Commonwealth of the Northern Mariana Islands

State Medical Agency

Office of the Governor

U.S. House of Representatives Committee on Natural Resources
Hearing on the Insular Areas Medicaid Fiscal Cliff

Written Testimony of Helen Sablan, Medicaid Director
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Honorable Chairman Raúl M. Grijalva, Ranking Member Robert W. Bishop, and Members of the United States House of Representatives Committee on Natural Resources:

Thank you so very much for holding a hearing on the Insular Areas Medicaid Fiscal Cliff and for providing the Commonwealth of the Northern Mariana Islands (CNMI) the opportunity to present information on what the "Fiscal Cliff" means for the U.S. Citizens of the CNMI.

We recognize that we are the smallest of the U.S. territories in terms of population and geographic size. While World War II has long past and memory and knowledge of the Americans that died on Saipan or remembrance of the Enola Gay, the bomber that dropped the nuclear bomb on Japan, flew from the island of Tinian in the CNMI, may have faded, we believe the CNMI remains a location of strategic value in the Asia-Pacific region. Our citizenry appreciates becoming a U.S. territory in 1978 and a participant in the Medicaid program since 1979. The CNMI and its U.S. citizens value their U.S. citizenship and the Medicaid program.

The purpose of this testimony is to provide the facts and challenges of the CNMI Medicaid program and the impacts the Medicaid Fiscal Cliff will have on the U.S. citizens in the territory. There is already so much information on the Medicaid program by U.S. government agencies and non-profit organizations, as well as expertise within the Congress and Congressional offices, that I will not try to be duplicative of what this Committee and Congress already knows. At the same time, I will present some data to highlight important considerations.

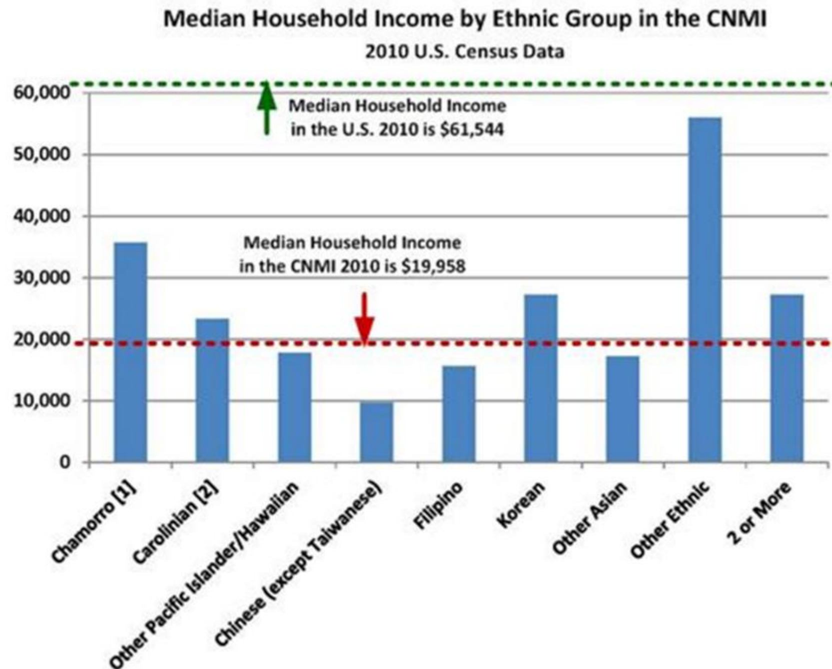
Basic Information

The Medicaid and CHIP programs in the CNMI today have about 15,136 U.S. citizens enrolled in the programs. The number of U.S. citizens in the territory are about 33,273 or 61% of the total population of 54,546 in the CNMI. Medicaid and CHIP provides critical healthcare services for about 46% of the total U.S. citizens in the CNMI today.

In 2010, the U.S. Census provided data on the per-family median income in the United States. Figure 1, next page, shows that the median income for a family of four in the CNMI was $19,958, in comparison to the median family income of $61,544 for the United States. Figure 1 also shows the income disparities among the ethnic groups in the CNMI. The income disparities among the indigenous Chamorros, Carolinians, and "Other," principally Caucasian populations, when compared to the Asian populations

are even more stark but important to note since they are principally non-U.S. and because of their income levels, constitute the vast majority of the uninsured population in the CNMI.

