Interview: Jim O’Drobinak – CEO, MCS – Puerto Rico

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Jim O’Drobinak came to Puerto Rico at the end of 2011, following a career largely based in Florida, to run Medical Card System (MCS), a major insurance provider on the island. He shares his experiences and challenges to ensure a functioning health system in a time of doubt regarding healthcare funding in the Commonwealth.

What was your initial impression of Puerto Rico’s healthcare system and how has it subsequently evolved?

It was very apparent how interwoven everything is in Puerto Rico, both vertically and horizontally. Everybody knows each other in a way that was different from anything I had seen before. This factor has only increased throughout my time here.

What impact have the budget cuts from the Affordable Care Act (ACA) to Medicare and Medicaid had on Puerto Rico, and can it be ameliorated?

In 2011, we used to receive about $6 billion a year in Medicare Advantage (MA) funding. We are now down to $5 billion, and that funding is also for a larger population base. While these negative cuts have been ongoing since 2011, there are many good aspects of the Affordable Care Act. For example, coverage for American citizens in Puerto Rico is one of the best in the US at 94 percent. Another goal of the ACA is also stop the trend of rampant health cost increases that are unsustainable in the long-term. Furthermore, although MA rates were placed into one of three thirds, one at a 115 percent rate, one at 110 percent and one at 105 percent of Medicare revenue,

Puerto Rico was given the 115 percent rate. However, the problem is that Puerto Rico's MA funding started at around 165 percent of Medicare, although the absolute funding number was still the lowest in the USA. Thus, to get to the 115% rate, the cuts were precipitous in terms of absolute funding. Buried further in the ACA is a provision called the Minimum Medical Loss Ratio. One of the ACA's other goals is to stop the alleged large profits made by healthcare companies. Therefore, ACA mandated that 85 cents on the dollar has to go to patient medical costs, which is a great idea. Locally, Insurance Commissioner Ángela Weyne has implemented similar procedures, which are great when rates are going up. However, when Puerto Rico loses a billion dollars in funding a year, this equates to $850 million less that has to paid to the medical community, in addition to the health plans having to cut $150 million, to offset the $1 billion in revenue cuts. These cuts put tremendous pressure on the health care system. Half of the money in the Puerto Rican healthcare system is funded through this now $5 billion MA figure, but there is only so much you can cut back on. MCS has focused on this problem immensely. We, as a health care community, should pay for medical drugs, procedures and processes for the people that need it. But those cheating the system are a real problem for everyone in Puerto Rico.

Collaboration among the various constituents – plans, hospitals, doctors and vendors – while difficult, is fundamental for success in times like these. My revenue loss means your revenue loss – no one can argue with that. The difference between working out that problem to the least detriment of the system is the bridge of trust, which is not always inherent in the food chain of health care. Consequently, MCS has made great efforts to try to meet with all constituents to talk about healthcare reform, to enact positive change, or the current system will continue to erode. For example, Reforma has evolved into the Mi Salud program in PR, and while ultimately the negative economics of that program may generate a future, third version for PR Medicaid, we cannot have evolution continue for MA. Over 80 percent of Puerto Rican seniors choose MA; we believe that fact is because MA is a better product than traditional Medicare and that product is more affordable for our beneficiaries. At MCS, for approximately half of our 175,000 beneficiaries, we send a physician to their home to do a seven-page physical exam, a drug review and schedule a follow-up visit. This home visit is especially important if you live in a rural area and you cannot get to a doctor. If you are in a dual Medicare-Medicaid program, PR's Platino program, typically you also do not have many copays. With an average income of $18,000 versus $ 53,000 in the US, economics matter for Puerto Ricans.

In addition, there are no quality incentives programs for traditional Medicare, unlike the Stars program in MA. If we succeed on CMS' ~55 MA Star criteria, we get more money in an upcoming year. For these many reasons, we all have to work together to keep MA funding at 2011 levels. For

non-MA beneficiaries, they still go to the same hospitals, doctors and pharmacies as the MA members. If it is convenient in San Juan to go to a nearby hospital, but if that hospital closes because of MA cuts, you will have to go further for these services. Regulatory, we could have much wider geographic distribution in Puerto Rico, but it is harder to drive here than in the US, so the market demands more and closer facilities. Therefore it is necessary in the marketplace to work together and solve the problem. The problem is the reduction from $6 billion dollars to $5 billion dollars in annual MA funding. But at some point in time, that funding level won't cut it anymore – and the whole system will crumble. If the ACA cuts continue, this will happen.

What are some of the specific things that Puerto Rico has had to cut back on?

Everything – benefits, providers and choices. We all have the same basic economic disaster situation facing us. In terms of MCS, our plan is to get closer to our customers and providers. We talk to hospitals, and we have sounding boards with physicians. We talk to people about how things will go once they have less money to spend. The idea is to target the sickest people and get them in their cycle of care earlier to be proactive and preemptive before something bad happens. We know this will help control costs and improve health outcomes. Therefore we have to get to patients quickly to identify small problems that could be big problems. That proactive nature is what we can do now, by working closely with doctors, hospitals and vendors. Hospital administrators and physicians are skeptical of healthcare plans; that takes a while to overcome, but the freight train of rate reductions are already upon us. While we are all finessing our way to a Pollyannaish perspective of inactivity, the economics are such that the health care plans are getting less now – since 2011 – and we have to make the hard decisions just to survive. And no one will survive inactivity.

