

## Jim O'Drobinak - CEO, MCS, Puerto Rico

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*Jim O'Drobinak, CEO of MCS, one the three largest insurance providers in Puerto Rico, talks about the issues facing the island's healthcare system, namely chronic underfunding, ageing demography and emigration of doctors, and what the company is doing to tackle these problems. He also stresses the importance of acting on the social determinants of health to prevent illness and aid recovery from the effects of Hurricanes Irma and Maria in 2017.*

### **Could you start by introducing the activities of MCS?**

MCS is a 35-year-old healthcare company operating exclusively in Puerto Rico. We generate almost USD 2 billion in annual revenue, representing about 20 percent of the island's USD 10 billion healthcare industry. We operate in two of the three lines of health insurance in Puerto Rico: Medicare Advantage (MA) and commercial insurance. MA, which is entirely federally funded, represents about half of the healthcare spending on the island. Nowhere in the United States is MA enrollment as popular as it is in Puerto Rico where more than eight out of every 10 Medicare-eligible adults are enrolled in the program. MCS currently is the second largest provider of MA health coverage.

Commercial insurance, which includes both business and individual health insurance plans, make up about a quarter of total annual healthcare spending at USD 2.5 billion. MCS is the second-largest private commercial insurance provider on the island. In total, MCS serves close to 400,000

members between MA and commercial.

The third line of insurance, which we do not operate in, is Medicaid, otherwise known as Mi Salud, and now, Vital in Puerto Rico. Almost 50 percent of Puerto Ricans are covered by Medicaid, the largest percentage in the United States. As opposed to Medicare Advantage, which is entirely federally funded, Medicaid has a significant local budget component, and its total funding is 60 percent below the US average. As Medicaid is currently running out of Federal funding, it is generating the most headlines, even though it is not the largest part of the healthcare system, Medicare Advantage is.

**During our last interview 4 years ago, you were sounding the alarm about the reduction in Medicare Advantage funding due to the Affordable Care Act which could lead to an “economic disaster”. How has the situation evolved since then?**

After the Affordable Care Act was passed in 2010, funding for MA has gradually decreased year after year. This trend continues although it has plateaued a bit recently through some “temporary fixes” by CMS. Today, Federal funding of MA in Puerto Rico is 40 percent below the average of what US mainland states receive. Well before Hurricanes Maria and Irma hit the island in 2017, I was warning that this reduction in funding will further erode the healthcare system, and prompt young medical professionals to leave as their paychecks get thinner, working conditions harder, ancillary services and supplies become less available, hospitals will close, etc.

The 2017 hurricanes drastically accelerated this downward spiral. The unfortunate natural disaster caused a severe trauma for Puerto Rico as a whole, and particularly laid bare the economic fragility of the island’s healthcare system. The devastation gave an immediate, compelling reason for young medical professionals to leave and healthcare businesses not to reinvest in their operations, compared to the general but steady erosion of the healthcare system before the hurricanes. Doctors and nurses are not the only ones who are leaving. Many bright and talented young Puerto Ricans have decided to move to the US post-hurricane and did not come back. Since 2009, PR’s population has dropped from 3.9 million citizens to the post-Maria census estimate of 3.1 million, a 20 percent decrease.

As young students and professionals are leaving while old people are staying, the rapidly shifting population bell shape curve, in addition to the population exodus in general, is creating a virtual death spiral for the island. People age 60 and over are becoming an increasingly larger percentage of the total population. The elderly and poor represent over 60 percent of Puerto Rico’s population

and are people with more difficult and costly medical needs. They are not balanced out by young people who are healthy and productive. Moreover, only 21,000 babies were born in Puerto Rico last year. This population mix puts tremendous pressure on the healthcare system.

This unprecedented population demographic coupled with tremendous Federal underfunding, about 60 percent below the US average in Medicaid and 40 percent below in Medicare, creates a serious problem for the healthcare system. Receiving Federal healthcare funding at 60 cents on the dollar in MA and 40 cents in Medicaid is not sustainable for Puerto Rico. I would say the “economic disaster” is upon PR much quicker than I would have predicted, last time we spoke.

**As a key player in Puerto Rico’s healthcare system and economy, how has MCS contributed to the recovery efforts after Hurricanes Irma and Maria?**

We have become much more involved in the community after the hurricanes through the MCS Foundation which my wife, Liana, runs pro bono. In the aftermath of the disaster, we challenged the Foundation to raise USD 500,000 and MCS would match every dollar contributed. By November 2017, the goal was reached, and we offered to match another USD 250,000, bringing the campaign total to USD 1.5 million which was awarded entirely to projects focused on hurricane recovery, primarily handing out meals, water, and other necessities.