Figure 1 – Median Household Income in the CNMI from the CNMI State Innovation Model Plan



As a result of the low-income levels and the high cost of health insurance in the CNMI, there should be no surprise that 46% of the eligible U.S. Citizens in the CNMI are enrolled in the Medicaid program. In 2016, the uninsured rate was estimated to be 34% of adults. The 20% of the population that do have private health insurance include the government employees which account for about 10% of the population.

The Medicaid Fiscal Cliff

The CNMI Medicaid program is not approaching the Medicaid Cliff. Today, the CNMI Medicaid program has *fallen off the cliff and is currently in freefall*. The CNMI, in FY 2019, has expended all Medical Assistance and ACA funding, although there remains some funding for CHIP that are expected to be fully expended by the end of FY 2019.

Table 1, next page, show that in FY 2018, the CNMI Medicaid program expended over $53 million dollars. Additionally, as shown in Table 1, there is an Accounts Payables estimate of $18 million dollars remaining at the end of FY 2018.

Table 1 further shows that in the current fiscal year, FY 2019, the Section 1108 budget cap amounts, CHIP funding, and the balance of the ACA increases that have been fully expended will result in an estimated shortfall for FY 2019 of around $42 Million. This will result in another carry-over of Accounts Payables. The Accounts Payable amounts will depend on how much additional debt is incurred from services that cannot be reduced or eliminated and whether there is any relief through Medicaid Disaster Assistance for the current FY 2019.

For FY 2020, the CMS has informed the CNMI of the MAP and CHIP amounts. Based on the formula for the CAPs, the amounts will remain around $19 million. Again, assuming no Medicaid Disaster

Assistance or lifting of the Section 1108 caps in Title XIX, the shortfall will be over $42 million, higher than the $36 million estimated by CMS needed for Medicaid Disaster Assistance. This is largely due to the Accounts Payables that are not reflected in the CNMI government financial accounting system.

Table 1 – Summary of FY 2018 Expenditures and FY 2019 Shortfall
Given the End of Additional Funding under the ACA

Fiscal Year and Expenditures	In Millions
FY 2018 Total Medicaid Expenditures in FY 2018	$53.11
FY 2018 Accounts Payables - Unbooked (Incurred But Not Reported (IBNR))	$18.31
Total FY 2018 Medicaid Expenditures and Accounts Payables	**$71.42**
FY 2019 Medicaid Section 1108 Budget CAP	$6.17
FY 2019 CHIP Program Budget	$11.20
FY 2019 Remainder of ACA Section 2005 CNMI Allocation	$2.56
FY 2019 CMS Reconciliation for Previous Years	$4.27
FY 2019 CNMI Legislative Appropriations for Match	$4.64
Total Federal and CNMI Medicaid Funds for 2019	**$28.84**
FY 2019 Projected Shortfall Given 2018 Expenditures and APs or Disaster Assistance Needed Based on 2018 Actual Expenditures and Unbooked IBNR	$42.58
CMS Estimated Shortfall of $36M for Disaster Assistance Provided to U.S. House	$36.00
Shortfall even with proposed $36 Million for Disaster Assistance. Note: This does not include any AP that is accumulating since last drawdown of MAP and ACA.	$6.58

The People Behind the Numbers

There are many reports of agencies of U.S. government and non-profit corporations that collectively describe the situation of the Medicaid and CHIP programs in the CNMI and other U.S. territories. These include publications from the Medicaid and CHIP Payment and Access Commission (MACPAC), Kaiser Family Foundation (KFF), U.S. Government Accountability Office (GAO), and many others. We believe that these organizations collectively provide very useful information and data on the situation with the Medicaid programs in the U.S. territories. However, please, let us not forget the people behind the numbers.