Do you find that patients in general are receptive to this newfound reality in terms of making the effort to be more preventative than curative?

Subject to the limitations of Puerto Rico, they are receptive. Our average patient is poorer and less mobile than in the US, and there are not as many doctors and specialists on the island as there used to be. People are motivated and we can work with them, but there are three legs of the health care stool. Ultimately, there are the "Three P's" plans, providers and patients. The plan can work with the patients, but if the provider community is disappearing from Puerto Rico – and there are thousands of fewer healthcare professionals here than there used to be, particularly young professionals and specialists – that cycle will also kill the health care system. Doctors struggle to find economically satisfying work here now are readily going to the US. The spiral becomes a downward one, without a happy outcome. As I mentioned, MCS wants to work closely with its

beneficiaries, and we believe that people choose MA because they want to be healthy. Personally I believe traditional Medicare focuses on claims paying – again, I see no formal Quality programs coming out of that sector. At MCS, we meet with you when you leave the hospital, we remind you to take your meds, we encourage appropriate aftercare, and we will call you afterwards to make sure these things happen. Conceivably, It might be the first time you have ever been to the doctor for this kind of service – it is new to you and you are worried. But we will talk to you, and follow up with a nurse; Medicare does not do that. Ultimately the beneficiary still has to go to a doctor for follow-up, and that doctor still has to have the time to see you, that we cannot control, but the whole experience, we are supporting through improved communication and care management. Remember, 94 percent of people are covered in Puerto Rico, but it is becoming harder to see doctors due to their decreasing numbers. Physician loss is a challenge for everyone in Puerto Rico; not just MA customers, but for anyone who needs healthcare. And this means every person living in Puerto Rico.

Is Washington receptive to these problems?

I do not think so quite yet because they have a whole host of problems of their own. Puerto Rico's health care struggles mirror the Puerto Rican economic struggles in that every situation is different for a territory like Puerto Rico, versus a state, there is no easy fix. That will not change overnight . Similarly, Puerto Rico's voice is not unified because it is so small in the eyes of Washington. Even now, there are more Puerto Ricans in the mainland US than live in Puerto Rico, and they can vote once they move to the mainland. US citizens of PR living on the island cannot vote. So that voice is starting to be heard by our voting compadres living on the mainland. I have gone and lead the charge in the US for years, and they say they will do something and they do not. Washington does listen, we explain that everything is more expensive here and income is less. They do not help….yet. But we will keep trying. .

What are some other competitive advantages that MCS offers?

We provide excellent care for our members; that is what matters most to beneficiaries. We work closely with the medical community to accomplish this goal. MCS has been in business for about 34 years and it has been our hallmark to provide excellent service. MCS clients always receive quality medical care; that is our goal, and we do it exceedingly well.

Are doctors are receptive to MCS's services?

We have grown a lot since I have been here. The tide of public opinion was going against us when I first arrived, and now it is better as a result of our quality medical care and service to our members

. Puerto Rico’s population is ten percent less than when I arrived, and yet today MCS is 30 percent bigger now than when I came. Our message of quality health care is being heard.

As an outsider, has that provided you an advantage?

My predisposition was very positive coming to Puerto Rico – my wife, Liana, is Cuban and had been here numerous times and loved the island . When I came to MCS, the MCS situation was tough one, so I had a mixed perception initially. I believe that you need a bit of the “new and the old” to be successful in life, which is what we have in MCS. The only constant in life is change, so as a business you have to continually try new ideas. The stateside bag of tricks in healthcare is a little different that here in PR. A few of us have brought some of those ideas from the US so along with my inheritance of tremendous MCS employees, here we essentially have the best of both. At MCS, we have the best of a positive, long-term culture in the community combined with some different and newer thoughts. Puerto Rico is different; it takes some time to learn the local cultures. If you take a bit of everything, from everyone, you can come up with the right equation. That is where our unique niche is; MCS thinks differently and is unencumbered by a lot of bureaucracy. A small group of us can make changes expeditiously. It’s a great place to work.

What are your ambitions for MCS in the future?

Our vision is to be the leader in the healthcare industry in Puerto Rico, and I think we are well on our way to doing that. But it does not matter if you are the only guy left standing on a scorched earth field. When I came here, MCS’s perceived image was negative. We have become a better steward on the island, and collectively we have to take success outside of Puerto Rico and work with the whole country to help save health care in Puerto Rico. We have to solve the healthcare funding problem federally, and really work together with all of Puerto Rico’s health care constituents. It is not about MA, Mi Salud or commercial insurance; we are all woven together. We have to convince Washington that things are different in Puerto Rico and that they are killing the healthcare system with the current funding levels, for both MA and Medicaid. We need to speak as one voice. And the one thing that everyone should understand I s the one truth here: ACA and its current funding is killing health care in Puerto Rico. My goal is to help solve that problem. MCS has become a trusted PR constituent, and I appreciate the opportunity to use this forum to work together for the common goal of improved health care in Puerto Rico.

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