Our contribution to PR through the MCS Foundation has evolved since those early post-hurricane days in 2017/8. Currently, we are looking for more economic and health sustainability for our contributions. As part of the *Puerto Rico. Millions of Reasons to BELIEVE* campaign, in 2018, the MCS Foundation raised another \$1 million to go beyond hurricane recovery. For example, funds were allocated to 25 entities focused on addressing the social determinants that impact the health of the elderly in Puerto Rico.

Lastly, MCS has deepened our roots on the island, as a company. Before Maria, we had plans to expand to Florida and diversify into new lines of business, but post-hurricane was not the time for MCS to diversity outside of PR. When everybody was worried about the future, we found that our employees and members needed something that gave them peace of mind *today* in Puerto Rico. We really focused on running a conservative and positive company, communicating a lot more proactively with our employees and providing them with stability in their employment experience at MCS. In the months after the hurricane, we wanted to make sure that when our employees came to work, they felt that the company was going to be sound, that they could get something to eat, bring their kids to the office to be with them and that we cared for each and every one of them, as

leaders of the company.

Now, as an industry, we all need to go to Washington DC and solve the problem of Federal underfunding for Puerto Rico. Honestly, there is just no long-term hope for the healthcare system in the current economic situation. With the present funding level, the system can tread water, but without improved funding, it will not be able to function as an integral pillar necessary for economic recovery. Puerto Rico needs improved Federal funding to ensure its citizens the long-term essential access to quality care.

### **How is MCS working to address the issue of federal underfunding?**

MCS is actively working with the Puerto Rico government and other constituents in the healthcare system to lobby Washington DC for more funding. If Puerto Rico were a state, it would be the 30th largest, between Connecticut and Utah, slightly higher than Iowa. The leaders in Washington DC expect Puerto Rico to speak with a unified voice, which nobody would ever ask of Connecticut, Utah or Iowa.

However, we need to adapt to this reality. In the past, Puerto Rico has struggled to build and present a harmonious, unified perspective to decision-makers in Washington DC. For example, the payors in PR are constantly trying to make doctors realize that we are on the same side of the fence with them, economically. At the end of the day, we are all in the same boat - there is not enough federal funding to support the healthcare system. We need to focus on the facts and let them speak for themselves.

I recently met with the Chief of Staff of Secretary Alex Azar to discuss the issue of funding. Even though it is not part of MCS' business, we largely talked about Medicaid because that is the right thing to do when 50 percent, or every other Puerto Rican, is a Medicaid beneficiary and Medicaid underfunding affects the same hospitals, doctors, and families so significantly.

This being said, more federal funding by itself will not resolve the island's woes. Puerto Rico is in the midst of the largest bankruptcy in the United States, seven times larger than Detroit's bankruptcy, previously the largest filing in history. For Puerto Rico to get out of the financial hole and renew its fiscal stability, the economy needs to be self-sustaining. For this to happen, the government needs to embrace a clear and robust economic platform. In my opinion, tourism and the manufacturing of drugs/pharmacy and medical devices should be prioritized. The healthcare industry should be actively supported by all Puerto Ricans because a society cannot exist without

three essential components: healthcare, security, and education. To me, it is the government's job to provide its citizenry access to quality, affordable healthcare, make them feel safe in society and be able to educate themselves in public schools.

**As mentioned, another challenge for the Puerto Rican healthcare system is the exodus of young physicians and specialists to the US mainland. How is MCS contributing to retaining medical talent on the island?**

First, I would like to praise the efforts of the previous administration which introduced fiscal incentives for doctors. These incentives have had a positive impact on retaining doctors but also attracting those who had left.

As a company, last year, MCS initiated a program called MCS Conexión de Salud (MCS Health Connection) which aims to retain our medical talent and strengthen the country's health system and economy by building lasting relationships between the various components of the industry through the three pillars of the program: communication, technology, and compensation. MCS Conexión de Salud is a collaborative platform which aims to cause a synergistic effect that, in the end, will contribute to the retention of our local medical talent with the appropriate compensation model, while disseminating knowledge to maintain the highest level of quality and effectiveness in the provision of health care services within the MCS provider network.

