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Committee on Energy and Commerce Oversight Hearing
"STRENGTHENING HEALTH CARE IN THE US TERRITORIES FOR TODAY AND INTO THE FUTURE"
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Hafa adai, Mr. Chairman and Ranking Minority Members, 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. I oversee the administration of Medicaid.

On behalf of Governor Leon Guerrero and the people of Guam, we thank you for inviting us to testify before the Committee on Energy and Commerce regarding the health care issues that Guam Medicaid Program recipients endure and the cliff Guam will face if there is no immediate action taken by the Congress beginning Fiscal Year 2020 to increase the territories Federal Medical Assistance Percentage (FMAP) and remove or increase the federal funding cap.

My testimony will cover the Medicaid issues in several contexts: 1) Cost of healthcare and access to healthcare services, 2) immigration of the Compact of Freely Associated States citizens, 3) Guam financial issues, and 4) 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.

The cost of providing health care in Guam is quite high due to its unique geographic location and the lack of tertiary care facilities and healthcare professionals. 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 some 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.

Additionally, due to gaps in tertiary care services, there are instances when off-island hospitals/doctors refuse to accept Guam Medicaid Program's 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. In other instances, patients needing to be transferred from Guam Memorial Hospital to a highly equipped off-island medical facility must stay longer in Guam hospitals for several more days before treatment can be obtained. As a result, patients' condition worsens requiring air ambulance.

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.

All these factors add to the high cost of health care in Guam, which contribute to Guam's economic problem.

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 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 estimated 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. 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 45% local matching funds required to drawdown the federal grant awards to pay the medical providers timely for the services rendered to program recipients.

The U.S. territories administer the 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. Section 1108 of the Social Security Act provide Gu with $17.97 million dollars (administration and medical services payments) for fiscal year 2019. This funding increases yearly based on Medical Consumers Price Index. The FY 2020 Regular Medicaid funding would be $18.38 million dollars. This fund 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 Program Integrity has a processes and procedures in place to detect fraud, waste, and abuse on both providers and recipients' utilization of services. Currently, the Guam Medicaid Program, administered by the Bureau of Health Care Financing Administration, under the auspices of the Department of Public Health and Social Services, Division of Public Welfare (DPW), employs stringent, comprehensive processes for ensuring Medicaid Integrity. These processes are managed by the divisions' Quality Assurance and Fraud Unit (QAFU), Prior Authorization Unit, Utilization Review and Claims Unit, as well as the Program Management Unit (PMU). The goal of each of these units is to detect, reduce, and eliminate fraud, waste, and abuse in the Medicaid Program.

Despite the above procedures/processes, 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 no action is taken to increase the FMAP and remove the federal funding cap, 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 (Guam Memorial Hospital Authority-GMHA) even more, which continues to struggle because of EMTALA (Emergency Medical Treatment and Labor Act). Furthermore, GMHA does not receive any additional payment from Medicaid/Medicare Disproportionate Share Hospital (DSH) for providing medical services to a large number of Medicaid and low-income uninsured patients because it is only applicable to the US states, which is another disparity on federal funding distribution. This will continue to heighten the financial problem of Guam.

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 increase the US territories FMAP and remove the Medicaid federal funding cap.** 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 Energy and Commerce for this oversight hearing. We hope that the committee will develop a solution to assist Guam and the other U.S. territories in resolving the long-standing disparity on Medicaid funding distribution that affects our economy.

Thank you for the opportunity to provide written testimony on this important issue.

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.