As Judge Gladys Kessler in the Salazar v. District of Columbia precedential Medicaid case once stated:

> "… *let there be no forgetting the real people* to whom this dry and bloodless language gives voice: anxious, working parents who are too poor to obtain medications or heart catheter procedures or lead poisoning screens for their children, AIDS patients unable to get treatment, elderly persons suffering from chronic conditions like diabetes and heart disease who require constant monitoring and medical attention. Behind every "fact" found herein *is a human face and the reality of being poor in the richest nation on earth.*"[1]

Impacts on the U.S. Citizens in the Commonwealth of the Northern Mariana Islands

I have worked in the CNMI Medicaid Program since 1986, over 32 years ago. In 1998, I served as the Acting Medicaid Administrator and since 2000, as the Medicaid Administrator/Director for the CNMI Government. In all these years, I have never been more emotionally affected than I have been in the past year.

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[1] https://www.courtlistener.com/opinion/2468509/salazar-v-district-of-columbia/

With the end of the additional funding provided under the Affordable Care Act, the inequitable Section 1108 budget caps under Title XIX, the inequitable FMAP, the chronic lack of local funding, the added financial challenges created by Typhoons Mangkut and Yutu, some of the very highest rates of Medicaid and uninsured in the United States, and the many other challenges of distance, time, and costly air travel, I have had to lead an organization that is planning and executing Medicaid program cuts that will have both short and long-term harsh and life-threatening impacts on our U.S. citizen beneficiaries.

The CNMI Medicaid Program is in the process of ***severely curtailing services, limiting choice of providers in the program,*** and are making decisions knowing full well the adverse short and long-term consequences this will have on the U.S. citizens in the CNMI. It has been a very emotional and difficult time for our office to plan and implement decisions because we recognize and understand the impacts that this will have on the health of some of the most-needy people in the United States.

I am frightened and saddened at each step in our undertaking because I understand the effects on our people and our health system. While we are doing our very best to determine what might be intellectually characterized as the so-called "best interests" given the "limited resources" – decisions regarding what services should be continued, what should be curtailed or dropped, and what providers can be paid, are and will continue to be made. We very clearly understand the consequences to each decision on the health of the people that we serve and I am frightened for the short and long-term impacts that will occur.

It is even more of an emotional toll because in our small territory, we know many people that are Medicaid beneficiaries. We have relatives and friends through extended familial or community connections that are Medicaid beneficiaries. It is unavoidable that we, the Medicaid program, not see them at the grocery store, at churches, or the checkout clerk or the restaurant server, the laborer fixing roads, and everywhere else in the community. It is difficult not to know, as I see them, that decisions we are making in the Medicaid program are directly affecting their access to healthcare and the impacts that very lack of care will have on them, if not immediately, then, very certainly over the long-run.

It is very hard to explain to those that come to our office asking whether the health services that they are receiving will be cut. It is very hard to listen to their stories. What should we do with the patient that has been in an off-island hospital in another state that may be dying? Should we now inform the patient and parents that we are sorry, but we will no longer pay for any of their medical bills? It is impossible for me, not to see the faces of the people behind the numbers and the impacts that each decision made will have.

Notice to Beneficiaries and Providers

The CNMI Medicaid Program informed Medicaid Beneficiaries this month that they must seek primary care services only from the Commonwealth Healthcare Corporation (CHCC). We have also informed private providers that effective June 1, there will be no reimbursements from the Medicaid program. The notification was provided in accordance with the CNMI Medicaid State Plan.

Since August of 2018, when the public became informed of the Medicaid Cliff, our small Medicaid office has been busy fielding many questions from both our beneficiaries and private providers. Today, our response is that we cannot pay the providers what we simply do not have in funding. Even now, at the same time that we are initiating further restrictions in the program, we are fully aware that the CNMI Government is already accumulating additional debt and that the Accounts Payables for the Medicaid program is growing.

Further, while we are struggling with eliminating or reducing services, we have had to forewarn our private providers, including the CHCC, that we will not be able to pay our accumulating debts until we are provided funding again. We are, and continue to be, fully aware that the CNMI is still trying to financially

recover from Typhoon Mangkut and Super Typhoon Yutu, a Category 5 that ripped through the center of the CNMI islands and that territory general funds are not available. The reason is that even our office has been forewarned that austerity may affect our Medicaid staff as well.