**There is movement both in Puerto Rico and at the federal level to make healthcare prices more transparent, in particular drug prices, with the intent to reduce healthcare costs. Do you welcome this movement towards price transparency, and do you think it will lead to lower healthcare costs for patients?**

I am not smart enough to predict the impact of potential legislation, but I am a big believer in transparency. However, delivering more transparency would require investments in new technologies, such as a universal app where users would be able to see and compare costs. Considering Puerto Rico does not even have electronic medical records for all individuals, there is a long way to go. Because the system is underfunded, there is already a lack of investment in technology. Moreover, doctors on the island average approximately 58 years old, a population which is typically not technologically savvy.

While I really think transparency is a good thing, it would require technological platforms that the system cannot afford and would be difficult to implement, or at least implement quickly, in Puerto Rico

**Considering the difficult situation you describe, what makes MCS the preferred insurance provider on the island?**

We care the most for our employees, members and Puerto Rico. Healthcare is made up of two words, health and care. Not only do we provide very good health coverage for our members, but we also genuinely care about them as individuals. We do not withhold care, we maintain the widest and best selection of doctors and bend over backward to make sure people are taken care of, not only our members, but the entire population. This is what makes us unique, and different from other providers. We were not the best when I got here, I can say proudly we are the best now, for this simple but important reason.

We are also the sturdiest company, in terms of being the highest capitalized healthcare plan in Puerto Rico. Hurricane Maria showed that it is better to be safe than sorry. A robust brick house in the long run, is worth much more than a pretty, but fragile, wood house. Always pick sturdy, that is MCS.

**You mentioned how the MCS Foundation is trying to address social determinants of health, a key part of preventative healthcare. As a company, what programs have you put in place in order to prevent illness?**

Healthcare only works when you do it preventively. The good thing about Medicare Advantage is the Stars program, which for example does not exist in Medicaid or the Commercial lines of healthcare. An important part of the Star Rating system are its many preventive components, including adherence to regular screenings and medical check-ups and tests to prevent any health complications or early detect changes in Members' current health condition.

Beyond regular screenings and medical check-ups, prevention also means living healthy lifestyles. You want people to be socially active, exercise, sleep well and eat well. We are investing in these social determinants of health at MCS. Through our Ruta al Bienestar program, we are organizing activities for older people to go out and be active by partnering up with iconic local organizations like the YMCA, Salvation Army and other local, reputable grassroots organizations. We are

organizing events where people can watch a movie, dance, eat a healthy meal, hear speakers talk and get educated, for instance on healthy eating. We have embraced the social components of health.

Internally, we also take care of our employees. We found out, for example, that our people were not going to the doctor as often as they should. As a result, we opened a healthcare center in our building, right next to the MCS Foundation, so our employees can get easy access to a doctor. We also have a partnership with the nearby YMCA where employees can drop their kids off or exercise before or after work.

**Poor adherence to prescribed medications is a growing concern in the healthcare industry. In the US, it is estimated that 50 percent of annual prescriptions are not taken by patients in accordance to physicians' instructions which results in 125,000 premature deaths and approximately USD 100-300 billion worth of avoidable annual healthcare spending. How is MCS trying to address this issue?**

Embedded in the Medicare Advantage Stars program are drug adherence programs. Oftentimes, older Puerto Rican patients with co-morbidities take a lot of drugs and can get confused. To fight this eventuality of the aging process, at MCS, we are doing drug reviews in home for over half of our Medicare Advantage members. Prescribing the appropriate medication is one thing but making sure Members take them in the right manner is another issue. At MCS, we are trying to be much more interactive with the people and their caretakers. Although we cannot take the prescriptions for our Members, we can visit them at their house, show them that we care, how to properly take their prescriptions and as a result, hopefully ensuring they take their medicines, as prescribed.

We are also going to launch several outbound programs this year, to counteract depression. We realize that the Members who are calling us the most are probably the loneliest in society. So we have created programs where we are call them proactively in order to boost their morale, as a positive attitude goes a long way in helping recovery and maintaining good health.

**What are your ambitions for MCS in the future?**

Our vision is to be the leader in the healthcare industry in Puerto Rico and provide genuine care to achieve a fuller life is our mission statement to get there. Personally, I want our management team to be the thought leader on substantive questions that help Puerto Rico solve its most pressing

healthcare issues. Puerto Rico's healthcare system should not be forgotten. At MCS, we will work tirelessly until Federal funding for Puerto Ricans is on par with its fellow US citizens in the mainland states.

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