commonwealth of the Northern Mariana Islands, and America Samoa).

According to the U.S. Census Bureau, in 2013, there were 17,170 compact migrants on Guam. Guam is an attractive place due to the availability of health and social services programs. These immigrants have contributed to the changes in Guam's demographics and have adversely impacted the financial well-being of Guam. In 2017, Guam estimates that nearly $147 million dollars was spent on education, public safety, health care, and social services. Of this amount, $38.5 million was spent on health care and welfare services for this population while living on Guam. Moreover, of the $110.8 million (federal and local) spent by the Guam Medicaid Program in fiscal year 2018, $29 million, or 27% of the total expenditures were spent for FAS population health care needs. Thus, there is no equitable reciprocal health care services payment from the federal government for the FAS population.

Furthermore, Guam's economy is heavily dependent on the tourism industry and U.S. military spending. The influx of Compact Impact of Free Association created an additional hardship on Guam's economy. As a result, the government is unable to guarantee the availability of local matching funds to drawdown the federal grant awards to pay the medical providers timely for the services rendered to program recipients.

Prior to the supplemental funding of $268 million brought about by Section 2005 of the ACA, Guam Medicaid always expends its annual federal capped funding before each fiscal year ends. The ACA provides significant benefits and important health insurance reforms. However, the

limited application of its provisions to the U.S. territories, its insufficient funding allocation of federal funds to implement Health Insurance Exchange, and the Medicaid Program Expansion significantly limits Guam's opportunity to implement new healthcare innovations and provide coverage to the Guam's uninsured population. Because of the ACA's limitations in funding and the exemption of some of its most important provisions to the insular territories, Guam has decided that the health insurance exchange would not be beneficial to implement.

Additionally, there are some disparities in the law that affects the U.S. Territories. Beginning in 2014, the federal government funded the states that implemented the ACA Medicaid Expansion provision for childless adults at 100% of the coverage costs of newly eligible individuals for the first 3 years; and phased down gradually to a permanent rate in 2020 at 90% FMAP. However, this is not applicable in Guam. Even though ACA increased the Territories FMAP by 5%, this is not enough to alleviate the local budget shortfall.

The ACA funding of $268 million partly alleviated the financial shortfall not only of Medicaid, but also of Guam's locally funded medical assistance program called Medically Indigent Program, where most of the COFAS citizens qualify. The additional funding provided by Section 2005 of ACA allowed Guam to shift the cost of COFAS emergency services to Medicaid. Though Guam obtained some additional funding of $268 million as a separate ACA provision to help alleviate its Medicaid funding shortfall, the 45% required local match provides hardship in fully expanding the program and utilizing the $268 million. Unfortunately, Guam would be unable to expend all the aforementioned ACA funding, which will expire in September 30, 2019.

The U.S. territories administer their Medicaid Program under federal regulations that are different from those applicable to the fifty (50) states and the District of Columbia. The U.S. territories' federal matching rate is fixed in statute, unlike the statutory formula for U.S. states. For instance, Guam Medicaid's Federal Medical Assistance Percentage (FMAP) rate is 55%, the same as the other U.S. territories. However, the FMAP for the 50 states and DC varies by states per capita income, which ranges from 50% to 83%. In addition, the Medicaid programs in the U.S. territories are subject to annual federal capped funding, unlike the states and DC that are open-ended. Guam's regular Medicaid funding for FY 2019 is $17.97 million dollars (administration and medical services payments), which increases yearly based on Medical Consumers Price Index. However, the $17.97 million dollars may not even be enough to last for one quarter of a fiscal year based on the trend of Guam's Medicaid program expenditures, which increases annually.