How can we get national attention to the plight of the CNMI, the small territory located only 140 miles from the Territory of Guam where there is the U.S. Navy and U.S. Airforce? And will people hear us?

Impacts on the CNMI Government and the Safety Net Health System

The U.S. Government Accountability Office (GAO), about two months ago, had a teleconference with the CNMI Government and the Medicaid program. Specifically, they asked questions and requested information and insight into the impacts of the Medicaid Fiscal Cliff and its impacts on the general fiscal conditions of the CNMI government especially following the typhoons.

We explained how we have reached the point, where, without Medicaid Disaster Assistance or a lifting of the Section 1108 Caps and an adjustment to the FMAP, the Medicaid program will add to the further debt burden of the CNMI until the CNMI Medicaid program is able to cut all services including off-island care, dental services, and even drugs, unless we do not even pay the CHCC for the amounts that the CMS has determined are appropriate to pay under the Certified Public Expenditure methodology. We have been praying for Medicaid Disaster Assistance funding and for the U.S. Government to lift the Section 1108 budget caps and let the FMAP be based on the same formula as other states.

This is what the CNMI Medicaid program is doing today to our U.S. citizens. This is what I will have to continue to do when I return home.

Impacts on the Commonwealth Healthcare Corporation

The CNMI Medicaid program is also very cognizant and worried with the impact the shortfalls will have on the health system of the CNMI. The CNMI has a unique public corporation that provides hospital, clinical, and public health services. It is a safety-net health system and has also been doing its best given its own challenges. Due to the chronic financial shortfalls and when the CNMI government austerity program reduced work hours for all government employees by 20% for 2 years, the Medicaid program, in 2012, proposed use of the Certified Public Expenditures (CPE) payment methodology because the CNMI Government simply did not have funds to provide the matching amounts. Unfortunately, this also means that the full Medicaid reimbursement has not been provided to the CHCC since the program took effect.

The CPE was proposed to the Centers for Medicare and Medicaid Services (CMS) as the only way that the Medicaid program could provide federal Medicaid funding because of the public expenditures by the CHCC. The CMS calculates the amounts based on its annual analysis of the Medicare Cost Reports submitted by the CHCC and conducts audits to reconcile these amounts.

Under the CPE methodology, the monthly payment for the CHCC, again, as determined by the CMS, is currently $1.64 million per month or $16.34 million per year. I point this out because the Medicaid MAP for 2019, based on the Section 1108 budgetary caps, the CNMI Medicaid program will barely compensate the CHCC public corporation for an amount that the *CMS determines should be paid*. This means that all other expenses and services would need to be curtailed, including radiology services (because we have no radiologist on island), cancer care treatment, off-island surgeries that cannot be performed at the CHCC, and many others. The list is endless and dooms the U.S. citizens in the CNMI to substandard or no care.

There are further consequences. Not only will the CHCC not be reimbursed even the full estimated federal-local share of Medicaid services. What are we to do?

Averting the Medicaid Cliff

The CNMI Medicaid program believes that the U.S. House of Representatives clearly understands the major sources of the challenges and the recent questions sent by the U.S. Senate Committee on Natural Resources strongly suggests an understanding of the very serious nature of the Medicaid Cliff.

There are three major policy proposals that will provide the level of assistance that is needed. First, the CNMI Medicaid Program requests Medicaid Disaster Assistance in the amounts minimally described as needed by the CMS. Second, the CNMI Medicaid Program strongly supports the lifting of the Section 1108 caps and allow the standard methodology to apply to the U.S. territories for the Medicaid Federal Medical Assistance Percentages (FMAP). Passage of the proposed H.R.1354, the Territories Health Equity Act of 2019, would provide equitable treatment for one of the most important U.S. programs that affects the U.S. territories and the U.S. citizens of the Commonwealth of the Northern Mariana Islands (CNMI) - Medicaid.

Summary

The CNMI is in a desperate and dire situation; and, the U.S. citizens in the Northern Mariana Islands deserve equity in healthcare. As such, we are humbly pleading for the U.S. Congress to please help to treat the U.S. citizens of the U.S. Commonwealth of the Northern Mariana Islands equitably, and if I may humbly ask, quickly.

Thank you once more for taking the time to hear this issue.