Guam Medicaid's expenditure increased by 323% over the past decade (from $26,185,419 in FY 2009 to $110,876,286 in FY 2018) due to an increase in utilization, cost of medical treatment, new medical technology or mode of treatment, and the increasing cost of drugs. If ACA funding is not extended or replaced, the Guam Medicaid Program could be forced to decrease its income guideline and terminate more than 50 % of its current eligible individuals. This will further increase the rate of the estimated uninsured population, which was 24.8% (adults 18 years and above) of Guam population in 2017 (2017 Guam Behavioral Risk Factor Surveillance Survey). Guam's residents who cannot afford the needed healthcare will delay getting care at an early stage of their illness until they are forced to go to the hospital emergency room. This will aggravate the operational and financial issues of the only government hospital even more, which continues to struggle because of EMTALA (Emergency Medical Treatment and Labor Act). This will continue to heighten the financial problem of Guam.

Additionally, Guam and other territories received fewer federal dollars for low-income healthcare program than the U.S. states due to long-standing regulations. According to Guam Department of Labor, the 2010 Guam's per capita income was $12,864, which is lower than any of the U.S. states per capita income including Mississippi (one of the lowest per capita income in the U.S.). Mississippi's FMAP rate ranges between 73.05 to 84.86 from FY 2010 to FY 2019 (Kaiser Family Foundation FMAP Rate Listing) as compared to Guam Medicaid's FMAP rate of 55% and a funding cap. Thus, there is a huge disparity on the Medicaid Program funding distribution of Guam including the U.S. Territories in comparison to the U.S. states. Those differences on Medicaid rules contribute to the economic destabilization of Guam.

Hence, **Guam proposes to remove the expiration date of funding appropriation under Section 2005 and Section 1323 of ACA until the funding is fully expended; remove the Medicaid cap; and increase the FMAP of Guam and the other U.S. territories.** The low-income U.S. citizens in Guam and other U.S. territories are no different from the U.S. citizens in the mainland and so their healthcare benefits and needs should neither be viewed, nor treated any differently.

We applaud the Committee on Natural Resources for this oversight hearing and for taking the necessary steps to evaluate the needs of Guam, and we hope that the committee will develop a solution to assist Guam's U.S. citizens.

Thank you for the opportunity to provide Guam's written and oral testimonies on this important issue during the "Insular Areas Medicaid Cliff" hearing.

Medicaid Program Expenditure

Fiscal Year	Total No. of Medicaid Eligibles	Total No. of FAS Eligibles Under Medicaid	Percentage of FAS Under Medicaid	Total Medicaid Expenditure	Total Expenditure FAS MIP-ER Services Charge to Medicaid	Total FAS Expenditure Under Medicaid	Overall FAS Expenditure Under Medicaid	FAS Expenditure Percentage
2009	31,246	5,290	17%	**$ 26,185,419**	$ -	$ 3,878,669	**$ 3,878,669**	15%
2010	33,604	5,845	17%	**$ 37,508,337**	$ -	$ 5,110,716	**$ 5,110,716**	14%
2011	35,702	6,349	18%	**$ 37,076,067**	$ -	$ 4,666,994	**$ 4,666,994**	13%
2012	40,422	7,411	18%	**$ 57,127,802**	$ 3,039,911.88	$ 4,365,300	**$ 7,405,212**	13%
2013	43,955	8,247	19%	**$ 73,499,383**	$ 5,473,192.62	$ 7,220,452	**$ 12,693,645**	17%
2014	44,892	8,505	19%	**$ 86,846,732**	$ 5,605,949.24	$ 8,353,934	**$ 13,959,883**	16%
2015	44,381	8,715	20%	**$ 81,596,426**	$ 7,394,801.67	$ 7,309,464	**$ 14,704,265**	18%
2016	43,948	8,944	20%	**$ 95,382,705**	$ 6,848,039.77	$ 10,385,839	**$ 17,233,878**	18%
2017	43,749	8,906	20%	**$ 108,609,905**	$ 11,506,550.63	$ 14,103,896	**$ 25,610,447**	24%
2018	43,853	8,940	20%	**$ 110,876,286**	$ 14,450,645.36	$ 15,063,821	**$ 29,514,467**	27%

Note: Medicaid Number of Eligibles -Unduplicated count for the entire fiscal year.